

# HOUSE BILL REPORT

## HB 1637

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*As Reported By House Committee on:  
Trade & Economic Development*

**Title:** An act relating to tax credits for employer-sponsored child care facilities.

**Brief Description:** Providing a tax credit for employer-sponsored child care facilities.

**Sponsor(s):** Representatives Scott, Heavey, Cole, Winsley, Leonard, Cantwell, Wang, Jones, Day, Brough, Rasmussen, Miller, R. Johnson, Kremen and Orr.

**Brief History:**

Reported by House Committee on:  
Trade & Economic Development, February 26, 1991, DPS.

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**HOUSE COMMITTEE ON  
TRADE & ECONOMIC DEVELOPMENT**

**Majority Report:** *That Substitute House Bill No. 1637 be substituted therefor, and the substitute bill do pass.* Signed by 10 members: Representatives Cantwell, Chair; Sheldon, Vice Chair; Forner, Ranking Minority Member; Betrozoff, Assistant Ranking Minority Member; Ferguson; Ludwig; Moyer; Rasmussen; Riley; and Roland.

**Staff:** Charlie Gavigan (786-7340).

**Background:** Child care is licensed and coordinated by the Department of Social and Health Services (DSHS). In addition to regulating child care providers, DSHS also provides technical assistance and other programs to help child care providers.

In 1987, the Legislature created a Child Care Resources Coordinator in DSHS, and directed the coordinator to help encourage employer-provided assistance for child care. In 1988, the Legislature established a Child Care Coordinating Committee to help coordinate state agencies' efforts regarding child care and to provide recommendations to the Legislature on child care subsidy programs.

The Legislature also established a child care policy in statute in 1988. The policy encourages the participation of families and businesses in operating and expanding the child

care system in the state to meet the needs of the labor market and to assist families. The policy encourages traditional at-home parenting, but also promotes the availability and affordability of quality child care for families that need child care assistance.

In 1989, the Legislature created the Child Care Partnership as a subcommittee of the Child Care Coordinating Committee. An employer liaison position was created in DSHS to assist the Child Care Partnership and help businesses provide child care. A Child Care Facility Fund was also created in 1989 to make loans, grants, and loan guarantees to employers for child care.

**Summary of Substitute Bill:** A business and occupation tax credit is provided to a taxpayer for construction of a child care facility. The amount of the tax credit is 30 percent of the construction cost. The child care facility must be for the children of employees of the taxpayer, although non-employees can use the facility if space is available. The tax credit is available to a portion of a newly constructed building if that portion is to be a child care facility.

"Taxpayer" is defined as a business that employs at least 100 persons, or a consortium of businesses that combined have at least 100 employees.

The taxpayer must certify that the child care facility on which the tax credit is requested will be operated for at least 60 months. If the child care facility is not used as such for the required 60 months, the taxpayer must repay a proportionate amount of the tax credit, with interest. The amount to be repaid is based on how many months of the required 60 months the facility was used for child care.

The tax credit is limited to \$30,000 per year, although unused tax credits can be carried over to future years for up to five years.

The tax credit is not available if the child care facility is out-of-state or is not licensed under state law.

**Substitute Bill Compared to Original Bill:** A provision is added to allow the child care facility to serve the children of non-employees when space is available.

**Fiscal Note:** Requested February 14, 1991.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Tax credits provide an additional incentive for businesses to provide facilities for child care.

**Testimony Against:** The general concept of the bill is good, but the bill should not exclude businesses with fewer than 100 employees and should allow non-employees to use the facility.

**Witnesses:** Representative Pat Scott; Carl Nelson, Washington Retail Association; and Beverly Woods, Association of Washington Business.