
SENATE BILL 5158

State of Washington

55th Legislature

1997 Regular Session

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

Read first time 01/16/97. Referred to Committee on Human Services & Corrections.

1 AN ACT Relating to economic incentives for employer-sponsored child
2 care benefits; adding a new section to chapter 82.08 RCW; adding a new
3 section to chapter 82.12 RCW; adding a new chapter to Title 82 RCW; and
4 providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature recognizes that care of
7 children is the primary responsibility of parents. How that care is
8 provided and by whom is of paramount importance to parents whose
9 employment needs make it impossible for them to provide care to their
10 own children during their work hours.

11 The legislature also recognizes that making high-quality child-care
12 services more affordable throughout the state can benefit employers and
13 families and that many employers would be able to improve their work
14 force and competitiveness by expanding the pool of available workers.
15 The legislature intends to facilitate this through providing tax
16 credits for employer-sponsored child-care facilities and services, with
17 a target of small and medium-sized businesses.

18 The legislature further finds that an increase in affordable high-
19 quality child care presents an opportunity for ensuring healthier and

1 safer environments for children and increases in children's educational
2 growth opportunities.

3 Couples who choose to have one parent stay home and provide care to
4 their children and forgo receiving two incomes should not experience
5 tax penalties. The legislature finds that any public policy that
6 transfers income in the forms of benefits or tax credits to parents who
7 choose employer-sponsored care for their children must be considered
8 carefully for its implications on the work force as well as on the
9 well-being of families.

10 This act is intended to modify the state's tax and child-care
11 policies by allowing a credit against the tax liability of an employer
12 who voluntarily participates in expansion of workplace child care and
13 provide incentives to the private sector to:

- 14 (1) Promote growth of employment opportunities;
- 15 (2) Assist employees in obtaining affordable high-quality child
16 care;
- 17 (3) Increase opportunities for children to obtain early education
18 and social skills; and
- 19 (4) Reduce public assistance caseloads.

20 NEW SECTION. **Sec. 2.** (1) A tax credit is authorized equal to
21 twenty-five percent of the amounts expended for: (a) Constructing,
22 repairing, or improving new or existing buildings or other structures
23 used as an on-site child care facility for employees within the state;
24 (b) operating expenditures made in providing child care in an on-site
25 facility for employees within the state; and (c) purchasing of child-
26 care services within the state for employees from other child care
27 providers.

28 (2) This section shall not apply to expenditures: (a) That are
29 reimbursed by the employee or any third party; or (b) that are made
30 under a salary reduction plan pursuant to the internal revenue code, 26
31 U.S.C. Sec. 125.

32 NEW SECTION. **Sec. 3.** (1)(a) The credit under section 2 of this
33 act may be applied to taxes under chapter 82.04 or 82.16 RCW, or both.
34 The credit shall be taken against taxes due for the same calendar year
35 in which the amounts were paid. The credit must be claimed by the due
36 date of the last tax return for the calendar year in which the payment
37 is made.

1 (b) The annual credit claimed by any person under this section
2 shall not exceed the lesser of the tax otherwise due under this chapter
3 during the same calendar year or two hundred thousand dollars.

4 (c) No portion of an application for credit under this section may
5 be carried back or carried forward to a different calendar year.

6 (2) The taxpayer shall repay all taxes not paid because of the
7 credit granted under section 2(1)(a) of this act plus applicable
8 interest under RCW 82.32.050, but not penalties, computed from the time
9 the taxes would have been paid until the date of payment if the
10 taxpayer changes the use of the child care facility less than ten years
11 after the facility is built. This subsection does not apply if: (a)
12 The business ceases operation; (b) the business no longer has employees
13 who wish to utilize the child care facility; or (c) the child care
14 facility is replaced with a child care facility of equal or greater
15 capacity for which no credit or exemption was taken under section
16 2(1)(a), 5, or 6 of this act.

17 (3) A credit is only allowed under this section for operating
18 expenditures attributable to, or other amounts expended for, employees
19 and their spouses whose combined adjusted gross incomes are less than
20 three times the amount listed in the federal register, each year, for
21 the poverty guideline for a family of three living within the forty-
22 eight contiguous states of the United States.

