
HOUSE BILL 2396

State of Washington

65th Legislature

2018 Regular Session

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

Prefiled 01/05/18. Read first time 01/08/18. Referred to Committee on Early Learning & Human Services.

1 AN ACT Relating to establishing the working families' child care
2 access and affordability through regional employers act; amending RCW
3 43.330.060; adding new sections to chapter 43.216 RCW; adding new
4 sections to chapter 82.04 RCW; adding new sections to chapter 82.16
5 RCW; adding a new section to chapter 82.08 RCW; adding a new section
6 to chapter 82.12 RCW; creating new sections; and providing an
7 expiration date.

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

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

14 (2) The legislature further finds that working families are
15 experiencing an affordability crisis when it comes to caring for
16 their young children. Child care is one of the largest household
17 expenses for most families, with the cost all too often being too
18 much for a family to manage. At the same time, child care providers
19 and private businesses across all sectors are facing a workforce
20 shortage and are reporting worker losses due to extended vacancies,
21 absenteeism, and a shortage of skilled workers. To remain in the

1 workforce, parents with young children need reliable child care to be
2 able to improve their skills through education, resulting in retained
3 employment and increased productivity. A recent report by the United
4 States chamber of commerce foundation found that high quality child
5 care is an under-recognized and promising strategy for addressing
6 America's growing workforce crisis.

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

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

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

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

31 **Part I**

32 **Employer Supported Child Care**

33 NEW SECTION. **Sec. 101.** A new section is added to chapter 43.216
34 RCW to read as follows:

35 (1) The department must consult with the department of commerce
36 to develop a web site containing current resources for businesses
37 regarding employer-supported child care. The web site must be
38 available to the public within one year of the effective date of this

1 section and must be updated regularly. Web site resources must
2 include, at a minimum:

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

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

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

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

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

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

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

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

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

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

32 **Sec. 102.** RCW 43.330.060 and 2010 c 165 s 2 are each amended to
33 read as follows:

34 (1) The department shall (a) assist in expanding the state's role
35 as an international center of trade, culture, and finance; (b)
36 promote and market the state's products and services both nationally
37 and internationally; (c) work in close cooperation with other private
38 and public international trade efforts; (d) act as a centralized
39 location for the assimilation and distribution of trade information;

1 and (e) establish and operate foreign offices promoting overseas
2 trade and commerce.

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

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

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

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

33 ~~(6)((a) Subject to the availability of amounts appropriated for
34 this specific purpose, by December 1, 2010, the department, in
35 conjunction with the small business development center, must prepare
36 and present to the governor and appropriate legislative committees a
37 specific, actionable plan to increase access to capital and technical
38 assistance to small businesses and entrepreneurs beginning with the
39 2011-2013 biennium. In developing the plan, the department and the
40 center may consult with the Washington state microenterprise~~

1 association, and with other government, nonprofit, and private
2 organizations as necessary. The plan must identify:

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

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

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

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

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

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

22 NEW SECTION. Sec. 103. The office of financial management must:

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

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

32 (3) This section expires July 1, 2019.

33 Part II

34 Child Care Workforce Conditional Scholarship and Loan Repayment 35 Program

36 NEW SECTION. Sec. 201. A new section is added to chapter 43.216
37 RCW to read as follows:

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

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

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

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

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

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

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

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

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

35 (9) "Satisfied" means paid in full.

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

1 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.216
2 RCW to read as follows:

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

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

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

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

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

17 (b) Select participants to receive loan repayments;

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

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

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

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

27 NEW SECTION. **Sec. 203.** A new section is added to chapter 43.216
28 RCW to read as follows:

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

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

37 (a) Rural and underserved areas; and

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

1 NEW SECTION. **Sec. 204.** A new section is added to chapter 43.216
2 RCW to read as follows:

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

8 NEW SECTION. **Sec. 205.** A new section is added to chapter 43.216
9 RCW to read as follows:

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

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

20 NEW SECTION. **Sec. 206.** A new section is added to chapter 43.216
21 RCW to read as follows:

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

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

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

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

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

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

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

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

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

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

18 NEW SECTION. **Sec. 207.** A new section is added to chapter 43.216
19 RCW to read as follows:

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

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

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

38 (4) The entire principal and interest of each payment must be
39 forgiven for each payment period in which the participant provides

1 early learning services in the state and meets all other requirements
2 of the agreement, until the entire repayment obligation is satisfied.
3 Should the participant cease to provide early learning services in
4 this state before the participant's service obligation is completed
5 or otherwise fails to fulfill the terms of the agreement, payments on
6 the unsatisfied portion of the principal and interest must begin the
7 next payment period and continue until the remainder of the
8 participant's repayment obligation is satisfied.

