

SENATE BILL REPORT

ESSB 6137

As Passed Senate, March 7, 1996

Title: An act relating to economic incentives for employer-sponsored child care benefits.

Brief Description: Providing tax credits as an incentive for employer-sponsored child-care benefits.

Sponsors: Senate Committee on Human Services & Corrections (originally sponsored by Senators Kohl, Long, Hargrove, Pelz, Thibaudeau, Rasmussen, Spanel, Snyder, Fraser, Wojahn, Heavey, Bauer, Quigley and McAuliffe).

Brief History:

Committee Activity: Human Services & Corrections: 1/16/96, 1/31/96 [DPS-WM].

Ways & Means: 2/5/96, 3/7/96 [DPS (HSC)].

Passed Senate, 3/7/96, 49-0.

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 6137 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hargrove, Chair; Franklin, Kohl, Long, Moyer, Prentice, Schow, Smith, Strannigan, Thibaudeau and Zarelli.

Staff: Richard Rodger (786-7461)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6137 as recommended by Committee on Human Services & Corrections be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Finkbeiner, Fraser, Hargrove, Kohl, Long, McDonald, Moyer, Pelz, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Terry Wilson (786-7433)

Background: Many studies have reported on the lack of high-quality, affordable child care available within in our state. At the same time many employers have reported that the availability of high-quality, accessible child care is a benefit to their companies. Access to child care contributes lower absenteeism and higher productivity in the workforce.

One option that has been discussed to increase the availability of child care is to create incentives for employers who provide child care benefits to their employees. It has been suggested that a tax credit for employers would encourage them to provide quality child care to their employees.

Summary of Bill: Employers who provide or assist in the provision of child care for their employees are granted a credit against the amount of tax the employer owes.

The tax credit is allowed in the following amounts: (1) Equal to 25 percent of the amounts expended for capital and operating expenses made for an on-site child care facility for employers; and (2) equal to 25 percent of the amounts expended for the purchase of child care services for employees. An employer is limited to a credit of up to \$200,000 per year.

The tax credit does not apply for reimbursed expenses, for out-of-state services, or for expenditures made under a federal salary reduction plan.

An employer must repay the tax credit claimed if it does not continue to use the facility for child care services for at least ten years. An exception is provided in case the business ceases operation.

The employer may only receive the credit for expenditures to the benefit of employees who earn less than three times the federal poverty level for a family of three. At the 1995 level, employer's expenditures would only qualify for those employees (including their spouse's income) with an adjusted gross income below \$37,770.

Two or more businesses or entities are allowed to jointly apply to receive the tax credit. The Department of Revenue must report on use and effect of the credits. The bill also allows an exemption from the sales and use taxes on materials, construction and labor used in building an on-site child care facility.

The credits and exemptions are only allowed under the bill for child care services meeting all state and local licensing and operating standards. The Department of Revenue (DOR) must adopt rules to administer the act.

Appropriation: None.

Fiscal Note: Requested on December 28, 1995.

Effective Date: The bill takes effect on January 1, 1997.

Testimony For (Human Services & Corrections): Providing child care is one of the best ways to assist people to leave AFDC. The bill will give employers more choice in providing employee benefits. The bill will not only help employers but will also be of great benefit to low wage earners.

Testimony Against (Human Services & Corrections): None.

Testified (Human Services & Corrections): Margie Reeves, WA. Assoc. for the Education of Young Children (pro); Elizabeth Thompson, WA. State Child Care Resource & Referral Network (pro); Dan Comsia, Lutheran Public Policy Office (pro); Karen Tvevt, DSHS, Office of Child Care Policy; Larry MacMillan, DSHS (pro).

Testimony For (Ways & Means): There is a great desire for on-site child care services. The cost is prohibitive for many employees without some economic incentive. This is good for business and families.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): Nina Auerback, Child Care Resources (pro); Larry Macmillan, Child Care Advantages, DCTED/DSHS OCCP; Jean Sloan, Sally Reigil, Child Care Action Council (pro); Lauren M. Tozzi, Worthy Wages Task Force, NOW (pro).