

HOUSE BILL REPORT

HB 2641

As Reported By House Committee On:

Children & Family Services

Title: An act relating to providing tax credits for businesses making expenditures for employee child care.

Brief Description: Providing tax credits for businesses making expenditures for employee child care.

Sponsors: Representatives Morris, Dunshee, O'Brien, Kenney, Chopp, Kessler, Conway, Wood, Poulsen, Anderson, Ogden, Costa, Murray, Regala, Gardner, Gombosky and Wolfe; by request of Governor Locke.

Brief History:

Committee Activity:

Children & Family Services: 2/5/98, 2/6/98 [DP].

HOUSE COMMITTEE ON CHILDREN & FAMILY SERVICES

Majority Report: Do pass. Signed by 8 members: Representatives Cooke, Chairman; Tokuda, Ranking Minority Member; Kastama, Assistant Ranking Minority Member; Ballasiotes; Dickerson; Gombosky; McDonald and Wolfe.

Minority Report: Do not pass. Signed by 3 members: Representatives Boldt, Vice Chairman; Bush, Vice Chairman; and Carrell.

Staff: Douglas Ruth (786-7134).

Background: Studies have been reported on the lack of high-quality, affordable child care available within 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 to 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 for their employees.

Summary of Bill: This bill provides a business and operations (B&O) tax credit for companies with less than 400 employees that provide child care for employee children. The credit is equal to 50 percent of child care costs, but may not be applied to costs over \$400 per month per child. The total credit per business is limited to \$100,000 per year. In addition, the credit may not exceed actual taxes due.

The total credits allowed have a ceiling of \$5,000,000 per year. Up to that amount, credits will be granted on a first-come basis. Credit may not carry over from year-to-year and cannot be used for both B&O and public utility taxes.

Qualifying child care costs include direct payments to parents for child care, direct payments to day cares, and the costs related to employer provided child care at the work site.

The Department of Revenue is required to report and make recommendations to the Legislature by December 1, 2000, regarding required revisions to the credit.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: The number of families that have dual-wage earners is increasing. With this increase there is a corresponding increase in the demand for day care. Parents must have options to respond to the greater demand for flex time and overtime in today's labor market. This creates a great desire for on-site child care services. The cost is prohibitive for many employers without some economic incentive. This is good for business and families. Child care facilities can offer better care when they are linked to employer programs. There is a link between better pay, lower turn-over, and higher quality care for children. However, to insure quality, the bill should only offer credits to employers that use programs that meet the state's licensing requirements.

Testimony Against: None.

Testified: Representative Jeff Morris (sponsor); Maureen Morris, Deputy Director, Office of Financial Management (pro); Bill Larrabee, Child Care Resources (pro); and Lynn B. Wirta, Small Faces Child Development Center (pro).