

Child care

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This guide is intended to help those providing child care services understand how Washington's taxes apply to their business activities. Please contact the Department of Children, Youth, and Families for questions or information about your child care provider license.

If you have additional questions about Washington excise taxes, you may [request a ruling](#). For help filing, call us at 360-705-6705.

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Child welfare services

The Department of Social and Health Services (DSHS) contracts with multiple private providers to purchase various child welfare services. DSHS uses a lead-agency model when contracting for child welfare services. Under the lead-agency model, services may be provided directly by the lead agency or through subcontracts and agreements with service providers.

Payments for child welfare services under a government funded program are not subject to B&O tax. Health or social welfare organizations, as well as lead-agencies, should report their gross income under the Service and Other Activities classification of the B&O tax and then take an "Other" deduction with a description such as "Government funded child welfare program."

References

- [RCW 82.04.431](#) Health or social welfare organization defined – Conditions for exemption – Health or social welfare services defined
- [RCW 74.13.020](#) Definitions (child welfare services)

Day cares

Day cares

Income earned from caring for children under 18 is generally taxed under the Child Care B&O tax classification. This includes no-show fees and charges for late pick-up. Child care is not considered a retail sale, so you do not need to collect sales tax.

If your B&O tax due is below a certain amount, you are entitled to a [small business B&O tax credit](#). This credit is automatically calculated when you file electronically.

Alternatively, if your business meets certain criteria, you may qualify for [active non-reporting \(ANR\) status](#). Businesses on ANR status are considered actively engaged in business but are not required to file tax returns with the department.

Deductions and exemptions

Businesses primarily engaged (more than 50%) in providing child care

Starting Oct. 1, 2024, if you are primarily engaged (more than 50%) in providing child care services, you may deduct income earned from caring for children for less than 24 hours if they are either:

- Under 13 years of age.
- Under 19 years of age with a verified special need or under court supervision as determined by the Department of Children, Youth, and Families under [chapter 43.216 RCW](#).

You must include these amounts in your gross income and then take the “Child Care for Children Under 13, Under 19 with Verified Special Need or Under Court Supervision” deduction.

This deduction expires December 31, 2034.

Care of children under eight years old

If you are not primarily engaged in providing child care, you may deduct income earned from caring for children under eight years old who are not in first grade or above. You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Child care for children under 8.”

Care provided in church facilities

B&O tax does not apply to income from child care provided by a church that is exempt from property tax under [RCW 84.36.020](#), no matter the children’s ages. You do not need to report this income on the excise tax return, and you may not need to register with the Department of Revenue.

Care paid by federal or state government

Nonprofit corporations that qualify as health or social welfare organizations can deduct payments from federal, state, or local governments for providing health and social welfare services like day care. You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Health and social welfare services.”

References

- [RCW 82.04.2905](#) Tax on providing day care
- [RCW 82.04.4282](#) Deductions – Fees, dues, charges
- [RCW 82.04.431](#) Health or social welfare organization defined – Conditions for exemption – Health or social welfare services defined
- [WAC 458-20-167](#) Educational institutions, school districts, student organizations, and private schools
- [WAC 458-20-169](#) Nonprofit organizations

Day care monitors and resource and referral agencies

Day care monitors and resource and referral agencies

Day care monitors

Monitors of home day care operators work for sponsors under one or more federal nutrition programs for the [US Department of Agriculture \(USDA\)](#). The sponsors receive funds from the [Office of the Superintendent of Public](#)

Instruction (OSPI), which works with the monitors to ensure all federal regulations are met.

Monitors must report the gross amounts received under the Service and Other Activities business and occupation (B&O) tax. However, they may use the Advancements/Reimbursements deduction to deduct payments made to child care operators for providing meals.

Additionally, monitors who qualify as health or social welfare organizations may deduct amounts received from the OSPI using the “Other” deduction with a description such as “health and social welfare services.”

Resource and referral agencies

Child care resource and referral agencies are generally subject to B&O tax under the Service and Other Activities classification. Taxable income of resource and referral agencies includes:

- Monitoring funds from OSPI.
- Payments from businesses.
- Payments from other resource and referral agencies.

Child care resource and referral services **do not** include care services provided directly to children. Additionally, you may not deduct amounts paid to or received from other resource and referral agencies.

However, if you are a nonprofit organization, you do not owe B&O tax on amounts received for resource and referral services. You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Child care resource and referral services.”

References

- [RCW 82.04.3395](#) Exemptions-Child care resource and referral services by nonprofit organizations
- [RCW 82.04.431](#) Health or social welfare organization defined – Conditions for exemption – Health or social welfare services defined
- [WAC 458-20-169](#) Nonprofit organizations

Private preschools and kindergartens

Private preschools and kindergartens

Tuition

Nursery schools, preschools, and private kindergartens do not have to pay business and occupation (B&O) tax on income earned from caring for children under eight years old who are not in first grade or above.

You must include these amounts in gross income reported under the Child Care classification and then take an “Other” deduction with a description such as “Privately operated kindergartens, preschools, etc.”

You may not deduct amounts received for children eight years or older or enrolled in or above the first grade.

Sales of tangible personal property

Income received from sales of tangible personal property (such as books, school supplies, and uniforms) or any separate charges to students for such items is subject to B&O tax under the Retailing classification, and you must collect retail sales tax.

If the school does not separately charge for such items, then the school is considered the consumer of the items provided to the students and must pay retail sales tax or use tax on them.

