

SENATE BILL REPORT

SB 6377

As Reported By Senate Committee On:
Human Services & Corrections, January 31, 1996

Title: An act relating to business tax credits for assisting in the provision of child care.

Brief Description: Providing business tax credits for assisting in the provision of child care.

Sponsors: Senator Heavey.

Brief History:

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

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 6377 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Richard Rodger (786-7461)

Background: Many studies have 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 to their employees.

Summary of Substitute 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 provided in the amount of \$3 per square foot of space provided exclusively for child care. An additional credit of \$1 per square foot is granted for each of the following: (1) An outside play area, (2) benefits for the child care employees, (3) provisions for handicapped children, and (4) accreditation.

A prorated credit is granted for on-site or off-site child care jointly provided by two or more taxpayers. A 25 percent credit is available for assistance provided to other off-site child care.

The child care must be provided within the state and provided by licensed facilities.

The amount of credits allowed is limited to: \$100,000 in fiscal year 1997; \$200,000 in 1998; \$300,000 in 1999; and \$400,000 per year thereafter. The Department of Social and Health Services (DSHS) and the Department of Revenue (DOR) adopt rules to implement the bill. The credits are prioritized on the basis of need and the greatest public benefit. The departments must report their recommendations to the Legislature in December 1998.

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.

Substitute Bill Compared to Original Bill: DSHS and DOR each adopt rules, rather than adopt joint rules. A "means test" is added.

Appropriation: None.

Fiscal Note: Requested on January 19, 1996.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: 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: None.

Testified: 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).