

February 24, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 1747 - Providing tax credits for employer-provided child care benefits.**

BACKGROUND:

Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. There are 10 different rates that apply to various classifications of business activities. Businesses are taxable according to the activities they engage in and therefore may be subject to more than one tax rate. Under the B&O tax there are no deductions for raw materials and wages of employees. However, there are several tax exemptions, deductions, and credits for specific type of business activities.

SUMMARY:

A business and occupation (B&O) tax credit is provided for state-approved, employer-provided child care benefits to employees. The tax credit is limited to a business with less than 50 employees or a consortium of businesses, each with less than 50 employees, that are located in an eligible area.

The tax credit is limited to 50 percent of the value of the state-approved, employer-provided child care benefit. There is no individual cap on the amount of tax credits that can be claimed by a single business. The total tax credits available on a state wide basis cannot exceed \$1 million per fiscal year.

The business must request approval from the Department of Social and Health Services prior to claiming the tax credit. The businesses' request must include a description of the child care benefit provided and the cost of the child care benefit to both

the employer and employee.

Child care benefit– is defined as: (1) an employer-provided voucher used to pay all or part of day care or before and after school care in a state licensed facility; (2) the cost of construction of an employer-provided day care or before-and-after school care facility; or (3) the cost of operation and maintenance of an employer-provided facility.

Eligible area– is defined as: (1) a county with an unemployment rate that is 20 percent higher than the statewide unemployment rate; (2) a county with a median household income that is less than 75 percent of the state median household income; and (3) a community empowerment zone.

Appropriation: None.

Fiscal Note: Requested February 11, 1997.

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