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**HOUSE BILL 2322**

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**State of Washington**

**68th Legislature**

**2024 Regular Session**

**By** Representatives Senn, Thai, Reed, Ryu, Alvarado, Ramel, Riccelli, Paul, and Pollet

Read first time 01/11/24. Referred to Committee on Finance.

1 AN ACT Relating to creating a tax preference child care  
2 requirement; adding a new section to chapter 82.04 RCW; and creating  
3 a new sections.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that high  
6 quality child care is critical to a child's success. The legislature  
7 recognizes the high cost of child care for parents can be a  
8 significant financial burden on families, as a report from the  
9 department of commerce in 2022 finds that the cost of child care is a  
10 disproportionate burden on Washington families. Washington is ranked  
11 ninth in the country for most expensive infant care. Parents spend 20  
12 percent of a median family's income on child care for one child and  
13 35.5 percent on child care for two children.

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

1 or leave the workforce due to a lack of affordable child care  
2 options.

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

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

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

15 (1) For all tax preferences created, expanded, or extended under  
16 this chapter on or after January 1, 2025, a taxpayer receiving a tax  
17 preference must provide child care for children or wards of  
18 employees.

19 (2) The child care required under this section may include, but  
20 not be limited to, the following options:

21 (a) Maintenance or operation of a child care center on-site at a  
22 discounted rate;

23 (b) Payments or reimbursements made directly to employees or  
24 providers for a minimum of 25 percent of child care costs;

25 (c) For taxpayers with at least one employee with a salary of  
26 \$250,000 or more, an annual payment made to the fair start for kids  
27 account created in RCW 43.216.770.

28 (i) The payment under this subsection (2)(c) is calculated as  
29 five percent of the sum of the annual total compensation as of  
30 December 31st of the prior calendar year for all employees with a  
31 salary of \$250,000 or more. For purposes of this subsection,  
32 "compensation" includes: All payments for personal services,  
33 including commissions and bonuses and the cash value of all  
34 compensation paid in any medium other than cash; and remuneration as  
35 defined in RCW 50A.05.010.

36 (ii) The payment must be based off the taxpayer's wage data from  
37 the prior calendar year and reported in equal installments on excise  
38 tax returns filed for the following calendar year.

1 (iii) The department must transmit the fees to the state  
2 treasurer to be deposited in the fair start for kids account to be  
3 used according to RCW 43.216.772.

4 (3) If the employer is party to a collective bargaining agreement  
5 with employees and the agreement does not include child care as a  
6 requirement, the employer is exempt from the requirements of this  
7 section.

8 (4)(a) A certificate of compliance that attests to a taxpayer's  
9 compliance with subsection (1) of this section is required to be  
10 submitted by the taxpayer and verified by the department.

11 (b) The certificate must be in a form and manner prescribed by  
12 the department.

13 (5)(a) If a taxpayer fails to submit a certificate of compliance  
14 or the payment required under this section, the department must  
15 declare:

16 (i) 35 percent of the amount of the tax preference claimed for  
17 the previous calendar year to be immediately due and payable;

18 (ii) An additional 15 percent of the amount of the tax preference  
19 claimed for the previous calendar year to be immediately due and  
20 payable if the person has previously been assessed under this  
21 subsection for failure to submit a certificate of compliance or  
22 payment under this section for the same tax preference; and

23 (iii) If the tax preference is a deferral of tax, the deferred  
24 tax divided by the number of years in the repayment period to be  
25 immediately due and payable. If the economic benefits of the deferral  
26 are passed to a lessee, the lessee is responsible for payment to the  
27 extent the lessee has received the economic benefit.

28 (b) The department may not assess interest or penalties on  
29 amounts due under this subsection (5).

30 (6) The department may adopt rules necessary to implement this  
31 section.

32 (7) Chapter 82.32 RCW applies to this act.

33 (8) For purposes of this section, "tax preference" has the same  
34 meaning as in RCW 43.136.021.

35 NEW SECTION. **Sec. 3.** (1) It is the legislature's specific  
36 public policy objective to increase employer-provided child care for  
37 employees.

38 (2) By January 1, 2031, the joint legislative audit and review  
39 committee must perform a review of the effectiveness of the change in

1 employer-supported child care in Washington provided pursuant to  
2 section 2 of this act.

3 (3) The study must include data related to the following:

4 (a) The number of business and occupation taxpayers in the state  
5 that add child care benefits for employees due to the requirements of  
6 section 2 of this act;

7 (b) The number of business and occupation taxpayers who decide to  
8 forego taking the tax preference rather than providing child care to  
9 employees after the effective date of this section;

10 (c) The amount of revenue deposited into the fair start for kids  
11 account from payments in section 2 of this act; and

12 (d) The most common form of child care business and occupation  
13 taxpayers provide to employees due to the requirements of section 2  
14 of this act.

15 (4) In order to obtain the data necessary to measure the  
16 effectiveness of section 2 of this act in achieving the public policy  
17 objective described in this section, the joint legislative audit and  
18 review committee may refer to any data collected by the state.

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