

# HOUSE BILL REPORT

## HB 1075

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to expanding eligibility for the working families' tax credit to everyone age 18 and older.

**Brief Description:** Expanding eligibility for the working families' tax credit to everyone age 18 and older.

**Sponsors:** Representatives Thai, Walen, Simmons, Berry, Ramel, Peterson, Pollet, Callan, Macri, Gregerson, Bergquist, Wylie, Kloba, Santos, Riccelli, Fosse and Ormsby.

**Brief History:**

**Committee Activity:**

Finance: 1/31/23, 2/9/23 [DPS].

**Brief Summary of Substitute Bill**

- Adjusts the age requirements for the Working Families' Tax Credit such that an individual age 18 or older can qualify, regardless of if they have a qualifying dependent child.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Berg, Chair; Street, Vice Chair; Jacobsen, Assistant Ranking Minority Member; Barnard, Chopp, Ramel, Santos, Springer, Thai, Walen and Wylie.

**Minority Report:** Do not pass. Signed by 1 member: Representative Orcutt, Ranking Minority Member.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Stokesbary.

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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.*

**Staff:** Rachelle Harris (253-444-0316).

**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 over 24 years old, but 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.

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:

- \$300 for eligible persons with no qualifying children.
- \$600 for eligible persons with one qualifying child.
- \$900 for eligible persons with two qualifying children.
- \$1,200 for eligible persons with three or more qualifying children.

Beginning in 2024 and annually thereafter, credit amounts will be 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) 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.

Applications for the program open February 1, 2023.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions,

exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference.

All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Joint Legislature Audit Review Committee Review of the Working Families' Tax Credit. The JLARC is required to review the WFTC in 2028 and every 10 years thereafter. If a review finds that the WFTC does not provide meaningful financial relief to low-income and middle-income households, then the credit expires at the end of the calendar year two years after the final JLARC report containing the finding is adopted.

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### **Summary of Substitute Bill:**

Individuals with no qualifying children can qualify for the WFTC if they are 18 years of age or older. The amount of credits available for this expanded age population is subject to appropriations.

As part of its tax preference performance review, JLARC is required to provide written notice of the expiration date of the WFTC to the DOR, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others as JLARC deems appropriate.

The act is not subject to the 10-year automatic tax preference expiration.

### **Substitute Bill Compared to Original Bill:**

The substitute bill makes technical language changes and removes the requirement that JLARC provide notice of expiration to "affected parties." The substitute bill also makes credits that are available to the expanded age population subject to appropriations.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 11, 2023.

**Effective Date of Substitute Bill:** The bill takes effect on January 1, 2024.

### **Staff Summary of Public Testimony:**

(In support) Outreach for the working families tax credit program is critical since it is a first time program. This will be the first time the state is sending a check to working people in the state who bear too much of our tax burden. The age restriction is problematic, because if you are 24 years old with a low income supporting yourself, you will not qualify, while a 25 year old in the same position will qualify. Young adults and older folks are the most financially unstable. Young people are barely making ends meet, so extra cash is helpful for keeping up with basic costs of living. Students often face basic needs insecurity, particularly students of color. Young people between the ages of 18-24 experience the highest rate of hunger in the state. There are limited job opportunities and institutional barriers that magnify this issue. Families receive wide support, while families without children are often left behind. From ages 18-24 people are starting their working life, and it's difficult especially without family support. This bill will be very helpful for young people. This program offsets the inequity of our tax system on the lowest income person. More adults 65 and older are working now than any time in history, yet poverty for this age group is increasing.

(Opposed) None.

**Persons Testifying:** Representative My-Linh Thai, prime sponsor; Cynthia Stewart, League of Women Voters of Washington; Shaun Scott; Kristin Ang, Faith Action Network; Emily Vyhnanek, Working Families Tax Credit Coalition and Washington State Budget and Policy Center; Alfredo Corvalan; Alex Davidson, Associated Students of the University of Washington; Christina Wong, Northwest Harvest; Daniel Low, Washington Physicians for Social Responsibility; Shaun Scott, Statewide Poverty Action Network; Ariana Vargas, Nuestra Casa; and HyeEun Park, BIPOC Executive Directors Coalition.

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