23 NEW SECTION. **Sec. 4.** Two or more entities that pay tax under
24 chapter 82.04 or 82.16 RCW may jointly receive the credit available
25 under section 2 of this act under the following circumstances:

26 (1) An on-site facility is jointly owned or operated by the
27 entities or the contract for provision of child care services is
28 jointly executed by the entities with the same provider of child care;

29 (2) The conditions in section 3(1) of this act shall apply to the
30 construction and operation or purchase of child care services;

31 (3) The percentage of the credit for construction of an on-site
32 facility available to each entity shall be equal to the percentage of
33 ownership interest each entity has in the facility;

34 (4) The percentage of the annual credit available to each entity
35 for operating an on-site facility, or for the provision of child care
36 services, shall be equal to the percentage of the operating or
37 provision expenditures made by each entity; and

1 (5) The entities share common areas of real property including but
2 not limited to walls, hallways, and parking or occupy the same parcel
3 of land for property tax purposes.

4 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.08 RCW
5 to read as follows:

6 (1) The tax levied by RCW 82.08.020 shall not apply to sales to an
7 employer for purpose of constructing, repairing, or improving a new or
8 existing building or other structure used as an on-site child care
9 facility for employees within the state of materials used directly in
10 the construction of the facility, or to sales of or charges made for
11 labor and services rendered in respect to the construction, repair, or
12 improvement, but only when the purchaser provides the seller with an
13 exemption certificate in a form and manner prescribed by the department
14 by rule, and the purchaser provides the department with a duplicate of
15 the certificate or a summary of exempt sales as the department may
16 require. The seller shall retain a copy of the certificate for the
17 seller's files.

18 (2) The taxpayer shall repay all amounts not paid because of the
19 exemptions granted under this section plus applicable interest under
20 RCW 82.32.050, but not penalties computed from the time the taxes would
21 have been paid until the date of payment, if the taxpayer changes the
22 use of the child care facility less than ten years after the facility
23 is built. This subsection does not apply if: (a) The business ceases
24 operation; (b) the business no longer has employees who wish to utilize
25 the child care facility; or (c) the child care facility is replaced
26 with a child care facility of equal or greater capacity for which no
27 exemption or credit was taken under section 2(1)(a), 5, or 6 of this
28 act.

29 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.12 RCW
30 to read as follows:

31 (1) The provisions of this chapter shall not apply in respect to
32 the use by an employer constructing, repairing, or improving a new or
33 existing building or other structure used as an on-site child care
34 facility for employees within the state of materials used directly in
35 the construction, repair, or improvement of the facility, but only when
36 the user provides the department with an annual summary listing the

1 materials by January 31 of the year following the calendar year in
2 which the materials are first used in this state.

3 (2) The taxpayer shall repay all amounts not paid because of the
4 exemptions granted under this section plus applicable interest under
5 RCW 82.32.050, but not penalties, computed from the time the taxes
6 would have been paid until the date of payment, if the taxpayer changes
7 the use of the child care facility less than ten years after the
8 facility is built. This subsection does not apply if: (a) The
9 business ceases operation; (b) the business no longer has employees who
10 wish to utilize the child care facility; or (c) the child care facility
11 is replaced with a child care facility of equal or greater capacity for
12 which no credit was taken under section 2(1)(a), 5, or 6 of this act.

13 NEW SECTION. **Sec. 7.** The department in cooperation with the child
14 care coordinating committee shall report to the governor and
15 legislature by December 1 of each year:

16 (1) The number of employers who receive the credits provided under
17 sections 2 through 4 of this act and the number of employees for whom
18 the credit has been given, including the amount of the credits granted;
19 and

20 (2) The number of employers who receive the exemption provided
21 under sections 4 and 5 of this act, including the amount of the
22 exemption granted.

23 NEW SECTION. **Sec. 8.** The credits allowed under section 2 of this
24 act and the exemptions allowed under sections 5 and 6 of this act are
25 available only if the child care meets all the state and local
26 requirements regarding the provision of child care, including licensing
27 and operating the child care facility.

28 NEW SECTION. **Sec. 9.** The department shall adopt rules to
29 administer this chapter and sections 5 and 6 of this act.

30 NEW SECTION. **Sec. 10.** Sections 1 through 4 and 7 through 9 of
31 this act constitute a new chapter in Title 82 RCW.

32 NEW SECTION. **Sec. 11.** This act takes effect January 1, 1998.

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