OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

H.B. 804
136th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Bryant Bailey

Zachary P. Bowerman, Attorney

SUMMARY

- Establishes a refundable income tax credit for the eligible child care expenses of a taxpayer with a dependent under the age of five.
- Requires a taxpayer's household income to be 750% or less of the federal poverty line to qualify for the credit.
- Bases the amount of the credit on the modified adjusted gross income of the taxpayer's household.
- Limits the maximum credit amount annually to $2,000 for one child and $4,000 for two or more children.
- Names the bill the "Childcare Tax Credit Act."

DETAILED ANALYSIS

Refundable child care expense tax credit

The bill establishes a personal income tax credit for the eligible child care expenses of a taxpayer with a dependent under the age of five. The credit is refundable and so will result in a refund if the credit amount is greater than the amount of tax owed. The credit is available beginning in the 2027 taxable year.[1]

To be eligible for the credit, a taxpayer's household income, based on the modified adjusted gross income (MAGI) of all members of the taxpayer's household, must be equal to or less than 750% of the federal poverty line (FPL) based on the taxpayer's household size for the taxable year. MAGI is Ohio adjusted gross income plus any income deducted pursuant to the

[1] Section 3.

existing business income deduction or capital gains deduction for the sale of a business.[2] The FPL for 2026 is $21,640 for a two-person household, with approximately $5,680 added for each additional household member.[3]

The amount of the credit is determined by multiplying eligible child care expenses by the applicable credit percentage, which is a sliding scale based on the household's MAGI, as described in the table below. Taxpayers with a household MAGI of 550% or less of the FPL are eligible for the full amount of the credit. The maximum annual credit allowed is $2,000 for one eligible child and $4,000 for two or more eligible children.[4]

Applicable credit percentage based on MAGI	
FPL	**Credit percentage**
At or below 550%	100%
551 to 600%	81.25%
601 to 650%	62.50%
651 to 700%	43.75%
701 to 750%	25%

Eligible child care expenses are any amount that would qualify as an employment-related expense for purposes of the federal dependent care credit. These include expenses for household services or the care of a qualifying child. To qualify, household services must be in part for the wellbeing and protection of a qualifying child. Overnight camps are not eligible expenses.[5]

Example

Because several variables are at play when calculating the credit amount, it may help to consider an example. Consider a taxpayer with a household of four that includes one four-year-old child. The household's MAGI is $185,000, and the taxpayer spent $3,000 on eligible child care expenses to care for the child. The 2026 FPL for a four-person household is $33,000, so the taxpayer's MAGI is about 561% of the FPL, which equates to a credit percentage of 81.25%. So, the taxpayer's credit equals 81.25% of $3,000, which is $2,437.50. However, because the taxpayer only has one qualifying child, the amount of the credit is limited to $2,000.

[2] See R.C. 5747.01(A)(28), (A)(34), and (II), not in the bill.

[3] See HHS Poverty Guidelines for 2026.

[4] R.C. 5747.74, 5747.08, and 5747.98.

[5] 26 United States Code 21(b)(2)(A); see also IRS Publication 503.

Interaction with existing credit

Continuing law authorizes a nonrefundable income tax credit for taxpayers with MAGI of less than $40,000 equal to either 25% or, if MAGI is less than $20,000, 100% of the taxpayer's federal dependent care credit for the taxable year. The bill's dependent care credit cannot be claimed on the basis of the same child care expenses that form the basis of this existing, nonrefundable credit.[6]

HISTORY

Action	Date
Introduced	03-31-26

ANHB0804IN-136/sb

[6] R.C. 5747.054, not in the bill, and R.C. 5747.74(C).