

SENATE BILL REPORT

SB 6466

As Reported By Senate Committee On:
Human Services & Corrections, February 5, 1998

Title: An act relating to providing tax credits for businesses making expenditures for employee child care.

Brief Description: Providing tax credits for businesses making expenditures for employee child care.

Sponsors: Senators Winsley, Anderson, Hale, Kohl, Patterson, Loveland, Snyder, Fairley, Jacobsen, Wojahn, Kline, Franklin, Thibaudeau, Goings, Spanel, Fraser, McAuliffe, Brown, Haugen and Rasmussen; by request of Governor Locke.

Brief History:

Committee Activity: Human Services & Corrections: 1/29/98, 2/5/98 [DPS-WM].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 6466 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Long, Chair; Franklin, Hargrove, Kohl, Schow and Stevens.

Staff: Joan K. Mell (786-7447)

Background: Governor Locke has requested legislative action in the form of implementation of a tax credit for businesses making expenditures for employee child care. Studies have indicated a lack of high-quality affordable child care. Businesses report an inverse relationship between accessible child care and absenteeism. Many studies indicate that productivity improves when parents have a place to take children that is safe, convenient, and accessible.

Summary of Substitute Bill: Tax credits are offered to businesses with 400 or fewer employees. The credit is equal to 50 percent of the amount of qualifying costs expended for employee child care payments. The tax credit can be taken as credit to business and occupation taxes (B&O) or public utility taxes, but not both.

Employee child care payments include: 1) direct payments to the employee for exclusive use for child care; 2) direct payments to a licensed child care agency for child care for an employee; or 3) direct costs related to licensed worksite or licensed consortia child care.

The tax credit cannot exceed the total tax that would be charged in B&O taxes for the calendar year. The credit cannot exceed \$400 per month for each child of an employee, \$100,000 total per year per business, and \$5 million total credits for all applicants.

The Department of Revenue must report to the Legislature on use of the credit by December 2001.

Substitute Bill Compared to Original Bill: The bill is amended to extend the tax credit to all job classifications, rather than limited to job classifications covered by the federal Fair Labor Standards Act. Employee child care payments must be directed to a licensed child care agency or a licensed worksite or consortia child care. If the child care is not a business, and child care is with a family member or friend, it need not be licensed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: July 1, 1998.

Testimony For: Efforts of providing day care help both the employer and the employee. Tax credits should not be limited to smaller firms but open to all businesses. Quality of care is important. Day care centers involved should be licensed.

Testimony Against: None.

Testified: Senator Winsley, prime sponsor; Maureen Morris, OFM (pro); Janet Staub, city of Seattle (pro); Bill Larrabee, Child Care Resources (pro).