

SENATE BILL REPORT

SB 5285

As of January 19, 2023

Title: An act relating to adding a new caseload for the official caseload forecast for the number of people eligible for the working families' tax credit under RCW 82.08.0206.

Brief Description: Adding a new caseload for the official caseload forecast for the number of people eligible for the working families' tax credit under RCW 82.08.0206.

Sponsors: Senators Nguyen, Billig, Cleveland, Conway, Frame, Kuderer, Lovelett, Nobles and Wilson, C.; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 1/19/23.

Brief Summary of Bill

- Requires the Caseload Forecast Council to forecast the number of people eligible for the working families tax credit according to the number of qualifying children.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tianyi Lan (786-7432)

Background: The Caseload Forecast Council. The Caseload Forecast Council (CFC) consists of two individuals appointed by the Governor, and four individuals, one of whom is appointed by the chairperson of each of the two largest political caucuses in the Senate and the House of Representatives. The CFC oversees the preparation and approval of the official state caseload forecasts. The CFC estimates the number of persons expected to meet entitlement requirements and require the services of public assistance programs including state correctional institutions; state correctional noninstitutional supervision; state institutions for juvenile offenders; the common school and charter school systems; long-term care; medical assistance; foster care; the College Bound Scholarship Program; and

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adoption support. The Council meets several times a year to adopt official forecasts, which become the basis of the Governor's budget document and the biennial operating budget enacted by the Legislature.

Working Families Tax Credit Program. In 2008, the Legislature enacted a state-level benefit program called the Working Families Tax Exemption (WFTE) that was based in part on the federal Earned Income Tax Credit program (EITC). The EITC is a federal refundable tax credit for individuals with low to moderate income. Qualified individuals receive a credit on their federal tax return. The size of an individual's benefit from the EITC depends on the recipient's income, marital status, and number of children. The credit amount is a fixed percentage of earnings that increases with each dollar earned until it reaches a maximum level and then begins to phase out at higher income levels. The state exemption is modeled as a sales and use tax remittance program. To be eligible, a person must have paid Washington State and local sales and use taxes, received a federal EITC benefit, have been a resident of Washington for more than 180 days for the year in which the exemption is claimed, and apply to the Department of Revenue (DOR) for the remittance.

In 2021, the Legislature restructured the WFTE as the Working Families Tax Credit Program (WFTC). The remittance calculations were modified and the program was expanded to include those with individual taxpayer identification numbers who would otherwise be eligible for the federal earned income tax credit. The requirement to provide an appropriation in the state omnibus appropriations act before a person may claim the WFTE was eliminated.

Starting in 2023, the new base remittance amount for the state WFTC is established 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.

The credit program is administered by DOR. Beginning in 2024, and annually thereafter, remittance amounts will be adjusted for inflation based on changes in the consumer price index. DOR must design and implement a public information campaign to inform eligible persons of the existence of the WFTC.

Summary of Bill: The CFC must forecast the number of people eligible for the working families tax credit according to the number of qualifying children. The forecast must include details regarding the number of applicants with no qualifying children, one qualifying child, two qualifying children and more than two children. The first forecast will be the November 2023 caseload forecast, following the effective date of the bill.

Appropriation: None.

Fiscal Note: Requested on January 11, 2023.

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

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