

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6038 S SB	<b>Title:</b> Child care tax preference
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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	(360,000)	(360,000)	(360,000)	(1,140,000)	(1,140,000)	(1,140,000)	(1,240,000)	(1,240,000)	(1,240,000)
Department of Children, Youth, and Families	(2,029,000)	(2,029,000)	(2,029,000)	(4,058,000)	(4,058,000)	(4,058,000)	(4,058,000)	(4,058,000)	(4,058,000)
<b>Total \$</b>	<b>(2,389,000)</b>	<b>(2,389,000)</b>	<b>(2,389,000)</b>	<b>(5,198,000)</b>	<b>(5,198,000)</b>	<b>(5,198,000)</b>	<b>(5,298,000)</b>	<b>(5,298,000)</b>	<b>(5,298,000)</b>

## 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
Department of Revenue	.3	72,400	72,400	72,400	.0	0	0	0	.0	0	0	0
Department of Social and Health Services	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Children, Youth, and Families	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.3</b>	<b>72,400</b>	<b>72,400</b>	<b>72,400</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Social and Health Services	.0	0	0	.0	0	0	.0	0	0
Department of Children, Youth, and Families	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

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**Date Published:**  
Final 2/ 9/2024

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 6038 S SB	<b>Title:</b> Child care tax preference	<b>Agency:</b> 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		(360,000)	(360,000)	(1,140,000)	(1,240,000)
<b>Total \$</b>		(360,000)	(360,000)	(1,140,000)	(1,240,000)

### Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.3	0.3		
<b>Account</b>					
GF-STATE-State 001-1	32,200	40,200	72,400		
<b>Total \$</b>	32,200	40,200	72,400		

### 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: Tianyi Lan	Phone: 60-786-7432	Date: 02/06/2024
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 02/09/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/09/2024

Request # 6038-2-1

## 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.*

Note: This fiscal note reflects the language in SSB 6038, 2024 Legislative Session.

This fiscal note only addresses sections 1, 2, and 5 of the bill, which impact the Department of Revenue (department).

#### COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute bill:

- Changes the effective date from July 1, 2024, to October 1, 2024.
- Removes reference to nursery school and preschools.
- Adds care for children under 19 who have a verified special need or are under court supervision to the business and occupation (B&O) tax exemption.
- Removes the exemption expiration date and Joint Legislative Audit and Review Committee review.
- Adds the definition of childcare for the preferred B&O tax rate for providing childcare.

#### CURRENT LAW:

Income received by a nursery school, preschool, or childcare provider for child care less than 24 hours is taxed at the preferred B&O tax rate of 0.484%.

There are exemptions, such as providing care to children under eight years of age and not enrolled in 1st grade, childcare provided by a church exempt from property tax, and children attending a privately operated kindergarten.

#### PROPOSAL:

This bill provides a B&O tax exemption for amounts received by a childcare provider for the care or supervision of children

- Under 13 years of age.
- Under 19 years of age who have a verified special need or are under court supervision as determined by the Department of Children, Youth, and Families (DCYF).

The bill adds a definition of childcare for the preferred B&O tax rate for providing childcare. For the purpose of the preferred B&O tax rate, childcare means care or supervision of children 13 years of age or older. Childcare for the preferred B&O tax rate does not include the care and supervision of children under age 19 who have a verified special need or are under court supervision as determined by DCYF.

The new tax preference performance provisions do not apply to this bill (see section 5 of the bill).

#### EFFECTIVE DATE:

This bill takes effect on October 1, 2024.

### 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

- This bill takes effect October 1, 2024, and impacts eight months of collections in fiscal year 2025.
- Growth rate mirrors the B&O tax growth rate reflected in the Economic and Revenue Forecast Council's November 2023 forecast.
- All taxable income reported under the child care B&O tax rate is for children under the age of 13.

Request # 6038-2-1

Form FN (Rev 1/00) 194,257.00

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Bill # 6038 S SB

DATA SOURCES

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, November 2023 forecast

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$360,000 in the eight months of impacted collections in fiscal year 2025 and by \$560,000 in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2024 - \$ 0
- FY 2025 - (\$ 360)
- FY 2026 - (\$ 560)
- FY 2027 - (\$ 580)
- FY 2028 - (\$ 610)
- FY 2029 - (\$ 630)

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 1,200 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$32,200 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.19 FTE.

- Set up, program, and test computer system changes for a new B&O tax deduction.
- Create a Special Notice to inform businesses of the new exemption.
- Update the department’s website and industry guide on childcare.

Object Costs - \$6,800.

- Contract computer system programming.

SECOND YEAR COSTS:

The department will incur total costs of \$40,200 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.31 FTE.

- Continued computer system testing.
- Implementation and management of statistical data.
- Amend three administrative rules.

Object Costs - \$700.

- Software expense.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.3	0.3		
A-Salaries and Wages	16,000	25,500	41,500		
B-Employee Benefits	5,200	8,400	13,600		
C-Professional Service Contracts	6,800		6,800		
E-Goods and Other Services	2,900	4,500	7,400		
G-Travel		200	200		
J-Capital Outlays	1,300	1,600	2,900		
<b>Total \$</b>	<b>\$32,200</b>	<b>\$40,200</b>	<b>\$72,400</b>		

**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		
IT B A-JOURNEY	91,968	0.1	0.1	0.1		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120	0.1	0.0	0.0		
TAX POLICY SP 3	88,416	0.0	0.2	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		
<b>Total FTEs</b>		<b>0.2</b>	<b>0.3</b>	<b>0.3</b>		

**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 expedited rulemaking process to amend WAC 458-20-167, titled: "Educational institutions, school districts, student organizations, and private schools", WAC 458-20-169, titled: "Nonprofit organizations", and WAC 458-20-183, titled: "Recreational services and activities." Persons affected by this rulemaking would

include certain childcare and day care centers.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6038 S SB	<b>Title:</b> Child care tax preference	<b>Agency:</b> 300-Department of Social and Health Services
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

NONE

**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: Tianyi Lan	Phone: 360-786-7432	Date: 02/06/2024
Agency Preparation: Seth Nathan	Phone: 360-902-0001	Date: 02/08/2024
Agency Approval: Dan Winkley	Phone: 360-902-8236	Date: 02/08/2024
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 02/08/2024



## 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.*

This bill relates to reducing the costs associated with providing child care.

