



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **SB 233** SLS 25RS 346  
Bill Text Version: **ENGROSSED**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 29, 2025	8:33 PM	<b>Author:</b> EDMONDS
<b>Dept./Agy.:</b> Dept. of Revenue / Dept. of Child & Family Services		<b>Analyst:</b> Noah O'Dell
<b>Subject:</b> Income Tax Credit: Workforce Child Tax Credit		

TAX/TAXATION EG DECREASE GF RV See Note Page 1 of 1  
Provides for changes to the School Readiness Tax Credit. (1/1/26)

Current law authorizes a refundable income tax credit for business child care expenses paid by a business, defines eligible business child care expenses with certain specified dollar amount limits, and expresses the total amount of the credit as a percentage of eligible business child care expenses, depending on the quality of the child care facility (rated from 1-5 stars). There is no limit on aggregate credits issued.

Proposed law renames the School Readiness Tax Credit program as the Workforce Child Care program, doubles the amounts of certain eligible business child care expenses and more than doubles the percentage of those expenses that make up the credit for certain star-rated child care facilities. The total amount of credits granted each year is limited to \$5M.

Effective January 1, 2026 and effective tax years beginning on or after 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>DECREASE</b>	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

LDR is anticipated to incur one-time expenditures of \$52,750 associated with system modifications, testing, and system development in support of tax return modifications. The department is able to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

**REVENUE EXPLANATION**

The bill renames the school readiness tax credit as the workforce child tax credit, increases the dollar amount of eligible business child care expenses, increases the size of the business-supported child care credit, and imposes a \$5M cap on credits granted each year. These changes are anticipated to result in an increase in the credit amount awarded to taxpayers and decrease SGF (or statutory dedication) revenue beginning in FY27 when 2026 returns are filed.

According to the 2024-2025 Tax Exemption Budget published by the Department of Revenue (LDR), the revenue loss associated with the business-supported child care credit was approximately \$585,000 in FY24 with about 60% taken against corporate income tax and 40% against personal income tax. Assuming the same eligible businesses continue claiming the refundable credit, only at at a higher rate, state revenue is expected to decline by at least double or possibly in excess of one million dollars with 60% against corporate accruing to the Revenue Stabilization Fund (unless aggregate corporate income tax collections fall below \$600M, in which case the impact would be to the SGF) and 40% against personal income tax, which would accrue to the SGF. Calculating an exact revenue estimate would require private taxpayer information and is further complicated by taxpayers potentially increasing their expenditures under the new, higher limits for eligible expenses. To the extent that more businesses are motivated to provide childcare services, the impact of the bill will increase, particularly if new applicants have achieved higher star ratings.

Expansion of Eligible Business Child Care Expenses: The expenses limit of construction, maintenance, and equipment increased from \$50,000 to \$100,000 per tax year. Payments to child care facilities on behalf of employees increased from \$5,000 to \$10,000 per child per year. Purchases of reserved child care slots increase from \$50,000 to \$100,000 per year.

Business-Supported Child Care Credit Amounts:

5-star facilities: Increased from 20% to 50%

4-star facilities: Increased from 15% to 40%

3-star facilities: Increased from 10% to 30%

2-star facilities: Increased from 5% to 20%

\* A portion of the SGF impact may originate as the LDR retention of 1% of income collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate

Dual Referral Rules

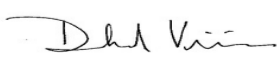
House

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

  
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