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ENGROSSED SUBSTITUTE SENATE BILL 6137

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State of Washington

54th Legislature

1996 Regular Session

By Senate Committee on Human Services & Corrections (originally sponsored by Senators Kohl, Long, Hargrove, Pelz, Thibaudeau, Rasmussen, Spanel, Snyder, Fraser, Wojahn, Heavey, Bauer, Quigley and McAuliffe)

Read first time 02/02/96.

1 AN ACT Relating to economic incentives for employer-sponsored child  
2 care benefits; adding new sections to chapter 82.04 RCW; adding a new  
3 section to chapter 82.08 RCW; adding a new section to chapter 82.12  
4 RCW; creating new sections; and providing an effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature recognizes that care of  
7 children is the primary responsibility of parents. How that care is  
8 provided and by whom is of paramount importance to parents whose  
9 employment needs make it impossible for them to provide care to their  
10 own children during their work hours.

11 The legislature also recognizes that making high-quality child-care  
12 services more affordable throughout the state can benefit employers and  
13 families and that many employers would be able to improve their work  
14 force and competitiveness by expanding the pool of available workers.  
15 The legislature intends to facilitate this through providing tax  
16 credits for employer-sponsored child-care facilities and services, with  
17 a target of small and medium-sized businesses.

18 The legislature further finds that an increase in affordable high-  
19 quality child care presents an opportunity for ensuring healthier and

1 safer environments for children and increases in children's educational  
2 growth opportunities.

3 Couples who choose to have one parent stay home and provide care to  
4 their children and forgo receiving two incomes should not experience  
5 tax penalties. The legislature finds that any public policy that  
6 transfers income in the forms of benefits or tax credits to parents who  
7 choose employer-sponsored care for their children must be considered  
8 carefully for its implications on the work force as well as on the  
9 well-being of families.

10 This act is intended to modify the state's tax and child-care  
11 policies by allowing a credit against the tax liability of an employer  
12 who voluntarily participates in expansion of workplace child care and  
13 provide incentives to the private sector to:

- 14 (1) Promote growth of employment opportunities;
- 15 (2) Assist employees in obtaining affordable high-quality child  
16 care;
- 17 (3) Increase opportunities for children to obtain early education  
18 and social skills; and
- 19 (4) Reduce public assistance caseloads.

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

22 (1) In computing the tax imposed under this chapter, a credit shall  
23 be granted against the amount of the tax otherwise due under this  
24 chapter equal to twenty-five percent of the amounts expended for: (a)  
25 Constructing, repairing, decorating, or improving new or existing  
26 buildings or other structures used as an on-site child care facility  
27 for employees; (b) operating expenditures made in providing child care  
28 in an on-site facility for employees; and (c) purchasing of child-care  
29 services for employees from other child care providers.

30 (2) This section shall not apply to expenditures: (a) That are  
31 reimbursed by the employee or any third party; (b) for services  
32 provided out-of-state; or (c) that are made under a salary reduction  
33 plan pursuant to the internal revenue code, 26 U.S.C. Sec. 125.

34 (3)(a) The credit shall be taken against taxes due for the same  
35 calendar year in which the amounts were paid. The credit must be  
36 claimed by the due date of the last tax return for the calendar year in  
37 which the payment is made.

1 (b) The annual credit claimed by any person under this section  
2 shall not exceed the lesser of the tax otherwise due under this chapter  
3 during the same calendar year or two hundred thousand dollars.

4 (c) No portion of an application for credit under this section may  
5 be carried back or carried forward to a different calendar year.

6 (4) The taxpayer shall repay all taxes not paid because of the  
7 credit granted under subsection (1)(a) of this section if the taxpayer  
8 changes the use of the child care facility less than ten years after  
9 the facility is built. This subsection does not apply if the business  
10 ceases operation or if the business no longer has employees who wish to  
11 utilize the child care facility.

12 (5) A credit is only allowed under this section for operating  
13 expenditures attributable to, or other amounts expended for, employees  
14 and their spouses whose combined adjusted gross incomes are less than  
15 three times the amount listed in the federal register, each year, for  
16 the poverty guideline for a family of three living within the forty-  
17 eight contiguous states of the United States.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04 RCW  
19 to read as follows:

20 Two or more entities that pay tax under this chapter may jointly  
21 receive the credit available under section 2 of this act under the  
22 following circumstances:

23 (1) An on-site facility is jointly owned or operated by the  
24 entities or the contract for provision of child care services is  
25 jointly executed by the entities with the same provider of child care;

26 (2) The conditions in section 2(3) of this act shall apply to the  
27 construction and operation or purchase of child care services;

28 (3) The percentage of the credit for construction of an on-site  
29 facility available to each entity shall be equal to the percentage of  
30 ownership interest each entity has in the facility;

31 (4) The percentage of the annual credit available to each entity  
32 for operating an on-site facility, or for the provision of child care  
33 services, shall be equal to the percentage of the operating or  
34 provision expenditures made by each entity; and

35 (5) The entities share common areas of real property including but  
36 not limited to walls, hallways, and parking or occupy the same parcel  
37 of land for property tax purposes.

1        NEW SECTION.    **Sec. 4.**    A new section is added to chapter 82.04 RCW  
2 to read as follows:

3        The department shall report to the governor and legislature by  
4 November of each year the number of employers who receive the credits  
5 provided under sections 2 and 3 of this act and the number of employees  
6 for whom the credit has been given, including the amount of the credits  
7 granted.

8        NEW SECTION.    **Sec. 5.**    A new section is added to chapter 82.08 RCW  
9 to read as follows:

10        (1) The tax levied by RCW 82.08.020 shall not apply to sales to an  
11 employer for purpose of constructing an on-site child care facility for  
12 employees of materials used directly in the construction of the  
13 facility, or to sales of or charges made for labor and services  
14 rendered in respect to the construction, but only when the purchaser  
15 provides the seller with an exemption certificate in a form and manner  
16 prescribed by the department by rule, and the purchaser provides the  
17 department with a duplicate of the certificate or a summary of exempt  
18 sales as the department may require. The seller shall retain a copy of  
19 the certificate for the seller's files.

20        (2) The taxpayer shall repay all amounts not paid because of the  
21 exemptions granted under this section if the taxpayer changes the use  
22 of the child care facility less than ten years after the facility is  
23 built. This subsection does not apply if the business ceases operation  
24 or if the business no longer has employees who wish to utilize the  
25 child care facility.

26        (3) The department shall report to the governor and legislature by  
27 November of each year the number of employers who receive the exemption  
28 provided under this section, including the amount of the credits  
29 granted.

30        NEW SECTION.    **Sec. 6.**    A new section is added to chapter 82.12 RCW  
31 to read as follows:

32        (1) The provisions of this chapter shall not apply in respect to  
33 the use by an employer constructing an on-site child care facility for  
34 employees of materials used directly in the construction of the  
35 facility, but only when the user provides the department with:

1 (a) An exemption certificate in a form and manner prescribed by the  
2 department within sixty days of the first use of the materials in this  
3 state; or

4 (b) An annual summary listing the materials by January 31 of the  
5 year following the calendar year in which the materials are first used  
6 in this state.

7 (2) The taxpayer shall repay all amounts not paid because of the  
8 exemptions granted under this section if the taxpayer changes the use  
9 of the child care facility less than ten years after the facility is  
10 built. This subsection does not apply if the business ceases operation  
11 or if the business no longer has employees who wish to utilize the  
12 child care facility.

13 (3) The department shall report to the governor and legislature by  
14 November of each year the number of employers who receive the exemption  
15 provided under this section, including the amount of the credits  
16 granted.

17 NEW SECTION. **Sec. 7.** The credits allowed under sections 2 through  
18 6 of this act are available only if the child care is provided in this  
19 state and meets all the state and local requirements regarding the  
20 provision of child care, including licensing and operating the child  
21 care facility.

22 NEW SECTION. **Sec. 8.** The department of revenue shall adopt rules  
23 to administer this act.

24 NEW SECTION. **Sec. 9.** This act shall take effect January 1, 1997.

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