Section 3 amends RCW 43.216.300 to stipulate that the secretary of the Department of Children, Youth, and Families (DCYF) may not charge fees to licensees for obtaining a child care license.

The Department of Social and Health Services (DSHS) Economic Services Administration (ESA) anticipates no caseload or workload impacts associated with the implementation of this bill, and therefore no fiscal impact.

### 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.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**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

## **Part V: New Rule Making Required**

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

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6038 S SB	<b>Title:</b> Child care tax preference	<b>Agency:</b> 307-Department of Children, Youth, and Families
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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
General Fund-State 001-1		(2,029,000)	(2,029,000)	(4,058,000)	(4,058,000)
<b>Total \$</b>		(2,029,000)	(2,029,000)	(4,058,000)	(4,058,000)

### Estimated Operating Expenditures from:

NONE

### 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: Tianyi Lan	Phone: 360-786-7432	Date: 02/06/2024
Agency Preparation: Melissa Jones	Phone: (360) 688-0134	Date: 02/08/2024
Agency Approval: Sarah Emmans	Phone: 360-628-1524	Date: 02/08/2024
OFM Review: Carly Kujath	Phone: (360) 790-7909	Date: 02/08/2024

## 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.*

Comparison of 6038 SSB to 6038 SB

This substitute bill expands the business and occupation (B&O) tax exemption for child care services, makes the exemption permanent, and removes licensing fees.

Section 1 is a new section added to RCW 82.04 to expand the B&O tax exemption to include the care of children under 13 years of age and children under 19 who have a verified special need or are under court supervision, removes the expiration date making the exemption permanent, and removes the requirement for JLARC to review the tax preference.

Section 2 amends RCW 82.04.2905 pertaining to tax on providing day care, to include the care of children 13 years of age and older but does not include children under age 19 who have a verified special need or are under court supervision.

Section 3 amends RCW 43.216.300 to remove fees charged to a licensee for obtaining a childcare license.

Section 4 amends RCW 43.216.305 removes the requirement for a licensee to submit the annual licensing fee to qualify for a non-expiring full license.

Section 5 states that tax preferences expiration dates in RCW 82.32.805 and performance statement requirements in RCW 82.32.808 do not apply to this act.

Section 6 is a new section that establishes an effective date for sections 1 and 2 of October 1, 2024.

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6038 SB

Sec. 1 is the tax preference performance statement for a new business and occupation tax exemption for childcare providers.

Sec. 2(1) exempts the income received by childcare businesses providing care for children under 13 years old from business and occupation taxes.

Sec. 2(2) provides that the exemption expires July 1, 2034.

Sec. 3 waives childcare licensing application fees.

Sec. 4 gives an effective date of July 1, 2024.

### 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.*

The Department of Children, Youth and Families anticipates a reduction to revenue in the State General Fund of \$2,029,000 GF-S beginning in FY25 and each fiscal year thereafter. The fee for the revenue is not appropriated to DCYF; therefore, does not reflect an equivalent expenditure authority reduction.

Background:

Fees currently collected by DSHS Financial Services Admin (FSA) for licensing fees include family home licensing fees of \$30, childcare and school-age program licensing fees of \$125 per year for the first 12 children, plus \$12 per year for each child after the first 12, up to the maximum capacity of children the facility is licensed to care for.

This assumption is based on number of licenses and capacity by license type as of December 31, 2023.

Family Childcare Homes: Total licensing fees of \$104,850

Number of licenses 3,495 x base fee per provider \$30 = \$104,850)

Childcare Centers: Total licensing fees of \$1,510,789

Number of licenses 1,733 x base fee per provider \$125 = \$216,625 for the first 12 children

Total Capacity of 128,643 - 20,796 = 107,847 (additional capacity after the first 12 children) x \$12 = \$1,294,164

Outdoor Nature-Based Programs: Total licensing fees of \$3,560

Number of licenses 16 x base fee per provider \$125 = \$2,000 for the first 12 children

Total Capacity of 322 - 192 (number of licenses x first 12 children) = 130 (additional capacity after the first 12 children) x \$12 = \$1,560

School-Age Programs: Total licensing fees of \$409,344

Number of licenses 600 x base fee per provider \$125 = \$75,000 for the first 12 children

Total Capacity of 35,062 - 7,200 (number of licenses x first 12 children) = 27,862 (additional capacity after the first 12 children) x \$12 = \$334,344

**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.*

No fiscal impact to expenditures.

Tax exemptions do not impact Working Connections Child Care (WCCC) caseload and Early Childhood Education Assistance Program (ECEAP) services and ECEAP contractors are already exempt from licensing fees.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

NONE

**III. B - Expenditures by Object Or Purpose**

NONE

**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

## **Part V: New Rule Making Required**

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

WAC 110-300-0400 Application materials (Centers and family homes)

WAC 110-300-0401 License fees (Centers and family homes)

WAC 110-301-0400 Application materials (School-age)

WAC 110-301-0401 License fees (School-age)