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**HOUSE BILL 2396**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representatives Reeves, Robinson, Kagi, Valdez, Doglio, Riccelli, and Stonier

AN ACT Relating to establishing the working families' child care access and affordability through regional employers act; amending RCW 43.330.060; adding new sections to chapter 43.216 RCW; adding new sections to chapter 82.04 RCW; adding new sections to chapter 82.16 RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating new sections; and providing an expiration date.

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

NEW SECTION. **Sec.**  (1) The legislature finds that high quality child care helps build foundational skills to prepare our children for the future. These skills strengthen the next generation of workers and contribute to the success of businesses and the economic well-being of our state.

(2) The legislature further finds that working families are experiencing an affordability crisis when it comes to caring for their young children. Child care is one of the largest household expenses for most families, with the cost all too often being too much for a family to manage. At the same time, child care providers and private businesses across all sectors are facing a workforce shortage and are reporting worker losses due to extended vacancies, absenteeism, and a shortage of skilled workers. To remain in the workforce, parents with young children need reliable child care to be able to improve their skills through education, resulting in retained employment and increased productivity. A recent report by the United States chamber of commerce foundation found that high quality child care is an under-recognized and promising strategy for addressing America's growing workforce crisis.

(3) The legislature also finds that the bureau of labor statistics reports less than forty percent of the workforce is offered dependent care flexible spending accounts by their employers. Further, the legislature finds that employees with higher wages and those working for larger employers are more likely to have access to this benefit.

(4) Therefore, the legislature intends to partner with private employers to implement and support strategies to increase access to quality child care and early learning opportunities, preparing children for school and supporting parents as productive members of the workforce.

(5) The legislature further intends to address the child care workforce shortage by providing higher education scholarships and loan repayment to individuals who intend to provide early learning services in the state of Washington.

(6) The legislature further intends to increase the accessibility and affordability of child care for working families by providing meaningful incentives to employers to facilitate a partnership between employers and employees to reduce the costs of child care. Increasing accessibility includes reducing racial, ethnic, and geographic disparity and disproportionality in service delivery for families. Further, the legislature intends to provide incentives to child care providers, including in home child care providers, to offset the cost of building and renovating child care facilities.

**Part I**

**Employer Supported Child Care**

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1) The department must consult with the department of commerce to develop a web site containing current resources for businesses regarding employer-supported child care. The web site must be available to the public within one year of the effective date of this section and must be updated regularly. Web site resources must include, at a minimum:

(a) Information about the benefits to employers and employees associated with employer-supported child care;

(b) Guidance for the provision of onsite care at the workplace, including permitting and licensing resources to facilitate the development and construction of child care facilities;

(c) Tools and guidance for the provision of financial assistance to employees for child care expenses;

(d) A model policy for the establishment of a "bring your infant to work" program for employees who are the parent or legal guardian of an infant up to six months of age; and

(e) A link to a licensed child care registry developed and maintained by a professional organization of child care providers jointly with participating employers.

(2) The department must consult with the office of financial management to modify the "bring your infant to work" policy established in this section for use in state agencies.

(3) In accordance with RCW 43.01.036 the department must submit a report to the governor and the appropriate committees of the legislature by November 1, 2020. The report must include a summary of the resources provided on the site created under subsection (1) of this section and information about activities undertaken by other states related to incentivizing businesses to provide employer-supported child care.

(4) For the purposes of this section, "employer-supported child care" means:

(a) A licensed child care center operated at or near the workplace by an employer for the benefit of employees; or

(b) Financial assistance provided by an employer for licensed child care expenses incurred by an employee.

**Sec.**  RCW 43.330.060 and 2010 c 165 s 2 are each amended to read as follows:

(1) The department shall (a) assist in expanding the state's role as an international center of trade, culture, and finance; (b) promote and market the state's products and services both nationally and internationally; (c) work in close cooperation with other private and public international trade efforts; (d) act as a centralized location for the assimilation and distribution of trade information; and (e) establish and operate foreign offices promoting overseas trade and commerce.

