# Multiple Agency Fiscal Note Summary

| **Bill Number:** 1297 S HB PL | **Title:** Working families tax exempt. |
|---|---|

## Estimated Cash Receipts

| Agency Name | 2021-23 | | | 2023-25 | | | 2025-27 | | |
|---|---|---|---|---|---|---|---|---|---|
| | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total | GF-State | NGF-Outlook | Total |
| Department of Revenue | (236,000,000) | (236,000,000) | (242,000,000) | (506,000,000) | (506,000,000) | (518,000,000) | (540,000,000) | (540,000,000) | (554,000,000) |
| **Total $** | **(236,000,000)** | **(236,000,000)** | **(242,000,000)** | **(506,000,000)** | **(506,000,000)** | **(518,000,000)** | **(540,000,000)** | **(540,000,000)** | **(554,000,000)** |

## Estimated Operating Expenditures

| Agency Name | 2021-23 | | | | 2023-25 | | | | 2025-27 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total | FTEs | GF-State | NGF-Outlook | Total |
| Joint Legislative Audit and Review Committee | .1 | 18,300 | 18,300 | 18,300 | .0 | 12,200 | 12,200 | 12,200 | .1 | 18,300 | 18,300 | 18,300 |
| Department of Revenue | 55.5 | 18,979,800 | 18,979,800 | 18,979,800 | 108.2 | 27,129,400 | 27,129,400 | 27,129,400 | 103.1 | 23,724,400 | 23,724,400 | 23,724,400 |
| **Total $** | **55.6** | **18,998,100** | **18,998,100** | **18,998,100** | **108.2** | **27,141,600** | **27,141,600** | **27,141,600** | **103.2** | **23,742,700** | **23,742,700** | **23,742,700** |

## Estimated Capital Budget Expenditures

| Agency Name | 2021-23 | | | 2023-25 | | | 2025-27 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Joint Legislative Audit and Review Committee | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Revenue | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| **Total $** | **0.0** | **0** | **0** | **0.0** | **0** | **0** | **0.0** | **0** | **0** |

## Estimated Capital Budget Breakout

NONE

| **Prepared by:** Ramona Nabors, OFM | **Phone:** (360) 902-0547 | **Date Published:** Final 4/27/2021 |
|---|---|---|

# Individual State Agency Fiscal Note

| Bill Number: 1297 S HB PL | Title: Working families tax exempt. | Agency: 014-Joint Legislative Audit and Review Committee |
|---|---|---|

## Part I: Estimates

☐ **No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating Expenditures from:**

| | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|
| FTE Staff Years | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 |
| **Account** | | | | | |
| General Fund-State 001-1 | 12,200 | 6,100 | 18,300 | 12,200 | 18,300 |
| **Total $** | 12,200 | 6,100 | 18,300 | 12,200 | 18,300 |

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate ), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

| Legislative Contact: | | Phone: | Date: 04/16/2021 |
|---|---|---|---|
| Agency Preparation: | Eric Whitaker | Phone: 3607865618 | Date: 04/20/2021 |
| Agency Approval: | Keenan Konopaski | Phone: 360-786-5187 | Date: 04/20/2021 |
| OFM Review: | Gaius Horton | Phone: (360) 819-3112 | Date: 04/26/2021 |

# Part II: Narrative Explanation

**II. A - Brief Description Of What The Measure Does That Has Fiscal Impact**

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill amends the working families tax exemptions, adds new sections to statute, and prescribes penalties.

The working families tax exemption is a state remittance program for state sales tax paid in the previous year and eligibility is based on qualifying for the federal earned income tax credit (EITC). To qualify for the EITC, federal tax filers must meet five basic rules: (1) Show proof of earned income; (2) Have investments income below $3,650; (3) Have a valid social security number (SSN); (4) Claim a certain filing status; and (5) Be a U.S. citizen or resident alien for the full year. Individual taxpayers must apply to the Department of Revenue (DOR) in the year following the year for which the federal return was filed.

Section 1 describes economic challenges facing many Washington families, the eligibility requirements for the tax preference, and the impact of the earned income tax credit (EITC) on local economies.
• Subsection 5 identifies a public policy objective of stimulating economic activity, promoting racial equity, promoting economic stability for lower-income people, and simplifying the structure of the tax preference.

