

Multiple Agency Fiscal Note Summary

Bill Number: 2322 HB	Title: Child care/tax preferences
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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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Children, Youth, and Families	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

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	0	0	21,500	.0	0	0	14,400	.1	0	0	35,900
Department of Revenue	1.4	415,500	415,500	415,500	1.8	301,000	301,000	301,000	1.0	174,000	174,000	174,000
Department of Children, Youth, and Families	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	1.5	415,500	415,500	437,000	1.8	301,000	301,000	315,400	1.1	174,000	174,000	209,900

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

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
Department of Children, Youth, and Families	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

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Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/22/2024
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Individual State Agency Fiscal Note

Bill Number: 2322 HB	Title: Child care/tax preferences	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	0.0	0.1	0.1	0.0	0.1
Account					
Performance Audits of Government Account-State 553-1	0	21,500	21,500	14,400	35,900
Total \$	0	21,500	21,500	14,400	35,900

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: 01/12/2024
Agency Preparation: ALINE MEYSONNAT	Phone: 360-786-5171	Date: 01/17/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/17/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/17/2024

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 a requirement for businesses that receive a business and occupation (B&O) tax incentive created, expanded, or extended on or after January 1, 2025 to provide child care for their employees.

Section 3 of the bill directs JLARC to review the effectiveness of the change in employer-supported childcare. When conducting its review JLARC should consider the following measures:

- The number of B&O taxpayers in the state that add childcare benefits for employees.
- The number of B&O taxpayers who decide to forego taking the tax preference rather than providing childcare to employees after the effective date.
- The amount of revenue deposited into the fair start for kids account.
 - Taxpayers with at least one employee with a salary of \$250,000 or more must make an annual payment to the fair start for kids account created in RCW 43.216.770.
- The most common form of childcare B&O taxpayers provide to employees.

The JLARC study is due by January 1, 2031.

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, the Department of Children, Youth, and Families 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 staff anticipate beginning the study at the end of 2029, with most of the work anticipated in 2030, outside of the range of this fiscal note. Costs associated with the review are therefore not included in this fiscal note, which reflects only the costs associated with establishing data collection and other work to prepare for the study.

This audit will require an estimated 2 audit months.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2024 LEGISLATIVE SESSION. BASED ON ALL 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 LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS.

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 2023-25 costs are calculated at approximately \$23,900 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
553-1	Performance Audits of Government Account	State	0	21,500	21,500	14,400	35,900
Total \$			0	21,500	21,500	14,400	35,900

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		0.1
A-Salaries and Wages		14,000	14,000	9,400	23,300
B-Employee Benefits		4,400	4,400	3,000	7,400
C-Professional Service Contracts					
E-Goods and Other Services		2,800	2,800	1,800	4,700
G-Travel		300	300	200	500
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 \$	0	21,500	21,500	14,400	35,900

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	131,064		0.1	0.1		0.1
Support staff	110,856					0.1
Total FTEs			0.1	0.1		0.1

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: 2322 HB	Title: Child care/tax preferences	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	2.3	1.4	1.8	1.0
Account					
GF-STATE-State 001-1	106,600	308,900	415,500	301,000	174,000
Total \$	106,600	308,900	415,500	301,000	174,000

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: 01/12/2024
Agency Preparation: Taylor Culp	Phone: 60-534-1511	Date: 01/20/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/20/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

Request # 2322-1-1

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 requirement to provide childcare, childcare reimbursements, or funding for the Fair Start for Kids Account for taxpayers benefitting from business and occupation (B&O) tax preferences.

PROPOSAL:

For B&O tax preferences enacted, expanded, or extended on or after January 1, 2025, taxpayers receiving the benefit of such preferences must provide childcare for children or wards of employees.

Childcare may include:

- Maintenance or operation of a childcare center on-site at a discounted rate.
- Payments or reimbursements to employees for a minimum of 25% of childcare expenses.
- Paying into the Fair Start for Kids Account. Payments equal to 5% of annual total compensation, including benefits, of employees earning \$250,000 or more. The payment must be made at the same time as filing the excise tax return.

If the employer has a collective bargaining agreement excluding childcare, the employer is exempt from the changes in this bill.

The first time a taxpayer does not certify compliance with these requirements, the Department of Revenue (department) must assess 35% of the tax preference amount. Each additional violation results in an assessment of 50% of the preference amount. For tax deferrals, the assessment equals the amount of deferred tax divided by the number of years in the repayment period.

EFFECTIVE:

The bill takes effect 90 days after the final adjournment of the session.

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:

- The department cannot determine the impacted taxpayers or the number of taxpayers impacted.

REVENUE ESTIMATES:

The revenue impact of this bill is indeterminate.

