

Multiple Agency Fiscal Note Summary

Bill Number: 1716 HB	Title: Child care B&O credit
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	0	0	0	(120,800,000)	(120,800,000)	(120,800,000)	(170,600,000)	(170,600,000)	(170,600,000)
Total \$	0	0	0	(120,800,000)	(120,800,000)	(120,800,000)	(170,600,000)	(170,600,000)	(170,600,000)

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.1	13,300	13,300	13,300	.0	0	0	0	.0	0	0	0
Department of Revenue	1.7	462,600	462,600	462,600	4.3	872,200	872,200	872,200	4.2	760,200	760,200	760,200
Total \$	1.8	475,900	475,900	475,900	4.3	872,200	872,200	872,200	4.2	760,200	760,200	760,200

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/23/2023
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Individual State Agency Fiscal Note

Bill Number: 1716 HB	Title: Child care B&O credit	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	13,300	0	13,300	0	0
Total \$	13,300	0	13,300	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 360-786-7190	Date: 02/06/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/09/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/09/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/14/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

The bill creates new B&O tax credit for costs incurred by businesses for providing childcare assistance to their employees.

TAX PERFORMANCE STATEMENT DETAILS

SECTION 2 provides a tax preference performance statement that categorizes the preference as intended to provide tax relief to certain businesses or individuals, as indicated under RCW 82.32.808(2)(e). The specific public policy objective is stated to provide reduced tax liability for businesses that provide child care assistance for employees.

If a review finds that the tax preference increases the number of businesses in the state that provide child care assistance for employees by 15%, then the legislature intends to extend the expiration date of the preference.

JLARC staff is to access and use any relevant data collected by the state.

REST OF BILL AND TAX PREFERENCE DETAILS

SECTION 1 creates a new section in chapter 82.04 RCW, providing a B&O tax credit equal to all costs related to providing childcare assistance to employees.

The credit begins January 1, 2026. The Department of Revenue is tasked with providing a report to the Legislature by January 1, 2025, noting: 1) the estimated number of businesses providing childcare assistance to their employees; 2) the estimated cost of this preference once implemented; and 3) an implementation plan for administering the new preference.

The preference is scheduled to expire January 1, 2034.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

JLARC staff would contact and work with the Department of Revenue and other appropriate agencies or organizations immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. JLARC would likely review this preference in 2031.

The expenditure detail reflects work conducted to prepare for the future review of the preference only. Costs to conduct the performance audit are outside of the fiscal note time period.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	13,300	0	13,300	0	0
Total \$			13,300	0	13,300	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	8,600		8,600		
B-Employee Benefits	2,700		2,700		
C-Professional Service Contracts					
E-Goods and Other Services	1,800		1,800		
G-Travel	200		200		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	13,300	0	13,300	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Department of Revenue Fiscal Note

Bill Number: 1716 HB	Title: Child care B&O credit	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax				(120,800,000)	(170,600,000)
Total \$				(120,800,000)	(170,600,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.5	1.7	4.3	4.2
Account					
GF-STATE-State 001-1	262,400	200,200	462,600	872,200	760,200
Total \$	262,400	200,200	462,600	872,200	760,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Kristina King	Phone: 60-786-7190	Date: 02/06/2023
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 02/23/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/23/2023

Request # 1716-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

There is no business and occupation (B&O) tax credit for businesses that provide child care assistance to employees.

PROPOSAL:

This bill creates a B&O tax credit for businesses that provide child care assistance to employees. The credit is equal to all costs related to providing the child care assistance.

The credit begins January 1, 2026 and expires January 1, 2034.

By January 1, 2025, the Department of Revenue (department) is required to provide the legislature a report that includes the following:

- The number of businesses in the state that provide child care assistance to their employees;
- The estimated cost of the credit to the state once implemented; and
- An implementation plan for the administration of the credit, including the creation of necessary physical or electronic forms for eligible businesses claiming the credit.