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

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

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

28 NEW SECTION. **Sec. 208.** A new section is added to chapter 43.216
29 RCW to read as follows:

30 The child care workforce conditional scholarship and loan
31 repayment account is created in the custody of the state treasurer.
32 All moneys received for the child care workforce conditional
33 scholarship and loan repayment program must be deposited into the
34 account. Expenditures from the account may be used only for
35 conditional loans and loan repayments to participants in the child
36 care workforce conditional scholarship and loan repayment program
37 established by this chapter and costs associated with program
38 administration by the department. Only the director or the director's
39 designee may authorize expenditures from the account. The account is

1 not subject to allotment procedures under chapter 43.88 RCW, except
2 for moneys used for program administration and an appropriation is
3 not required for expenditures.

4 **Part III**

5 **Child Care Tax Incentives**

6 NEW SECTION. **Sec. 301.** (1) This section is the tax preference
7 performance statement for the tax preferences contained in sections
8 302 and 303, chapter . . . , Laws of 2018 (sections 302 and 303 of
9 this act). This performance statement is only intended to be used for
10 subsequent evaluation of the tax preferences. It is not intended to
11 create a private right of action by any party or be used to determine
12 eligibility for preferential tax treatment.

13 (2) The legislature categorizes the tax preferences in this act
14 as ones intended to induce certain designated behavior by taxpayers,
15 as indicated in RCW 82.32.808(2)(a), and provide tax relief for
16 certain businesses or individuals, as indicated in RCW
17 82.32.808(2)(e).

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

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

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

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

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

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

34 **Subpart A**

35 **Employer Contributions to Dependent Care Accounts**

1 NEW SECTION. **Sec. 302.** A new section is added to chapter 82.04
2 RCW to read as follows:

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

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

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

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

33 (5) No credit may be earned for contributions made before July 1,
34 2018, or after June 30, 2028. The department may not allow any credit
35 to be claimed before January 1, 2019, or after December 31, 2029.

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

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

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

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

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

11 NEW SECTION. **Sec. 303.** A new section is added to chapter 82.16
12 RCW to read as follows:

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

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

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

35 (4) To claim a credit under this section, a person must
36 electronically file with the department all returns, forms, and any
37 other information required by the department, in an electronic format
38 as provided or approved by the department. Any return, form, or
39 information required to be filed in an electronic format under this

1 section is not filed until received by the department in an
2 electronic format. As used in this subsection, "returns" has the same
3 meaning as "return" in RCW 82.32.050.

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

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

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

11 **Subpart B**

12 **Offsetting Employer Administrative Costs**

13 NEW SECTION. **Sec. 304.** A new section is added to chapter 82.04
14 RCW to read as follows:

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

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

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

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

36 (5) To claim a credit under this section, a person must
37 electronically file with the department all returns, forms, and any
38 other information required by the department, in an electronic format

1 as provided or approved by the department. Any return, form, or
2 information required to be filed in an electronic format under this
3 section is not filed until received by the department in an
4 electronic format. As used in this subsection, "returns" has the same
5 meaning as "return" in RCW 82.32.050.

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

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

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

13 NEW SECTION. **Sec. 305.** A new section is added to chapter 82.16
14 RCW to read as follows:

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

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

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

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

36 (5) To claim a credit under this section, a person must
37 electronically file with the department all returns, forms, and any
38 other information required by the department, in an electronic format
39 as provided or approved by the department. Any return, form, or

1 information required to be filed in an electronic format under this
2 section is not filed until received by the department in an
3 electronic format. As used in this subsection, "returns" has the same
4 meaning as "return" in RCW 82.32.050.

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

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

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

12 **Subpart C**

13 **Employer Contributions to the Child Care Workforce Conditional** 14 **Scholarship and Loan Repayment Program**

15 NEW SECTION. **Sec. 306.** A new section is added to chapter 82.04
16 RCW to read as follows:

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

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

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

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

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

7 (6) No credit may be earned for contributions made before July 1,
8 2018, or after June 30, 2028. The department may not allow any credit
9 to be claimed before January 1, 2019, or after December 31, 2029.

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

12 NEW SECTION. **Sec. 307.** A new section is added to chapter 82.16
13 RCW to read as follows:

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

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

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

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

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

1 (6) No credit may be earned for contributions made before July 1,
2 2018, or after June 30, 2028. The department may not allow any credit
3 to be claimed before January 1, 2019, or after December 31, 2029.

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

6 **Subpart D**

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

8 NEW SECTION. **Sec. 308.** A new section is added to chapter 82.08
9 RCW to read as follows:

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

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

17 (i) Constructing a new child day care center;

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

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

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

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

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

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

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

37 (iv) The minimum health and safety standards adopted under RCW
38 43.216.255; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 NEW SECTION. **Sec. 309.** A new section is added to chapter 82.12
21 RCW to read as follows:

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

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

33 (3)(a) A child care provider may claim the exemption by
34 submitting a remittance application, in a form and manner as required
35 by the department, specifying the amount of exempted tax claimed and
36 the qualifying purchases for which the exemption is claimed. The
37 child care provider must submit adequate records as required by the
38 department to determine eligibility for an exemption under this

1 section. A child care provider may not apply for a remittance more
2 frequently than once a quarter.

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

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

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

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

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

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

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

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

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