(2) The department shall identify and work with Washington businesses that can use local, state, and federal assistance to increase domestic and foreign exports of goods and services.

(3) The department shall work generally with small businesses and other employers to facilitate resolution of siting, regulatory, expansion, and retention problems. This assistance shall include but not be limited to assisting in workforce training and infrastructure needs, identifying and locating suitable business sites, and resolving problems with government licensing and regulatory requirements. The department shall identify gaps in needed services and develop steps to address them including private sector support and purchase of these services.

(4) The department shall work to increase the availability of capital to small businesses by developing new and flexible investment tools; by assisting in targeting and improving the efficiency of existing investment mechanisms; and by assisting in the procurement of managerial and technical assistance necessary to attract potential investors.

(5) The department shall assist women and minority-owned businesses in overcoming barriers to entrepreneurial success. The department shall contract with public and private agencies, institutions, and organizations to conduct entrepreneurial training courses for minority and women-owned businesses. The instruction shall be intensive, practical training courses in financing, marketing, managing, accounting, and recordkeeping for a small business, with an emphasis on federal, state, local, or private programs available to assist small businesses. Instruction shall be offered in major population centers throughout the state at times and locations that are convenient for minority and women small business owners.

(6)((~~(a) Subject to the availability of amounts appropriated for this specific purpose, by December 1, 2010, the department, in conjunction with the small business development center, must prepare and present to the governor and appropriate legislative committees a specific, actionable plan to increase access to capital and technical assistance to small businesses and entrepreneurs beginning with the 2011~~‑~~2013 biennium. In developing the plan, the department and the center may consult with the Washington state microenterprise association, and with other government, nonprofit, and private organizations as necessary. The plan must identify:~~

~~(i) Existing sources of capital and technical assistance for small businesses and entrepreneurs;~~

~~(ii) Critical gaps and barriers to availability of capital and delivery of technical assistance to small businesses and entrepreneurs;~~

~~(iii) Workable solutions to filling the gaps and removing barriers identified in (a)(ii) of this subsection; and~~

~~(iv) The financial resources and statutory changes necessary to put the plan into effect beginning with the 2011~~‑~~2013 biennium.~~

~~(b) With respect to increasing access to capital, the plan must identify specific, feasible sources of capital and practical mechanisms for expanding access to it.~~

~~(c) The department and the center must include, within the analysis and recommendations in (a) of this subsection, any specific gaps, barriers, and solutions related to rural and low~~‑~~income communities and small manufacturers interested in exporting.~~)) The department must assist businesses with identifying resources and incentives for the provision of employer-supported child care as defined in section 101 of this act.

NEW SECTION. **Sec.**  The office of financial management must:

(1) Consult with the department of children, youth, and families to modify the model policy developed under section 101 of this act as appropriate for implementation at state agencies; and

(2) Provide the model policy and implementation guidelines to state agency directors by December 1, 2018. The implementation guidelines must require agencies to adopt the policy by June 1, 2019, and allow agencies to modify the policy or limit its application as appropriate based on the working conditions and job duties of agency personnel.

(3) This section expires July 1, 2019.

**Part II**

**Child Care Workforce Conditional Scholarship and Loan Repayment Program**

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

The definitions in this section apply throughout this part unless the context clearly requires otherwise.

(1) "Conditional scholarship" means a loan that is given to an eligible student under an agreement in which the eligible student will be relieved of his or her obligation to repay all or part of the loan in exchange for his or her providing early learning services in the state of Washington and meeting all other requirements of the agreement.

(2) "Early learning services" has the same meaning as "early learning" as defined in RCW 43.216.010.

(3) "Eligible student" means a student who is registered for at least three credit hours or the equivalent, is a resident student as defined by RCW 28B.15.012(2) and 28B.15.013, and has a declared intention to complete an approved program of study and provide early learning services in the state of Washington and meet all other requirements under a conditional scholarship agreement entered into between the student and the department.

