

***Higher Education Committee***

***HB 1848***

***Brief Description:*** *Establishing an earned income training credit program.*

***Sponsors:*** *Representatives McIntire, Jarrett, Kenney, Cox, Tokuda, Ruderman, Conway, Santos, Ogden, McDermott, O'Brien, Wood and Schual-Berke.*

***Brief Summary of Bill***

- *Creates a two-year pilot program providing qualified families with an earned income training credit of 50 percent of the federal earned income tax credit that may be applied to tuition at a public baccalaureate institution of higher education, community or technical college, private career school or on-the-job training expense incurred by an employer.*

***Hearing Date:*** *2/16/01*

***Staff:*** *Tracey Taylor (786-7196).*

***Background:***

*The federal earned income tax credit is a tax credit for low- and moderate-income workers, usually with children, and is designed to offset the burden of Social Security payroll taxes, supplement earnings, and complement efforts to help families make the transition from welfare to work. Two-parent families can receive the earned income tax credit whether both parents work or whether one parent works while the other parent stays home to care for the children, so long as the family's income is below the earned income tax credit limit. For tax year 2000, a family of four (with two children) having gross wages equal to the federal poverty line (\$17,050) could receive a maximum federal earned income tax credit of \$3,816.*

*In 2000, 64 percent of Washington employers reported having difficulty finding qualified applicants during the previous 12 months. Over three-quarters report difficulty recruiting workers with bachelor's degrees, vocational certificates, and vocational associate degrees. Employers report that the scarcity of workers has affected productivity, output and quality.*

*Finally, new federal regulations offer the states the opportunity to use some of their Temporary Assistance to Needy Families (TANF) funds on programs that assist low income working families.*

***Summary of Bill:***

*An earned income training credit pilot program is created and will be administered by the Higher Education Coordinating Board (HECB) with the assistance of the State Board for Community and Technical Colleges (SBCTC).*

*A person is eligible if he or she is a resident student, has qualifying children, and received an earned income tax credit under the federal internal revenue code. The amount of the award is 50 percent of the earned income tax credits received in the previous 5 tax years. A person may receive credits up to a maximum of 6 times the quarterly tuition at a community or technical college. An eligible person must have at least \$1,000 in income training credits before the credits may be used.*

*The earned income training credits may be used for tuition at a public institution of higher education or at a private vocational school. The credits may not be used for graduate level courses. The training credit may also be used to reimburse a current or prospective employer providing training to an eligible person under a training contract. At least 25 percent of the income training credits must be used for on-the-job training and will be administered by the SBCTC.*

*Subject to available funding and the rules adopted by HECB, an eligible person enrolled at least half-time in a program of study at an eligible institution may also receive state subsidized child care and a financial aid supplement to cover his or her unmet financial need.*

*Administrative cost may not exceed 2.1 percent of the funds available for earned income training credit pilot program.*

*The earned income training credit pilot program expires June 30, 2003.*

*A report prepared by the HECB, with the assistance of the SBCTC and the Employment Security Department, will be delivered to the Workforce Training and Education Coordinating Board and the appropriate committees of the legislature by December 1, 2003. The report should include, but is not limited to, the number of people receiving training, the cost of the program administration, the training outcomes, job and wage progression, and the number of people receiving tuition benefits.*

***Appropriation:*** *The sum of \$3 million for fiscal year ending June 30, 2002 from the general fund-federal TANF grant. The sum of \$7 million is appropriated for the fiscal year ending June 30, 2003 from the general fund-federal TANF grant.*

***Fiscal Note:*** *Requested on February 9, 2001.*

***Effective Date:*** *Ninety days after adjournment of session in which bill is passed.*

