

HOUSE BILL 1505

By Mitchell

AN ACT to amend Tennessee Code Annotated, Title 67,  
relative to tax relief for taxpayers with childcare  
expenses.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act is known and may be cited as the "Childcare Advance Act."

SECTION 2. Tennessee Code Annotated, Title 67, Chapter 4, Part 7, is amended by  
adding the following as a new section:

(a) As used in this section, "eligible childcare expenses" means expenses for the  
care of one (1) or more dependents under the age of five (5) years old.

(b) The purpose of this section is to establish a childcare advance, which  
enables taxpayers to defer payment of a portion of their business tax liability.

(c) On or after January 1, 2024, and prior to January 1, 2028, a taxpayer who is  
subject to taxation under this part and who incurs eligible childcare expenses during a  
business tax period may elect to defer payment of the taxpayer's tax liability for that tax  
period by the amount of eligible childcare expenses, but not to exceed two thousand  
dollars (\$2,000).

(d) Tax deferral requests must be submitted to the department with the timely  
filed tax return on a form prescribed by the department and include the following:

- (1) The taxpayer's name and social security number;
- (2) The qualifying dependent's social security number and birthdate;
- (3) The name, address, and social security number or employer

identification number of the childcare provider; and

- (4) Proof of childcare expenses incurred for the business tax period.

(e) The commissioner may conduct audits or require the filing of additional information necessary to substantiate or adjust the amount of the deferred tax liability allowed by this section, and to determine that the taxpayer has complied with all statutory requirements for the deferral.

(f) The commissioner shall review the documentation submitted by the taxpayer and notify the taxpayer of the following:

(1) The total amount of the taxpayer's deferred liability;

(2) The tax period in which repayment will begin; provided, that repayment of the deferral must begin no later than four (4) years from the due date of the business tax return for which deferral was approved; and

(3) An estimate of the amount for which the taxpayer will be liable each tax period once the eligibility for the deferral expires.

(g) Repayment of tax liability must be divided into equal installments over a period not to exceed ten (10) years. Notwithstanding another law to the contrary, interest and penalties do not apply to repayments under this section.

(h) This section does not prevent a taxpayer from repaying accumulated liability earlier than the schedule set forth in subsection (g), or taking less than the total amount allowable under subsection (c) in a given tax period.

(i) The department may provide for the repayment of deferrals under this section to be made through the automatic draft of payments from a bank account.

(j) The commissioner is authorized to promulgate rules to effectuate the purposes of this section. The rules must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

SECTION 3. For the purpose of promulgating rules, this act takes effect upon becoming a law, the public welfare requiring it. For all other purposes, this act takes effect January 1,

2024, the public welfare requiring it, and applies to tax periods that begin on or after January 1, 2024.