(4) "Equalization fee" means the additional amount added to the principal of a loan under this chapter to equate the debt to that which the student would have incurred if the loan had been received through the federal direct Stafford student loan program.

(5) "Institution of higher education" or "institution" means a college or university in the state of Washington that is accredited by an accrediting association recognized as such by rule of the student achievement council.

(6) "Loan repayment" means a student loan that is repaid in whole or in part if the recipient renders early learning services in the state under requirements of an agreement entered into under this chapter.

(7) "Participant" means an individual who has received a conditional scholarship or loan repayment under this chapter.

(8) "Rural and underserved area" means an area where credentialed early learning providers are in short supply, as determined by the department of children, youth, and families.

(9) "Satisfied" means paid in full.

(10) "Service obligation" means an obligation by the participant to provide early learning services for a period to be established as provided for in this chapter.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1) The child care workforce conditional scholarship and loan repayment program is established. The program is comprised of the following two components:

(a) Conditional scholarships awarded to eligible students attending an institution of higher education who meet the requirements established under this chapter; and

(b) Loan repayments for participants providing early learning services in the state and who meet the requirements for loan repayment established under this chapter.

(2) The program must be administered by the department of children, youth, and families. In administering the program, the department must:

(a) Select eligible students to be awarded conditional scholarships;

(b) Select participants to receive loan repayments;

(c) Adopt rules and develop guidelines to administer the program;

(d) Publicize the program, particularly to maximize participation among individuals in shortage areas and among populations expected to experience the greatest growth in the workforce;

(e) Collect and manage repayments from conditional scholarship participants who do not meet their required service obligations or otherwise fail to meet the requirements under their agreements; and

(f) Solicit and accept grants and donations from public and private sources for the program.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1) The department must establish a planning committee to assist in developing criteria for the selection of participants. Planning committee members must include representatives of the department of social and health services; the department of children, youth, and families; private business; child day care center providers; family day care providers; and a union representing child care providers.

(2) When selecting participants, the department must give priority to individuals providing early learning services in:

(a) Rural and underserved areas; and

(b) Low-income neighborhoods or in a low-income child care provider settings as defined in RCW 43.216.010.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

To receive disbursements from a conditional scholarship under this chapter, an eligible student must be considered by his or her institution of higher education to be in a satisfactory progress condition, in addition to any other requirements established in an agreement between the eligible student and the department.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1)The department may award conditional scholarships or provide loan repayments to eligible participants from the funds appropriated to the department for this purpose, or from any private donations, or any other funds given to the department for this program.

(2) The amount of the conditional scholarship or loan repayment awarded a participant must not exceed five thousand dollars per year for priority participants and must not exceed two thousand, five hundred dollars per year for all other participants. Participants are eligible to receive conditional scholarships or loan repayments for a maximum of six years.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1) Upon documentation of student loan indebtedness, the department may enter into agreements with participants to repay all or part of a student loan in exchange for the participant providing early learning services in the state of Washington and meeting all other requirements under the agreement.

(2) The agreement must specify in detail the obligations of the department and the participant, including the amount of loan repayment the participant will receive in exchange for his or her satisfying all requirements of the agreement and any geographic location or area of service requirements that are part of the agreement.

(3)(a) At the end of each year, a participant under this section must provide evidence to the department that the participant has met his or her service obligation and any other requirements under the agreement. Upon receipt of the evidence, the department must pay the participant the agreed-upon amount for one year of full-time service or a prorated amount for less than full-time service.

(b) To qualify for additional loan repayments, the participant must be engaged in continuous service as defined by the department and meet any other requirements established in the agreement.

(4) The department may, at its discretion, arrange to make the loan repayment directly to the holder of the participant's student loan.

(5) The department's obligations to a participant under this section ceases when:

(a) The terms of the agreement have been fulfilled;

(b) The participant fails to maintain continuous service as determined by the department or otherwise fails to fulfill any other term of the agreement; or

(c) The participant's student loans that are subject to the agreement have been repaid.

