

# HOUSE BILL REPORT

## EHB 2096

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### As Passed Legislature

**Title:** An act relating to the working families' tax exemption, also known as the working families tax credit.

**Brief Description:** Concerning the working families' tax exemption, also known as the working families tax credit.

**Sponsors:** Representatives Thai, Frame, Berry, Sutherland, Kloba and Pollet; by request of Department of Revenue.

**Brief History:**

**Committee Activity:**

Finance: 2/1/22, 2/4/22 [DP].

**Floor Activity:**

Passed House: 2/12/22, 96-2.

Passed Senate: 3/3/22, 48-0.

Passed Legislature.

<p><b>Brief Summary of Engrossed Bill</b></p> <ul style="list-style-type: none"><li>• Makes technical clarifications to the Working Families Tax Credit.</li></ul>
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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 17 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

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

**Background:**

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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 Working Families Tax Credit (WFTC) is a state program for low- to moderate-income families that offers a partial refund credit against sales and use taxes paid. 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 180 days.

The amount of the credit varies depending on the number of qualifying children and the filer's income level. The minimum credit amount for all eligible persons that apply is \$50. The maximum credit amount for the WFTC is reduced by varying percentages at income levels based around the maximum adjusted gross income for the federal EITC, which changes annually. The rates of credit reduction also vary based on the number of qualifying children.

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

#### **Summary of Engrossed Bill:**

The following technical corrections are made related to the WFTC program:

- The word "exemption" is replaced with "credit."
- The word "remittance" is replaced with "refund."
- A needed reference to use tax statute is included.
- References to titles within the federal internal revenue code are clarified.
- A definition for the federal internal revenue code is added.
- A definition for "Washington resident" is added, specifying that a person must physically reside in the state for at least 183 days during the year for which the credit is claimed, or be the spouse of someone who does.
- It is specified that as refund amounts are adjusted for inflation, they will be rounded to the nearest \$5.
- Fraudulent claims for the working families tax credit is added to the statutes identifying unlawful acts related to taxation that may be subject to penalties.
- Other grammatical changes are made.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This is agency-requested legislation that makes technical corrections. This bill will allow for better administration of the program and makes it easier to understand for the public. This approach aligns program terminology with the terms used by the Internal Revenue Service and other federal code. This will not change any policy aspects and is purely technical. The Department of Revenue needs effective clarifications to make sure the program can be effectively administered. The coalition wants to address some language with regard to individual taxpayer identification number filers to address a federal backlog in processing those applications.

(Opposed) None.

**Persons Testifying:** Representative My-Linh Thai, prime sponsor; Steve Ewing, Department of Revenue; and Emily Vyhnanek, Working Families Tax Credit Coalition.

**Persons Signed In To Testify But Not Testifying:** None.