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HOUSE BILL NO. 403

Offered January 14, 2026

Prefiled January 12, 2026

A *BILL* to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15 and by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to income tax credits; child care-related expenses.

Patron—Reid

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15 and by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13 as follows:

§ 58.1-339.15. *Child-care expenses tax credit.*

A. For purposes of this section:

"Poverty guidelines" means the poverty guidelines for the 48 contiguous states and the District of Columbia updated annually in the Federal Register by the U.S. Department of Health and Human Services under the authority of § 673(2) of the Omnibus Budget Reconciliation Act of 1981.

"Qualified taxpayer" means an individual or married persons filing jointly whose family Virginia adjusted gross income does not exceed 400 percent of the poverty guideline amount corresponding to a household of an equal number of persons as listed in the poverty guidelines published during such taxable year.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, any qualified taxpayer eligible for a tax credit pursuant to § 21 of the Internal Revenue Code, may, for the taxable year, claim a refundable credit against the tax imposed pursuant to § 58.1-320 in an amount equal to 20 percent of the credit claimed by the individual or married individuals for federal individual income taxes pursuant to § 21 of the Internal Revenue Code for the taxable year. The aggregate amount of credits allowable under this section shall not exceed \$10 million per taxable year.

C. If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value within 90 days after the filing date of the income tax return on which the individual applies for the refund.

D. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

§ 58.1-439.12:13. *Employer-provided child-care tax credit.*

A. As used in this section, unless the context requires a different meaning:

"Qualified child care expenditure" means the cost of (i) acquiring, constructing, rehabilitating, or expanding property used as a qualified child day center; (ii) operating a qualified child day center, including training costs, certain compensation for employees, and scholarship programs; and (iii) contracting with a qualified child day center to provide child care. "Qualified child care expenditure" does not include expenses in excess of the fair market value of such child care.

"Qualified child day center" means a duly licensed child day center as defined by § 22.1-289.02, provided that such child day center participates in the Virginia Quality Birth to Five (VQB5) system established pursuant to § 22.1-289.05.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, an employer shall be allowed a refundable credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for 50 percent of such employer's qualified child care expenditures. The aggregate amount of credit for each taxpayer shall not exceed \$500,000 per taxable year. Such aggregate amount shall be adjusted annually beginning January 1, 2027, based on the change in the Chained Consumer Price Index for All Urban Consumers (C-CPI-U), as published by the Bureau of Labor Statistics for the U.S. Department of Labor or any successor index for the previous year. The employer shall submit with its tax return the records of its qualified expenditures, including any purchase receipts or invoices. The aggregate amount of credits allowable under this section shall not exceed \$10 million per taxable year.

C. If the amount of the credit exceeds the taxpayer's liability for such taxable year, the excess shall be refunded by the Tax Commissioner on behalf of the Commonwealth for 100 percent of face value within 90 days after the filing date of the income tax return on which the individual applies for the refund.

D. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

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