(6) The department must adopt rules governing loan repayments, including approved leaves of absence from continuous service and other deferments as may be necessary.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

(1) A participant in the conditional scholarship program is obligated to repay the conditional scholarship, with interest and an equalization fee, unless he or she renders early learning services for each year of scholarship received and meets all other requirements as provided under the agreement between the participant and the department.

(2) A participant who fails to complete the required service obligation or otherwise fails to fulfill the terms of the agreement will incur an equalization fee based on the remaining unforgiven balance of the loan. The equalization fee must be added to the remaining balance owed by the participant.

(3) The department must set the minimum payment. The maximum period for repayment is ten years, with payments of principal and interest commencing six months from the date the participant completes or discontinues the course of study. The interest rate must be determined by the department and be established in rule. Provisions for deferral of payment must be determined by the department. The department must establish an appeal process in rule.

(4) The entire principal and interest of each payment must be forgiven for each payment period in which the participant provides early learning services in the state and meets all other requirements of the agreement, until the entire repayment obligation is satisfied. Should the participant cease to provide early learning services in this state before the participant's service obligation is completed or otherwise fails to fulfill the terms of the agreement, payments on the unsatisfied portion of the principal and interest must begin the next payment period and continue until the remainder of the participant's repayment obligation is satisfied.

(5) The department is responsible for collection of repayments made under this section and must exercise due diligence in such collection, maintaining all necessary records to insure that maximum repayments are made. Collection and servicing of repayments under this section must be pursued using the full extent of the law, including wage garnishment if necessary. The department must maintain all necessary records of payments made by participants.

(6) Receipts from the payment of principal or interest or any other subsidies to which the office as administrator is entitled, which are paid by or on behalf of participants under this section, must be deposited in the child care workforce conditional scholarship and loan forgiveness repayment account and must be used to cover the costs of granting the conditional scholarships, maintaining necessary records, and making collections under subsection (5) of this section. The department must maintain accurate records of these costs, and all receipts beyond those necessary to pay such costs must be used to grant conditional scholarships to eligible students.

(7) The department must adopt rules to define the terms of repayment, including applicable interest rates, fees, and deferments.

NEW SECTION. **Sec.**  A new section is added to chapter 43.216 RCW to read as follows:

The child care workforce conditional scholarship and loan repayment account is created in the custody of the state treasurer. All moneys received for the child care workforce conditional scholarship and loan repayment program must be deposited into the account. Expenditures from the account may be used only for conditional loans and loan repayments to participants in the child care workforce conditional scholarship and loan repayment program established by this chapter and costs associated with program administration by the department. Only the director or the director's designee may authorize expenditures from the account. The account is not subject to allotment procedures under chapter 43.88 RCW, except for moneys used for program administration and an appropriation is not required for expenditures.

**Part III**

**Child Care Tax Incentives**

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preferences contained in sections 302 and 303, chapter . . ., Laws of 2018 (sections 302 and 303 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preferences. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes the tax preferences in this act as ones intended to induce certain designated behavior by taxpayers, as indicated in RCW 82.32.808(2)(a), and provide tax relief for certain businesses or individuals, as indicated in RCW 82.32.808(2)(e).

(3) It is the legislature's specific public policy objective to increase the accessibility and affordability of child care for working families.

(4) To measure the effectiveness of this act in achieving the specific public policy objective described in subsection (3) of this section, the joint legislative audit and review committee may evaluate the following:

(a) The number of new employers offering dependent care flexible spending accounts to employees;

(b) The amount of employer contributions to the Washington child care conditional scholarship account; and

(c) The tax relief provided for the construction and renovation of child care facilities.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to the department of revenue's data.

**Subpart A**

**Employer Contributions to Dependent Care Accounts**

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

(1) A credit is allowed against the tax imposed under this chapter for qualifying contributions made to dependent care flexible spending accounts for employees.

(2) The credit may be claimed only in the calendar year immediately following the calendar year in which the qualifying contributions were made. The credit is equal to the full amount of qualifying contributions to dependent care flexible spending accounts for employees during the calendar year minus any qualifying contributions returned to the employer from the third-party administrator. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for any unused credits.