References

- [RCW 82.04.4282](#) Deductions – Fees, dues, charges
- [WAC 458-20-167](#) Educational institutions, school districts, student organizations, and private schools

Property tax and leasehold excise tax

Property tax and leasehold excise tax

Personal property

Everyone who uses personal property in a business must complete a personal property tax listing form. This listing must be filed with your [county assessor's office](#) by April 30 of each year. Examples of personal property used in conducting business include, but are not limited to:

- Computer hardware and software.
- Furniture and fixtures.
- Toys.
- Books.
- Supplies.

For more information, please see our [Personal Property Tax](#) brochure and our [How my business property is valued](#) web page.

Real property

Real property includes land and buildings and is valued by the county assessor's office. You will pay property tax on real property if you own or are purchasing your child care facility.

Leasehold excise tax

You owe leasehold excise tax (LET) if you lease any facilities, equipment, or other property from a governmental entity. LET takes the place of the property tax and is based on the fair market rental value of the property or the actual rent paid. Generally, the governmental entity is required to collect the LET. However, if you lease federal property, you must register and remit the tax directly to the department. Please contact the department at 360-705-6115 for more information on the leasehold excise tax.

Exemptions

Nonprofit organizations may be eligible for an exemption from both property tax and leasehold excise tax. Typical organizations receiving such exemptions are schools, churches, social service agencies, and child care organizations.

To apply for a nonprofit organization exemption, you must [file an application](#) with the Department of Revenue's Property Tax Division.

Sole proprietors also may be eligible for a property tax exemption on \$15,000 of their personal property's assessed value.

To request this exemption, check the "head of household" box on the Personal Property Tax Affidavit you file with the [county assessor](#). The assessor will determine if you qualify.

References

- [RCW 82.29A](#) Leasehold excise tax
- [WAC 458-16-115](#) Personal property exemptions for household goods, furnishings, and personal effects, and for the head of a family
- [Leasehold Excise Tax form](#)

Purchases

Purchases

Generally, you must pay retail sales or use tax on goods used to operate your business. Examples include, but are not limited to:

- Furniture and fixtures.
- Office equipment and supplies.
- Toys and playground equipment.
- Diapers and other items used to care for children.
- Items provided to students without a separate charge.

If you purchase such items and the seller does not collect sales tax, you must report [Use tax](#).

References

[RCW 82.04.050](#) "Sale at retail," "retail sale"

[RCW 82.12.020](#) Use tax imposed

[WAC 458-20-178](#) Use tax and the use of tangible personal property

Youth camps

Youth camps

Day camps

Day camps offer youth a variety of supervised indoor and outdoor activities within a safe environment. Depending on the organization, these camps can be provided by the day, week, or month.

Generally, charges for day camps are subject to business and occupation (B&O) tax under the Service and Other Activities classification, and you do not have to collect sales tax. This includes day camps offered by nonprofit organizations or state or local government entities, as well as camps focused on individuals with disabilities or mental illness.

However, if you are operating an [athletic or fitness facility \(AFF\)](#), day camps are considered a retail activity. AFFs must collect sales tax on charges for day camps. These charges are also subject to B&O tax under the Retailing classification.

Camp providers are the consumers of all items used or consumed by the campers. This includes meals provided with no additional charge. The camp provider must pay retail sales tax or use tax on their purchases of tangible

personal property and prepared food items.

Overnight camps

The taxability of overnight camps depends on the primary purpose or activities conducted during the camp.

Educational camps

Income received from providing camps focused on educational activities is subject to B&O tax under the Service and Other Activities classification. You do not have to collect retail sales tax on this activity.

Adventure camps

Income received from adventure-based camps (outdoor camps) that offer ropes courses, climbing walls, hiking, fishing, boating, horseback riding, etc., is subject to B&O tax under the Retailing classification, and you must collect retail sales tax. This is because these types of activities are specifically defined as retail sales.

Combination camps

In the event you hold camps that are a combination of the above activities, taxability is determined by the primary focus of the camp. If the primary focus of the camp is retail activities, the gross amount is subject to B&O tax under the Retailing classification, and you must collect sales tax. However, if the primary focus is not a retail activity, the gross amount is subject to B&O tax under the Service and Other Activities classification, and you do not have to collect retail sales tax.

Deductions and exemptions

Care of children under eight years old

You may take a B&O tax deduction for amounts received for day camps for children under the age of eight who are not enrolled in first grade or above.

You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Child care for children under 8.”

Nonprofit youth organizations

If you are a nonprofit youth organization, your camp fees are exempt from B&O tax.

You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Nonprofit youth organization.”

Camp or conference centers

Nonprofit organizations are exempt from B&O tax and retail sales tax on amounts received for the following items or services provided at a camp or conference center exempt from property tax under [RCW 84.36.030](#) (1), (2), or (3):

- Lodging, conference and meeting rooms, camping facilities, parking, and similar licenses to use real property.
- Food and meals.

- Books, tapes, and other products, including electronically transferred items, available exclusively to the participants at the camp, conference, or meeting and not available to the public at large.

You must include these amounts in your gross income and then take an “Other” deduction with a description such as “Camp or conference centers.”

References

- [RCW 82.04.050](#) “Sale at retail,” “retail sale”
- [RCW 82.04.290](#) Tax on service and other activities
- [RCW 82.04.4271](#) Deductions-Membership fees and certain service fees by nonprofit youth organizations
- [RCW 82.04.363](#) Camp or conference center -- Items sold or furnished by nonprofit organization.
- [RCW 82.08.830](#) Sales at camp or conference center by nonprofit organization.
- [WAC 458-20-169](#) Nonprofit organizations
- [Nonprofit Youth Organizations](#)
- [Recreational services at a glance](#)