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**SUBSTITUTE HOUSE BILL 2322**

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**State of Washington 68th Legislature 2024 Regular Session**

**By** House Finance (originally sponsored by Representatives Senn, Thai, Reed, Ryu, Alvarado, Ramel, Riccelli, Paul, and Pollet)

AN ACT Relating to creating a tax preference child care requirement; and creating new sections.

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

NEW SECTION. **Sec.**  (1) The legislature finds that high quality child care is critical to a child's success. The legislature recognizes the high cost of child care for parents can be a significant financial burden on families, as a report from the department of commerce in 2022 finds that the cost of child care is a disproportionate burden on Washington families. Washington is ranked ninth in the country for most expensive infant care and child care is more expensive than college. Parents spend 20 percent of a median family's income on child care for one child and 35.5 percent on child care for two children.

(2) The legislature finds that access to affordable child care increases economic growth and labor force participation and that an affordable and accessible system of high quality child care is necessary to the health of Washington's economy because employers benefit when parents have safe, stable, and appropriate care for their children. The legislature recognizes that many working parents are forced to reduce their hours, decline promotional opportunities, or leave the workforce due to a lack of affordable child care options.

(3) The legislature finds that there are 195 business and occupation tax incentives available for businesses in Washington and that these incentives saved businesses nearly $7,400,000,000 in fiscal year 2023.

(4) The legislature finds that when employers are invested in assisting employees with their child care needs, both parties benefit. The legislature intends to encourage employers to take an active role in assisting employees with child care costs by passing on a portion of the benefits they receive from business and occupation tax incentives.

NEW SECTION. **Sec.**  (1) The office of financial management shall facilitate the creation of a report in collaboration with businesses, labor representatives, child care advocates, parent groups, legislators, and state agencies, including, but not limited to:

(a) The department of commerce;

(b) The department of children, youth, and families;

(c) The employment security department;

(d) The department of revenue; and

(e) The department of social and health services.

(2) The report must study existing employer-provided child care programs, explore various funding options, and include recommendations to help support and expand access to child care and how businesses can be a part of the solution to fund child care.

(3) The report must evaluate current available information and data including, but not limited to:

(a) Data and research related to existing employer-supported child care programs within Washington and in the United States;

(b) Information regarding the categories of business and occupation tax incentives provided by the state and the economic impact of a business and occupation child care requirement on employers; and

(c) Best practices for employer-supported child care programs.

(4) In accordance with RCW 43.01.036, the office of financial management must report its findings and recommendations to the appropriate committees of the legislature by December 31, 2024. The report must include recommendations for at least three business and occupation tax preferences that incentivize businesses to provide employer-supported child care to their employees.

(5) For purposes of this section, "employer-supported child care" includes:

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

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

(c) An annual payment to a state fund that supports the provision of child care to all parents in Washington, such as the fair start for kids account created in RCW 43.216.770.

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