(3) Any person claiming the credit must file a form prescribed by the department that includes the amount of qualifying contributions to employee dependent care assistance accounts made during the prior calendar year, the amount of any qualifying contributions returned to the employer by the third-party administrator, the number of employees receiving contributions, and other information required by the department to determine eligibility under this chapter. The application may not contain personal employee information such as names or social security numbers.

(4) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(5) No credit may be earned for contributions made before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(6) No person may claim a credit against taxes due under both this chapter and chapter 82.16 RCW for the same contribution.

(7) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Dependent care flexible spending account" means dependent care assistance as defined in 26 U.S.C. Sec. 129 of the federal internal revenue as it existed on the effective date of this section, or such subsequent date as may be provided by the department by rule.

(b) "Qualifying contribution" means a contribution by an employer to an employee dependent care flexible spending account used to pay for the care of a child under age thirteen.

(c) "Third-party administrator" means a person contracted by an employer to administer dependent care flexible spending accounts for employees.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) A credit is allowed against the tax imposed under this chapter for qualifying contributions made to dependent care flexible spending accounts for employees.

(2) The credit may be claimed only in the calendar year immediately following the calendar year in which the qualifying contributions were made. The credit is equal to the full amount of qualifying contributions to dependent care flexible spending accounts for employees during the calendar year minus any qualifying contributions returned to the employer from the third-party administrator. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for any unused credits.

(3) Any person claiming the credit must file a form prescribed by the department that includes the amount of qualifying contributions to employee dependent care assistance accounts made during the prior calendar year, the amount of any qualifying contributions returned to the employer by the third-party administrator, the number of employees receiving contributions, and other information required by the department to determine eligibility under this chapter. The application may not contain personal employee information such as names or social security numbers.

(4) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(5) No credit may be earned for contributions made before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(6) No person may claim a credit against taxes due under both this chapter and chapter 82.04 RCW for the same contribution.

(7) The definitions in section 302 of this act apply to this section.

**Subpart B**

**Offsetting Employer Administrative Costs**

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

(1) Subject to the limitations in this section, a credit is allowed against the tax imposed under this chapter for amounts paid to a third-party administrator for the purpose of administering employee dependent care flexible spending accounts.

(2) The amount of the credit is equal to the actual fees paid to the third-party administrator. No person may claim more than one thousand dollars of credit in any calendar year. Credits may only be earned during the first three calendar years in which an employer offers dependent care flexible spending accounts to employees.

(3) The credit may be claimed only in the calendar year immediately following the calendar year in which the fees were paid. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for any unused credits.

(4) Any person claiming the credit must file a form prescribed by the department that includes the date the employer began offering a dependent care flexible spending account to employees, the annual amount of actual fees paid to the third-party administrator, and other information required by the department to determine eligibility under this chapter.

(5) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(6) No credit may be earned for fees paid before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(7) No person may claim a credit against taxes due under both this chapter and chapter 82.16 RCW for the same administrative fees.

(8) The definitions in section 302, chapter . . ., Laws of 2018 (section 302 of this act) apply to this section.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) Subject to the limitations in this section, a credit is allowed against the tax imposed under this chapter for amounts paid to a third-party administrator for the purpose of administering employee dependent care flexible spending accounts.

(2) The amount of the credit is equal to the actual fees paid to the third-party administrator. No person may claim more than one thousand dollars of credit in any calendar year. Credits may only be earned during the first three calendar years in which an employer offers dependent care flexible spending accounts to employees.

(3) The credit may be claimed only in the calendar year immediately following the calendar year in which the fees were paid. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for any unused credits.

(4) Any person claiming the credit must file a form prescribed by the department that includes the date the employer began offering a dependent care flexible spending account to employees, the annual amount of actual fees paid to the third-party administrator, and other information required by the department to determine eligibility under this chapter.

(5) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(6) No credit may be earned for fees paid before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(7) No person may claim a credit against taxes due under both this chapter and chapter 82.04 RCW for the same administrative fees.

