
SUBSTITUTE SENATE BILL 6137

State of Washington

54th Legislature

1996 Regular Session

By 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)

Read first time 02/02/96.

1 AN ACT Relating to economic incentives for employer-sponsored child
2 care benefits; adding new sections to chapter 82.04 RCW; adding a new
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12
4 RCW; creating new sections; and 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.** A new section is added to chapter 82.04 RCW
21 to read as follows:

22 (1) In computing the tax imposed under this chapter, a credit shall
23 be granted against the amount of the tax otherwise due under this
24 chapter equal to twenty-five percent of the amounts expended for: (a)
25 Constructing, repairing, decorating, or improving new or existing
26 buildings or other structures used as an on-site child care facility
27 for employees, or to sales of tangible personal property that becomes
28 an ingredient or component on the buildings or other structures during
29 the course of the constructing, repairing, decorating, or improving,
30 but only if the buyer provides the seller with an exemption certificate
31 in a form prescribed by the department; (b) operating expenditures made
32 in providing child care in an on-site facility for employees; and (c)
33 purchasing of child-care services for employees from other child care
34 providers.

35 (2) This section shall not apply to expenditures: (a) That are
36 reimbursed by the employee or any third party; (b) for services
37 provided out-of-state; or (c) that are made under a salary reduction
38 plan pursuant to the internal revenue code, 26 U.S.C. Sec. 125.

1 (3)(a) The credit shall be taken against taxes due for the same
2 calendar year in which the amounts were paid. The credit must be
3 claimed by the due date of the last tax return for the calendar year in
4 which the payment is made.

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

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

10 (4) The taxpayer shall repay all taxes not paid because of the
11 credit granted under subsection (1)(a) of this section if the taxpayer
12 changes the use of the child care facility less than ten years after
13 the facility is built. This subsection does not apply if the business
14 ceases operation or if the business no longer has employees who wish to
15 utilize the child care facility.

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

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04 RCW
23 to read as follows:

24 Two or more entities that pay tax under this chapter may jointly
25 receive the credit available under section 2 of this act under the
26 following circumstances:

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

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

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

35 (4) The percentage of the annual credit available to each entity
36 for operating an on-site facility, or for the provision of child care
37 services, shall be equal to the percentage of the operating or
38 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. 4.** A new section is added to chapter 82.04 RCW
5 to read as follows:

6 The department shall report to the governor and legislature by
7 November of each year the number of employers who receive the credits
8 provided under sections 2 and 3 of this act and the number of employees
9 for whom the credit has been given, including the amount of the credits
10 granted.

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

13 (1) The tax levied by RCW 82.08.020 shall not apply to sales to an
14 employer for purpose of constructing an on-site child care facility for
15 employees of materials used directly in the construction of the
16 facility, or to sales of or charges made for labor and services
17 rendered in respect to the construction, but only when the purchaser
18 provides the seller with an exemption certificate in a form and manner
19 prescribed by the department by rule, and the purchaser provides the
20 department with a duplicate of the certificate or a summary of exempt
21 sales as the department may require. The seller shall retain a copy of
22 the certificate for the seller's files.

23 (2) The taxpayer shall repay all amounts not paid because of the
24 exemptions granted under this section if the taxpayer changes the use
25 of the child care facility less than ten years after the facility is
26 built. This subsection does not apply if the business ceases operation
27 or if the business no longer has employees who wish to utilize the
28 child care facility.

29 (3) The department shall report to the governor and legislature by
30 November of each year the number of employers who receive the exemption
31 provided under this section, including the amount of the credits
32 granted.

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

35 (1) The provisions of this chapter shall not apply in respect to
36 the use by an employer constructing an on-site child care facility for

1 employees of materials used directly in the construction of the
2 facility, but only when the user provides the department with:

3 (a) An exemption certificate in a form and manner prescribed by the
4 department within sixty days of the first use of the materials in this
5 state; or

6 (b) An annual summary listing the materials by January 31 of the
7 year following the calendar year in which the materials are first used
8 in this state.

9 (2) The taxpayer shall repay all amounts not paid because of the
10 exemptions granted under this section if the taxpayer changes the use
11 of the child care facility less than ten years after the facility is
12 built. This subsection does not apply if the business ceases operation
13 or if the business no longer has employees who wish to utilize the
14 child care facility.

15 (3) The department shall report to the governor and legislature by
16 November of each year the number of employers who receive the exemption
17 provided under this section, including the amount of the credits
18 granted.

19 NEW SECTION. **Sec. 7.** The credits allowed under sections 2 through
20 6 of this act are available only if the child care is provided in this
21 state and meets all the state and local requirements regarding the
22 provision of child care, including licensing and operating the child
23 care facility.

24 NEW SECTION. **Sec. 8.** The department of revenue shall adopt rules
25 to administer this act.

26 NEW SECTION. **Sec. 9.** This act shall take effect January 1, 1997.

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