

SENATE BILL REPORT

HB 1888

As of February 22, 2022

Title: An act relating to allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels.

Brief Description: Allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels.

Sponsors: Representatives Thai, Berry, Ortiz-Self, Ryu, Peterson, Shewmake, Goodman, Ormsby, Johnson, J., Bronoske, Tharinger, Senn, Ramel, Taylor, Stokesbary, Frame, Riccelli, Lekanoff, Fey, Davis, Bateman, Macri, Harris-Talley and Young.

Brief History: Passed House: 2/8/22, 87-9.

Committee Activity: Ways & Means: 2/22/22.

Brief Summary of Bill

- Authorizes the Department of Revenue to annually adjust the rate of Working Families Tax Credit reductions based on qualifying income changes.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

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. 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

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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 maximum credit amount is as follows:

- for eligible persons with no qualifying children, the maximum credit is \$300;
- for eligible persons with one qualifying child, the maximum credit is \$600;
- for eligible persons with two qualifying children, the maximum credit is \$900;
- for eligible persons with three or more qualifying children, the maximum credit is \$1,200;

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 (AGI) for the federal EITC, which changes annually. The rates of credit reduction also vary based on the number of qualifying children:

- for eligible persons with no qualifying children, beginning at \$2,500 of income below the federal maximum AGI, the base remittance is reduced by 18 percent per additional dollar of income until the minimum credit amount is reached;
- for eligible persons with one qualifying child, beginning at \$5,000 of income below the federal maximum AGI, the base remittance is reduced by 12 percent per additional dollar of income until the minimum credit amount is reached;
- for eligible persons with two qualifying children, beginning at \$5,000 of income below the federal maximum AGI, the base remittance is reduced by 15 percent per additional dollar of income until the minimum credit is reached; and
- for eligible persons with three or more qualifying children, beginning at \$5,000 of income below the federal maximum AGI, the base remittance is reduced by 18 percent per additional dollar of income until the minimum credit is reached.

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

Summary of Bill: Beginning January 1, 2023, DOR is authorized to annually adjust the rate of credit reductions based on calculations that maintain the minimum credit being received at the maximum federal qualifying income level.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This is a common sense fix to make sure the state tax credit aligns with the federal earned income credit. The bill prevents a benefit cliff that would prevent some households from receiving payments. DOR has the authority to recalculate income levels on an annual basis to ensure they stay consistent with the federal adjusted gross income. The income levels and payment amounts are unchanged under this bill. The bill ensures that benefits reach all eligible households and supports the long term success of the tax credit program.

Persons Testifying: PRO: Emily Vyhnanek, Working Families Tax Credit Coalition & Washington State Budget & Policy Center; Joseph Lachman, Asian Counseling and Referral Service/Asian Pacific Islander Coalition.

Persons Signed In To Testify But Not Testifying: No one.