(8) The definitions in section 302 of this act apply to this section.

**Subpart C**

**Employer Contributions to the Child Care Workforce Conditional Scholarship and Loan Repayment Program**

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

(1) A credit is allowed against the tax imposed under this chapter for contributions made to the child care workforce conditional scholarship and loan repayment account under section 208 of this act.

(2) The credit may only be claimed in the calendar year immediately following the calendar year in which the contribution was made. The credit is equal to the full amount of contributions to the child care workforce conditional scholarship and loan repayment account. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for credits under this chapter.

(3) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(4) No application is required to claim the tax credit. The person must keep records necessary for the department to verify eligibility under this section.

(5) A person must provide to the department, upon request, such information needed to verify eligibility for credit under this section.

(6) No credit may be earned for contributions made before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(7) No person may claim a credit against taxes due under both this chapter and chapter 82.16 RCW for the same contribution.

NEW SECTION. **Sec.**  A new section is added to chapter 82.16 RCW to read as follows:

(1) A credit is allowed against the tax imposed under this chapter for contributions made to the child care workforce conditional scholarship and loan repayment account under section 208 of this act.

(2) The credit may only be claimed in the calendar year immediately following the calendar year in which the contribution was made. The credit is equal to the full amount of contributions to the child care workforce conditional scholarship and loan repayment account. The amount of credit claimed for a reporting period may not exceed the tax otherwise due under this chapter for that reporting period. Credits may not be carried over to subsequent years. No refunds may be granted for credits under this chapter.

(3) To claim a credit under this section, a person must electronically file with the department all returns, forms, and any other information required by the department, in an electronic format as provided or approved by the department. Any return, form, or information required to be filed in an electronic format under this section is not filed until received by the department in an electronic format. As used in this subsection, "returns" has the same meaning as "return" in RCW 82.32.050.

(4) No application is required to claim the tax credit. The person must keep records necessary for the department to verify eligibility under this section.

(5) A person must provide to the department, upon request, such information needed to verify eligibility for credit under this section.

(6) No credit may be earned for contributions made before July 1, 2018, or after June 30, 2028. The department may not allow any credit to be claimed before January 1, 2019, or after December 31, 2029.

(7) No person may claim a credit against taxes due under both this chapter and chapter 82.04 RCW for the same contribution.

**Subpart D**

**Sales Tax Exemption for Construction of Child Care Facilities**

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

(1) Subject to the limitations of this section, a child care provider who has paid the tax imposed by RCW 82.08.020 is eligible for an exemption from state tax in the form of a remittance for qualified expenditures. The exemption is for fifty percent of the state tax paid on qualified expenditures up to one hundred thousand dollars per tax year. "Qualified expenditures" means:

(a) Charges for labor and services rendered in respect to:

(i) Constructing a new child day care center;

(ii) Adding additional space to an existing child care facility to be used for providing early childhood education and early learning services;

(iii) Renovating an existing structure for use as a child day care center; or

(iv) Renovating an existing child day care center in order to meet standards or improve ratings under the quality rating and improvement system established in RCW 43.216.085.

(b) Charges for labor and services rendered in respect to modifications to a child care facility necessary for compliance with:

(i) The Americans with disabilities act (42 U.S.C. Sec. 126);

(ii) A child care facility licensing compliance agreement issued by the department of children, youth, and families under the authority of RCW 43.216.395, or its predecessor, to ensure health and safety standards;

(iii) An order, directive, plan, or condition imposed or approved by the department of children, youth, and families under the authority of chapter 43.216 RCW, its predecessor, or by a tribal authority; or

(iv) The minimum health and safety standards adopted under RCW 43.216.255; and

(c) Sales of tangible personal property that will be incorporated as an ingredient or component of a facility during the course of constructing, expanding, or renovating, as provided in (a) and (b) of this subsection (1).

(2) The exemptions provided in this section do not apply with respect to unpermitted projects or to local sales taxes authorized under chapter 82.14 RCW or other provision of state law.