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:

The department cannot estimate a portion of future expenses because it is unknown what other proposals will pass and be affected by this proposal.

FIRST YEAR COSTS:

Request # 2322-1-1

The department will incur total costs of \$106,600 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.5 FTE.
 - Test and verify computer systems for the new tax preference.

- Object Costs - \$34,100.
 - Printing.
 - Personal service contracts.

SECOND YEAR COSTS:

The department will incur total costs of \$308,900 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 2.28 FTEs.
 - Implementation, internal and external education, assisting taxpayers with reporting questions, and responding to inquiries via email, web message, and paper correspondence.
 - Modify or create reports and notifications as needed and update scanning systems.
 - Examine accounts and make corrections as necessary.
 - Test and verify computer systems for the new tax preference.
 - Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
 - Update web pages, publications, and forms for the reporting change.
 - Create a Special Notice and identify publications and information the department may need to create or update on the department's website.
 - Respond to tax ruling requests and email inquiries.
 - Create one new rule.

- Object Costs - \$85,000.
 - Printing.
 - Personal service contracts.
 - Phone agent seat license.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$301,000 and include similar activities described in the second-year costs. Time and effort equate to 1.8 FTEs each year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	2.3	1.4	1.8	1.0
A-Salaries and Wages	46,000	129,900	175,900	186,200	107,200
B-Employee Benefits	15,200	43,000	58,200	61,400	35,400
C-Professional Service Contracts	33,900	79,100	113,000		
E-Goods and Other Services	8,000	41,500	49,500	42,200	25,200
J-Capital Outlays	3,500	15,400	18,900	11,200	6,200
Total \$	\$106,600	\$308,900	\$415,500	\$301,000	\$174,000

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	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 2	58,104		0.1	0.1		
IT B A-JOURNEY	91,968	0.5	0.1	0.3	0.1	0.1
IT SYS ADM-JOURNEY	96,552		0.1	0.1		
MGMT ANALYST4	76,188		0.0	0.0		
TAX INFO SPEC 1	46,596		1.0	0.5	1.0	0.5
TAX INFO SPEC 2	50,088		0.5	0.3	0.5	0.3
TAX INFO SPEC 3	61,056		0.2	0.1	0.2	0.1
TAX POLICY SP 2	78,120		0.1	0.1		
TAX POLICY SP 3	88,416		0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs		0.5	2.3	1.4	1.8	1.0

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 standard process to adopt WAC 458-20, titled: "New rule for tax preference requirement." Persons affected by this rulemaking would include taxpayers who receive a new B&O tax preference that is enacted on or after the effective date of this bill.

Individual State Agency Fiscal Note

Bill Number: 2322 HB	Title: Child care/tax preferences	Agency: 307-Department of Children, Youth, and Families
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: 01/12/2024
Agency Preparation: Melissa Jones	Phone: (360) 688-0134	Date: 01/17/2024
Agency Approval: Sarah Emmans	Phone: 360-628-1524	Date: 01/17/2024
OFM Review: Carly Kujath	Phone: (360) 790-7909	Date: 01/19/2024

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.

Section 1 contains intent language.

Section 2 is a new section added to RCW 82.04 creating certain conditions under which employers may receive business and occupation (B&O) tax preferences.

2(1) Stipulates that a taxpayer receiving a B&O tax preference must provide child care for employee's children with a timeline of after January 1, 2025.

2(2) provides specific options for taxpayers.

(a) operation/maintenance of on-site child care center at a discounted rate.

(b) payments or reimbursement to employees for a minimum of 25% of child care costs.

(c) for taxpayers with at least one employee with a salary of \$250k or more, the employer may make an annual payment to the fair start for kids account.

(c)(i), (ii), (iii) outlines requirements for the payment to the FSKA account which is 5% of total compensation of all employees with a salary of \$250k or more, and timelines for tracking the compensation to be used.

2(3) exempts employers who are party to a collective bargaining agreement and the agreement does not include child care as a requirement.

2(4) outlines requirements for employers to verify compliance via certificate to the Department of Revenue .

2(5) outlines requirements for repayment of the preference and creates penalties when a taxpayer does not provide the certificate or required payment.

2(6) requires the Department of Revenue to adopt rules.

Section 3, (1) and (2) establishes a requirement that the joint legislative audit and review team provide a review of the effectiveness of the change in employer-supported childcare in Washington by January 1, 2031.

3(3) and subsections, outline the requirements for the report that must include: The number of: businesses and occupation taxpayers in the state that add childcare benefits, the number of businesses and occupation taxpayers who forego taking the tax preference rather than providing child care, the amount of revenue deposited into the FSKA account, and the most common form of child care taxpayers provide to their employees.

