

FINAL BILL REPORT

HB 1895

C 3 L 24

Synopsis as Enacted

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, Ramel, Ormsby, Doglio, Fosse, Orwall, Paul, Reeves, Lekanoff, Tharinger and Riccelli; by request of Department of Revenue.

House Committee on Finance
Senate Committee on Ways & Means

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 payment. To be eligible for 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.

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 payment amount for all eligible persons that apply is \$50. The maximum payment amount is as follows:

- \$300 for eligible persons with no qualifying children;
- \$600 for eligible persons with one qualifying child;

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- \$900 for eligible persons with two qualifying children; and
- \$1200 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 payment 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 payment is being claimed to calculate the refund. The DOR adjusts the rate of payment reductions annually to maintain the minimum payment being received at the maximum qualifying income level. The rates of payment reduction also vary based on the number of qualifying children in the filer's household.

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

Summary:

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 payment 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 payment amount 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.

Votes on Final Passage:

House 96 0

Senate 48 0

Effective: June 6, 2024