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## Finance Committee

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### HB 1895

**Brief Description:** Modifying the working families' tax credit by clarifying the refundable nature of the credit, the application requirements, and the eligibility verification process.

**Sponsors:** Representatives Thai, Connors, Corry, Ryu, Ortiz-Self and Ramel; by request of Department of Revenue.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Makes administrative clarifications to the Working Families Tax Credit.</li></ul>
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**Hearing Date:** 1/9/24

**Staff:** Rachelle Harris (786-7137).

**Background:**

Working Families' Tax Credit.

The Working Families' Tax Credit (WFTC) is a state program for low- to moderate-income families that offers a partial credit against sales and use taxes paid in the form of a refund. To be eligible for credit payments, a person must:

- have filed a federal tax return;
- meet the requirements for the federal Earned Income Tax Credit (EITC), or would meet the requirements for the EITC, but are filing with an Individual Taxpayer Identification Number;
- be at least 25 and under 65 years of age, or have a qualifying child; and
- have lived in Washington for more than 183 days or be the spouse of someone who does.

There is no minimum or maximum age requirement for a person with a qualifying child.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

The amount of the WFTC payment varies depending on the number of qualifying children in the household and the filer's income level. The minimum credit amount for all eligible persons that apply is \$50. The maximum credit amount is as follows:

- Three hundred dollars for eligible persons with no qualifying children.
- Six hundred dollars for eligible persons with one qualifying child.
- Nine hundred dollars for eligible persons with two qualifying children.
- One thousand two hundred dollars for eligible persons with three or more qualifying children.

Credit amounts are adjusted for inflation based on changes in the Consumer Price Index.

Qualifying income levels are based around the maximum adjusted gross income for the federal EITC, which changes annually. The maximum credit amount for the WFTC is reduced by varying percentages depending on income levels. The Department of Revenue (DOR) must use an applicant's most recent federal tax filing for the tax year for which the refund is being claimed to calculate the refund. The DOR adjusts the rate of credit reductions annually to maintain the minimum credit being received at the maximum qualifying income level. The rates of credit reduction also vary based on the number of qualifying children.

To receive a credit, eligible persons must apply to the DOR. The DOR has authority to adopt rules necessary to implement and administer the program.

### **Summary of Bill:**

The WFTC is clarified to be a refundable tax credit. A WFTC applicant must have paid retail sales or use tax. There is a rebuttable presumption that a person paid either retail sales tax or use tax, or both, if they were a Washington resident during the year for which the credit is claimed.

The DOR is allowed to use information provided by the individual to calculate the WFTC refund amount.

Income reported on applications for the WFTC may be rounded to the nearest dollar. Applicants are required to keep records necessary for the DOR to determine eligibility, and the DOR is allowed to verify that information.

The DOR is authorized to use automated verification tools and other reasonable means to determine if the applicant qualifies as a Washington resident for purposes of the WFTC program. The requirement that the DOR must use an applicant's most recent federal tax filing to calculate the refund is removed.

The sources the DOR may use to verify eligibility requirements is expanded to include federal agencies, Washington agencies, third-party entities, or other persons. The DOR can accept a

self-attestation to presumptively validate an individual's eligibility for the WFTC program. A signed attestation is subject to audit verification by the DOR to validate an individual's eligibility for the WFTC.

The bill applies both prospectively and retroactively to January 1, 2023.

**Appropriation:** None.

**Fiscal Note:** Requested on January 2, 2024.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.