

SENATE BILL REPORT

HB 1895

As Reported by Senate Committee On:
Ways & Means, February 1, 2024

Title: An act relating to modifying the working families' tax credit by clarifying the refundable nature of the credit, the application requirements, and the eligibility verification process.

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.

Brief History: Passed House: 1/29/24, 96-0.

Committee Activity: Ways & Means: 2/01/24 [DP, DNP].

Brief Summary of Bill

- Clarifies the refundable nature of the working families tax credit.
- Modifies administrative provisions related to the credit calculation and the eligibility verification process of the program.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Robinson, Chair; Mullet, Vice Chair, Capital; Nguyen, Vice Chair, Operating; Wilson, L., Ranking Member, Operating; Gildon, Assistant Ranking Member, Operating; Warnick, Assistant Ranking Member, Capital; Billig, Boehnke, Braun, Conway, Dhingra, Hasegawa, Hunt, Keiser, Muzzall, Pedersen, Randall, Saldaña, Torres, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.

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.

Signed by Senator Schoesler, Ranking Member, Capital.

Staff: Tianyi Lan (786-7432)

Background: Working Families Tax Credit Program. In 2021 the Legislature established the Working Families Tax Credit program (WFTC), based in part on the federal Earned Income Tax Credit program (EITC). It provides a refundable credit for retail sales or use tax paid by low-to-moderate income Washington residents who meet certain eligibility requirements. Individuals may apply for any WFTC payments for which they were eligible, but did not claim, for up to three years. To be eligible for credit payments, a person must:

- have filed a federal tax return;
- meet the requirements for the EITC, or would otherwise 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.

The Department of Revenue (DOR) administers the WFTC program. The credit amount varies depending on the number of qualifying children in the household and the filer's income level. 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. DOR adjusts the rate of credit reductions annually to maintain the minimum credit being received at the maximum qualifying 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; or
- \$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.

DOR has authority to adopt rules necessary to implement and administer the program. DOR must use the applicant's federal tax filing for the tax year for which a refund is being claimed to calculate the refund. To receive a credit, eligible persons must apply to DOR and provide any information and documentation required by DOR. DOR shall review the application and determine the eligibility based on information provided and through audit and other administrative records. If necessary, DOR is authorized to use information from the internal revenue services for verification.

Summary of Bill: The WFTC is clarified to be a refundable tax credit. 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 bill allows DOR to use information provided by the individual to calculate the WFTC refund amount instead of limiting to the individual's federal tax filing. Income reported on applications for the WFTC may be rounded to the nearest dollar.

The bill requires applicants to keep records necessary for DOR to determine eligibility.

The bill authorizes DOR to verify eligibility requirements through the use of automated verification tools or other reasonable means and based on information from federal agencies, state agencies, third-party entities, or other persons. DOR can accept a self-attestation to presumptively validate an individual's eligibility for the WFTC program. The signed attestation is subject to audit verification by DOR.

The bill applies both prospectively and retroactively to January 1, 2023.

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: No public hearing was held.

Persons Testifying: N/A

Persons Signed In To Testify But Not Testifying: N/A