(3)(a) A child care provider may claim the exemption by submitting a remittance application, in a form and manner as required by the department, specifying the amount of exempted tax claimed and the qualifying labor and services for which the exemption is claimed. The child care provider must submit adequate records as required by the department to determine eligibility for an exemption under this section. A child care provider may not apply for a remittance more frequently than once a quarter.

(b) The department must determine eligibility under this section based on information provided by the child care provider and through audit and other administrative records. The department must on a quarterly basis remit exempted amounts to a provider submitting remittance applications during the previous quarter.

(c) This section applies to state sales taxes initially billed to a child care provider on or after July 1, 2018.

(4)(a) If the property for which a child care provider claims an exemption under this section is not operated as a child care facility for the five years following the year in which an exemption is claimed, the child care provider claiming the exemption must notify the department and repay any remittance received. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due if the child care provider provides the notice required and pays the tax due under this subsection (4)(a) in full within ninety days from the date when the property no longer is operated as a child care facility.

(b) The repayment provision in (a) of this subsection does not apply if:

(i) The total remittances received by a child care provider under this section and section 309 of this act do not exceed five hundred dollars in the five years preceding the year in which the property no longer is operated as a child care facility;

(ii) The child care facility is destroyed by a natural disaster such as a flood, windstorm, wildfire, earthquake, or other such calamity; or

(iii) The child care facility ceases operation due to the death of the child care provider.

(5) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Child day care center" and "family day care provider" as provided in RCW 43.216.010.

(b) "Child care facility" means a structure used by a child day care center, or a family day care provider, to regularly provide early childhood education and early learning services for a group of children.

(c) "Child care provider" means a person who owns a child care facility.

(d) "Unpermitted project" means a project for which all of the proper building permits were not obtained from the appropriate governmental agency or tribal authority before the commencement of the work requiring such permit or permits.

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

(1) Subject to the limitations of this section, a child care provider who has paid the tax imposed by RCW 82.12.020 is eligible for an exemption of fifty percent of state tax, up to one hundred thousand dollars per tax year, for the use of tangible personal property that becomes an ingredient or component of a child care facility during the course of constructing, expanding, or renovating the facility as described in section 308(1) (a) or (b) of this act. The exemption must be in the form of a remittance.

(2) The exemption provided in this section does not apply with respect to unpermitted projects or to local use taxes authorized under chapter 82.14 RCW or other provision of state law.

(3)(a) A child care provider may claim the exemption by submitting a remittance application, in a form and manner as required by the department, specifying the amount of exempted tax claimed and the qualifying purchases for which the exemption is claimed. The child care provider must submit adequate records as required by the department to determine eligibility for an exemption under this section. A child care provider may not apply for a remittance more frequently than once a quarter.

(b) The department must determine eligibility under this section based on information provided by the child care provider and through audit and other administrative records. The department must on a quarterly basis remit exempted amounts to a provider submitting remittance applications during the previous quarter.

(c) This section applies to tangible personal property acquired on or after July 1, 2018.

(4)(a) If the child care facility into which the tangible personal property for which a child care provider claims an exemption under this section is not operated continuously as a child care facility for the five years following the year in which an exemption is claimed, the child care provider claiming the exemption must notify the department and repay any remittance received. The department may not assess penalties and interest as provided in chapter 82.32 RCW on the amount due if the child care provider provides the notice required and pays the tax due under this subsection (4)(a) in full within ninety days from the date when the property no longer is operated as a child care facility.

(b) The repayment provision in (a) of this subsection does not apply if:

(i) The total remittances received by a child care provider under this section and section 308 of this act do not exceed five hundred dollars in the five years preceding the year in which the property no longer is operated as a child care facility;

(ii) The child care facility is destroyed by a natural disaster such as a flood, windstorm, wildfire, earthquake, or other such calamity; or

(iii) The child care facility ceases operation due to the death of the child care provider.

(5) The definitions in section 308 of this act apply to this section.

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