3(4) provides authority to the joint legislative audit committee to use any data collected by the state.

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.

Indeterminate impacts to the Fair Start for Kids Account, depending on number of employers making payment under Section 2(c) of the bill, and the amounts of deposits.

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.

Indeterminate.

Within licensing, the pre-licensing unit is optional support providing technical assistance and support to help potential childcare sites navigate the facility development process and prepare for submission of the childcare licensing application. The number of businesses choosing to develop on-site childcare options under Section 2(2)(a), while indeterminate, will increase the work of licensing staff, specifically the pre-licensing unit. Workload increase is dependent on the uptake of the incentive.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

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

NONE

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

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2322 HB

Title: Child care/tax preferences

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: indeterminate operating cost increase to provide childcare for employees
- Counties: indeterminate operating cost increase to provide childcare for employees
- Special Districts: indeterminate operating cost increase to provide childcare for employees
- Specific jurisdictions only: jurisdictions receiving a business and occupational tax preference, not subject to a collective bargaining agreement
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: impacted taxpayers or the number of taxpayers impacted, which local governments receive business and occupational tax preferences, which local governments are exempt, cost of childcare

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/22/2024
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/12/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/22/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill creates a childcare requirement for tax payers receiving a business and occupation tax preference created, expanded, or extended on or after January 1, 2025.

Taxpayers party to a collective bargaining agreement, that does not include childcare, are exempted from this requirement

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This legislation would have an indeterminate expenditure impact on local governments. Any local government receiving a business and occupational tax preference is required to provide childcare for children or wards of employees, unless the the employer has a collective bargaining agreement excluding childcare. There would be administrative costs in addition to the cost of childcare requires.

The Department of Revenue cannot determine the impacted taxpayers or the number of taxpayers impacted, therefore the impact is indeterminate.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would not impact local government revenues.

SOURCES:

Department of Revenue fiscal note, HB 2322

House Bill Analysis, HB 2322, Finance Committee (01/23/2024)



Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
2322 HB	Child care/tax preferences

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

Joint Legislative Audit and Review Committee	0	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0	0
Department of Children, Youth, and Families Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0



Ten-Year Analysis

Bill Number 2322 HB	Title Child care/tax preferences	Agency 014 Joint Legislative Audit and Review Committee
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts **Partially Indeterminate Cash Receipts** **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
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Agency Preparation: ALINE MEYSONNAT	Phone: 360-786-5171	Date: 1/17/2024 4:00:56 pm
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 1/17/2024 4:00:56 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2322 HB	Title Child care/tax preferences	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:
 There is no requirement to provide childcare, childcare reimbursements, or funding for the Fair Start for Kids Account for taxpayers benefitting from business and occupat (B&O) tax preferences.

PROPOSAL:
 For B&O tax preferences enacted, expanded, or extended on or after January 1, 2025, taxpayers receiving the benefit of such preferences must provide childcare for chil or wards of employees.

Childcare may include:

- Maintenance or operation of a childcare center on-site at a discounted rate.
- Payments or reimbursements to employees for a minimum of 25% of childcare expenses.
- Paying into the Fair Start for Kids Account. Payments equal to 5% of annual total compensation, including benefits, of employees earning \$250,000 or more. The payme must be made at the same time as filing the excise tax return.

If the employer has a collective bargaining agreement excluding childcare, the employer is exempt from the changes in this bill.

The first time a taxpayer does not certify compliance with these requirements, the Department of Revenue (department) must assess 35% of the tax preference amount.



Ten-Year Analysis

Bill Number 2322 HB	Title Child care/tax preferences	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Each additional violation results in an assessment of 50% of the preference amount. For tax deferrals, the assessment equals the amount of deferred tax divided by the number of years in the repayment period.

EFFECTIVE:

The bill takes effect 90 days after the final adjournment of the session.

ASSUMPTIONS:

- The department cannot determine the impacted taxpayers or the number of taxpayers impacted.

REVENUE ESTIMATES:

The revenue impact of this bill is indeterminate.

Agency Preparation: Taylor Culp	Phone: 360-534-1511	Date: 1/20/2024 2:11:38 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/20/2024 2:11:38 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 2322 HB	Title Child care/tax preferences	Agency 307 Department of Children, Youth, and Families
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code												
Total													

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Indeterminate impacts to the Fair Start for Kids Account, depending on number of employers making payment under Section 2(c) of the bill, and the amounts of deposits.

Agency Preparation: Melissa Jones	Phone: (360) 688-0134	Date: 1/17/2024 1:51:36 pm
Agency Approval: Sarah Emmans	Phone: 360-628-1524	Date: 1/17/2024 1:51:36 pm
OFM Review:	Phone:	Date: