

SENATE BILL REPORT

SB 5582

As of February 16, 1995

Title: An act relating to tax status of child care providers and nonprofit organizations that provide services to children and families.

Brief Description: Providing tax exemptions for entities providing services to children.

Sponsors: Senators Spanel, Sellar, McAuliffe, Hargrove, Loveland, Long, Winsley, Moyer and Haugen.

Brief History:

Committee Activity: Ways & Means: 2/14/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715)

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts from all business activities conducted within the state.

A deduction is authorized from the B&O tax for governmental payments to nonprofit organizations and political subdivisions for health and social welfare services. In respect to child-related services, these services include activities to prevent juvenile delinquency and child abuse, including recreational activities, the care of orphans and foster children, and the day care of children.

Also allowed as a deduction are charges for the operation of privately operated kindergartens. This has been interpreted as including the provision of day care to children below the age of eight. Church provided care for children for periods of less than 24 hours is exempt from B&O tax.

Summary of Bill: The B&O tax does not apply to nonprofit organizations in respect to amounts derived from provision of (1) child care resource and referral services; (2) services related to the adoption of minor children; and (3) child placement services, including recruitment and training of foster parents and care of orphans or foster children.

The B&O tax exemption for church provided care for children for periods of less than 24 hours is expanded to all persons.

The definition of health and social welfare services is expanded to include family support services, including child care resource and referral, foster care, adoption services, and child placement services.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect July 1, 1995.

Testimony For: The B&O tax erodes the ability to provide services. The tax statutes are confusing on the taxation of child care. Many people are not paying that should be and many are paying that shouldn't. The problem is that child care for children over 8 is taxed, and we need to encourage this service.

Testimony Against: None.

Testified: Elizabeth Thompson, WA State Child Care Resource & Referral Network (pro); Nina Averbach, Child Care Resources (pro); Lonnie Johns-Brown, WAEYC (pro).