Section 2 would amend portions of RCW 82.08.0206 and add new sections.
• Subsection 1 modifies the date after which the remittance may be claimed.
• Subsection 2 modifies existing definitions and adds other definitions. The definition of "eligible low-income person" expands who can qualify for the remittance program by including individual taxpayers who file using a tax identification number or a family member without a valid SSN.
• Subsection 3 details the remittance amounts.
• Subsection 4 details the administration of the tax preference.
• Subsection 5 disqualifies remittance amounts from eligibility determinations for any state support program.
• Subsections 6-10 provides guidance to the DOR on matters such as rulemaking, application review, and applicable penalties.
• Subsection 11 stipulates the Legislature must approve the working families tax exemption in the omnibus appropriations act before qualifying taxpayers may claim the remittance.
• Subsection 12 subjects the tax preference to the general administrative provisions of 82.32 RCW.

Section 3 exempts the tax preference from the provisions of RCW 82.32.805 do not apply.

Section 4 is the tax preference statement.
• Subsection 2 categorizes this preference as one to provide tax relief for certain individuals, per RCW 82.32.808 (2)(e).
• Subsection 3 contains a policy objective of increasing economic security for low- and middle-income workers while decreasing the regressivity of Washington's tax code.
• Subsection 4 directs JLARC staff to review the preference 2028 and every 10 years thereafter and provides a contingent expiration date of two year after the adoption of a final report that concludes the preference does not provide meaningful relief to low- and middle-income families. Specific metrics for inclusion in JLARC's reporting are identified:
  o Size of the benefit per household
  o Number of household beneficiaries statewide
  o Demographic information of beneficiaries, including family size, income level, race and ethnicity, and geographic location
• Subsection 5 directs JLARC staff to use remittance data from the Department of Revenue.

**II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .*

**II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation ), identifying by section number the provisions of the legislation that result in the expenditures (or savings ). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .*

This bill modifies an existing tax preference and directs JLARC staff to review the preference in 2028 and every 10 years thereafter. JLARC staff would contact and work with the Department of Revenue to ensure project contacts are established and necessary data for JLARC staff’s future evaluation needs are identified and collected.

The expenditure detail noted reflects work conducted to establish data collection and to prepare the future review, which will occur per Legislative direction in 2027 and 2028. The estimate does not include actual expenditures to produce the evaluation. The bulk of the evaluation will occur outside the fiscal biennia detailed in this fiscal note.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this preference review in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2021 legislative session during the interim.

This audit will require an estimated 2 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst’s time for a month, together with related administrative, support, and goods/services costs. JLARC’s anticipated 2021-23 costs are calculated at approximately $20,300 per audit month.

# Part III: Expenditure Detail

**III. A - Operating Budget Expenditures**

| Account | Account Title | Type | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|---|
| 001-1 | General Fund | State | 12,200 | 6,100 | 18,300 | 12,200 | 18,300 |
| | | **Total $** | 12,200 | 6,100 | 18,300 | 12,200 | 18,300 |

**III. B - Expenditures by Object Or Purpose**

| | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|
| FTE Staff Years | 0.1 | | 0.1 | | 0.1 |
| A-Salaries and Wages | 7,600 | 3,800 | 11,400 | 7,600 | 11,400 |
| B-Employee Benefits | 2,400 | 1,200 | 3,600 | 2,400 | 3,600 |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 2,000 | 1,000 | 3,000 | 2,000 | 3,000 |
| G-Travel | 200 | 100 | 300 | 200 | 300 |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| **Total $** | 12,200 | 6,100 | 18,300 | 12,200 | 18,300 |

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

| Job Classification | Salary | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| Research Analyst | 113,827 | 0.1 | | 0.1 | | 0.1 |
| Support staff | 77,705 | | | | | |
| **Total FTEs** | | 0.1 | | 0.1 | | 0.1 |

**III. D - Expenditures By Program (optional)**

NONE

## Part IV: Capital Budget Impact

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

## Part V: New Rule Making Required

# Department of Revenue Fiscal Note

| Bill Number: 1297 S HB PL | Title: Working families tax exempt. | Agency: 140-Department of Revenue |
|---|---|---|