"Child care assistance" is the portion of the employee's salary or wage that is provided by the employer to the employee to be used to offset the employee's expenses related to child care, including tuition.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

- Only businesses with B&O tax liability qualify for the credit.
- One-person businesses qualify for the credit.
- Businesses that do not report employees to the Employment Security Department qualify for the credit.
- For a tax reporting period, the amount of credit claimed cannot exceed the B&O tax liability.
- Only actual amounts paid to reimburse employees for child care costs qualify for the credit. Inferred benefits (e.g., free child care at place of business) do not qualify.
- Annual child care expenses vary widely. However, this estimate uses \$12,000/year for child care expenses.
- Businesses with B&O tax liability are stratified into three groups, based on employee counts: small (50 or less), medium (51 to 150), and large (over 150).
- The percent of businesses in each group that offers any child care benefits is as follows: 1% for small, 3% for medium, and 5% for large.
- The dollar value of child care benefits provided by employers ranges from 0.25% to 1.0% of wages (or of business taxable income, if wage data are unavailable).
- This fiscal note reflects the current level of employer-provided child care assistance to employees. The fiscal note does not consider any potential change in employer behavior due to the new credit.

DATA SOURCES

- Department of Revenue, excise tax data

- Various sources on child care

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$35.5 million in the 5 months of impacted collections in fiscal year 2026, and by \$85.3 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	(35,500)
FY 2027 -	\$	(85,300)
FY 2028 -	\$	(85,300)
FY 2029 -	\$	(85,300)

Local Government, if applicable (cash basis, \$000): None.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- This legislation will affect 50,000 taxpayers that provide childcare benefits to employees.
- Expenditures assume that credits cannot exceed the B&O tax reported, cannot be carried forward and cannot be refunded. The department's costs will increase should these assumptions change.

FIRST YEAR COSTS:

The department will incur total costs of \$262,400 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 1.9 FTEs.

- Provide technical advice, interpretation, and analysis of new laws for internal use.
- Create survey questions, review submissions, compile statistics in support of the implementation plan and report.
- Develop an implementation plan and draft report.

Object Costs - \$6,200.

- Software, training, and travel in support of report.

SECOND YEAR COSTS:

The department will incur total costs of \$200,200 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 1.53 FTEs.

- Provide technical advice, interpretation, and analysis of new laws for internal use.
- Complete the implementation plan and prepare report to the legislature.
- Adopt one new administrative rule.

Object Costs - \$4,000.

- Software, training, and travel in support of report.

THIRD YEAR COSTS:

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The Department will incur total costs of \$455,800 in fiscal year 2026. These costs include:

Labor Costs - Time and effort equate to 4.1 FTEs.

- Provide technical advice, interpretation, and analysis of new laws for internal use.
- Set up, program, and testing computer systems to create a new B&O tax credit.
- Update paper returns for the new credit.
- Create special notice and update relevant information on the department's website.
- Respond to tax ruling requests and email inquiries.
 - Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
 - Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
 - Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.
 - Additional time required for routine audits to verify the new credit.
 - Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$49,800.

- Contract computer system programming.
- Print and mail a special notice to taxpayers who do not file returns electronically.
- Acquire additional agent seat licenses.

ONGOING COSTS:

Ongoing costs for fiscal year 2027 equal \$416,400 and include similar activities described in the third-year costs. Time and effort equate to 4.5 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.5	1.7	4.3	4.2
A-Salaries and Wages	160,900	128,500	289,400	492,700	477,000
B-Employee Benefits	53,100	42,400	95,500	162,700	157,600
C-Professional Service Contracts				44,000	
E-Goods and Other Services	33,600	21,400	55,000	119,700	89,100
G-Travel	1,500	1,500	3,000	7,800	10,600
J-Capital Outlays	13,300	6,400	19,700	45,300	25,900
Total \$	\$262,400	\$200,200	\$462,600	\$872,200	\$760,200

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619		0.0	0.0		
EMS BAND 5	147,919		0.0	0.0		
EXCISE TAX EX 2	55,872				0.5	0.4
EXCISE TAX EX 3	61,632	0.1	0.1	0.1	0.2	0.2
IT SYS ADM-JOURNEY	92,844				0.1	
MGMT ANALYST4	73,260	0.4	0.2	0.3	0.2	0.1
REVENUE AUDITOR 3	68,076				1.1	1.5
TAX INFO SPEC 1	44,808				2.0	1.8
TAX POLICY SP 2	75,120		0.1	0.1	0.1	0.1
TAX POLICY SP 3	85,020	0.4	0.6	0.5	0.3	0.1
TAX POLICY SP 4	91,524	1.0	0.5	0.8		
WMS BAND 3	107,685		0.0	0.0		
Total FTEs		1.9	1.5	1.7	4.3	4.2

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the complex process to adopt WAC 458-20-Rule, titled: "Childcare tax credit." Persons affected by this rulemaking would include employers who provide childcare assistance to their employees.