

SENATE BILL REPORT

SB 5158

As Reported By Senate Committee On:
Human Services & Corrections, February 20, 1997
Ways & Means, January 20, 1998

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

Brief Description: Providing economic incentives for employer-sponsored child-care benefits.

Sponsors: Senators Kohl, Strannigan, Long, Hargrove, Franklin, Brown, Patterson, Zarelli, Spanel, Thibaudeau, Schow, Winsley, Anderson and Oke.

Brief History:

Committee Activity: Human Services & Corrections: 1/30/97, 2/20/97 [DPS-WM];
1/28/98.

Ways & Means: 1/20/98 [w/oRec-HSC].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 5158 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Long, Chair; Zarelli, Vice Chair; Franklin, Hargrove and Kohl.

Staff: Joan Mell (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That it be referred to Committee on Human Services & Corrections without recommendation.

Signed by Senators West, Chair; Strannigan, Vice Chair; Fraser, Hochstatter, Kohl, Long, Loveland, Rossi, Spanel, Swecker and Winsley.

Staff: Terry Wilson (786-7715)

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.

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

The tax credit allowed is equal to 25 percent of the amounts expended for: (1) on-site child care facilities for employees, including: (a) constructing, repairing, or improving new or

existing buildings or structures; and (b) operating expenditures; and (2) the purchase of child care services for employees. An employer is limited to a credit of up to \$200,000 per year.

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 1996 level, employers' expenditures would only qualify for those employees with total compensation from the employer below \$38,940. The tax credit does not apply for expenses reimbursed by the employee or another third party for out-of-state services.

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 credit is only allowed for child care services meeting all state and local licensing and operating standards.

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 and adopt rules to administer the act.

Substitute Bill Compared to Original Bill: The sales and use tax exemption is removed. The method for figuring the income limit for employees is changed so that now the total compensation paid by the employer to the employee is used rather than adjusted gross income of the employee and the employee's spouse. Also, employers who participate in a "dependent care assistance program" for the purpose of lowering federal income tax for the employees are eligible for the state tax credit authorized in this bill.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: On-site child care is good for business. There is less turnover and better morale among employees. This bill provides an incentive for small businesses. This will make affordable child care more available. Child care workers tend to be better paid and better trained in employer-sponsored child care centers. This is a positive response to changing needs.

Testimony Against: None.

Testified: Tom Bryant, Child Care Partnership (pro); Marty Jacobs, WAEYC (pro); C. A. Newell, C.A. Newell Co. (pro); Bill Larabee, Child Care Res. Employer Project (pro); Stu Jacobson, WA Parents for Safe Day Care (pro).