

# SENATE BILL REPORT

## SB 6372

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As Reported By Senate Committee On:  
Ways & Means, February 10, 1998

**Title:** An act relating to the business and occupation taxation of child care.

**Brief Description:** Providing tax exemptions for child care providers.

**Sponsors:** Senators Thibaudeau, Patterson, Brown, McAuliffe, Heavey, Kohl and Spanel.

**Brief History:**

**Committee Activity:** Ways & Means: 2/10/98 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6372 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Long, Loveland, McDonald, Rossi, B. Sheldon, Snyder, Spanel, Swecker, Thibaudeau and Winsley.

**Staff:** Terry Wilson (786-7433)

**Background:** The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state.

The provision of child care is taxed under the general service rate at 1.75 percent until July 1, 1998, and 1.5 percent thereafter.

Businesses are authorized a credit against the B&O tax. The credit provides a complete exemption up to a certain income and is eliminated at twice the exemption amount. The exemption amount for the general service classification is \$22,963 until July 1, 1998, and \$28,000 thereafter.

Income received by nursery schools, preschools, day care providers, and privately operated kindergartens for the care or education of children who are under eight years of age and not enrolled in or above the first grade is exempt from the B&O tax.

The B&O tax does not apply to amounts derived from child care for periods of less than 24 hours provided by a church that is exempt from property tax.

**Summary of Substitute Bill:** The state business and occupation tax does not apply to amounts derived from the provision of care to children for periods of less than 24 hours by nonprofit organizations.

**Substitute Bill Compared to Original Bill:** The original bill was not considered.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 1998.

**Testimony For:** Day care workers are underpaid because the owners and operators cannot afford more. This is an additional tool to help save money which will be used efficiently.

**Testimony Against:** None.

**Testified:** PRO: Phil Larrabee, Child Care Resources.