## Part I: Estimates

☐ **No Fiscal Impact**

**Estimated Cash Receipts to:**

| Account | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|
| GF-STATE-State<br>01 - Taxes 01 - Retail Sales Tax | | (236,000,000) | (236,000,000) | (506,000,000) | (540,000,000) |
| Performance Audits of Government Account-State<br>01 - Taxes 01 - Retail Sales Tax | | (6,000,000) | (6,000,000) | (12,000,000) | (14,000,000) |
| **Total $** | | (242,000,000) | (242,000,000) | (518,000,000) | (554,000,000) |

**Estimated Expenditures from:**

| | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|
| FTE Staff Years | 28.8 | 82.3 | 55.5 | 108.2 | 103.1 |
| **Account** | | | | | |
| GF-STATE-State 001-1 | 5,467,300 | 13,512,500 | 18,979,800 | 27,129,400 | 23,724,400 |
| **Total $** | 5,467,300 | 13,512,500 | 18,979,800 | 27,129,400 | 23,724,400 |

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☒ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

| Legislative Contact: | | Phone: | Date: 04/16/2021 |
|---|---|---|---|
| Agency Preparation: | Tyler McLeod | Phone: 360-534-1531 | Date: 04/21/2021 |
| Agency Approval: | Kim Davis | Phone: 360-534-1508 | Date: 04/21/2021 |
| OFM Review: | Ramona Nabors | Phone: (360) 902-0547 | Date: 04/23/2021 |

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Note: This fiscal note reflects language in ESHB 1297 as passed in the 2021 Legislative Session.

CURRENT LAW:
The Working Families' Tax Exemption (exemption) is a state sales tax exemption in the form of a refund, equal to a percentage of the federal Earned Income Tax Credit (EITC).

To be eligible for a given tax year, a taxpayer must meet the following requirements:
- Qualified for and was later granted the EITC.
- Resided in Washington for more than 180 days.
- Paid the retail sales tax.

To be implemented, the exemption must be approved in the state operating budget. Taxpayers may apply to the Department of Revenue for a refund. For each year, the exemption amount is $50 or 10 percent of the EITC, whichever is greater.

The exemption is subject to the tax administration provisions of Chapter 82.32 RCW.

PROPOSAL:
Eligibility for the exemption is extended to individuals who would otherwise qualify for the EITC except for the fact that the individuals do not have a social security number (SSN) and used an individual tax identification number (ITIN) on their federal income tax return, or the individuals have a spouse or dependent without a SSN.

The calculation for the exemption is changed to include a maximum credit amount with a phase-out based on income and number of children.

Maximum exemption amounts are changed to the following:
- $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.

If the refund for an eligible person, as calculated, is greater than one cent, but less than $50, the refund amount is $50.

The refund amounts above must be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, United States Department of Labor.

The exemption amounts referenced above are reduced, rounded to the nearest dollar, as follows:
- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prio year, 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 phase-out income for the prior federal tax year, 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 phase-out income for the prior federal tax year, by 15 percent per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income

for the prior federal tax year, by 18 percent per additional dollar of income until the minimum credit amount is reached.

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

**II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .*

ASSUMPTIONS:
- The first eligible tax year is Calendar Year 2022, with payments being issued in Fiscal Year 2023.
- Payment amounts are being shown in the revenue section of this fiscal note to distinguish between those payout amounts and the cost for the Department of Revenue to implement this legislation.
- A "qualifying child" is a dependent who is:
  18 or younger at the close of the tax year, or
  23 or younger at the close of the tax year AND at least a half-time student.
- Seattle consumer price index was used to inflate refund amounts and chained consumer price index was used to project IRS phase-out thresholds.
- All taxpayers in the dataset used for analysis resided in Washington for more than 180 days during the tax year.
- Participation rates, Year 1 are:
  Among EITC filers - 88 percent also participate in the Washington program.
  Among ITIN filers who were "otherwise eligible" for EITC - 68 percent of those eligible participate.
- Participation rates, for subsequent years are:
  Among EITC filers - 90 percent also participate in the Washington program.
  Among ITIN filers who were "otherwise eligible" for EITC - 69 percent of those eligible participate.
- This estimate does not account for changes to EITC in the American Rescue Plan Act of 2021.

DATA SOURCES:
- Internal Revenue Service (IRS): Individual income tax returns data, Federal Tax Year 2018, source for taxpayer eligibility information (Form 1040, W-2, 1098-T).
- Personal Income Forecast, November 2020, which provides forecasted growth rates for the EITC amount and the number of tax returns.
- Center for Budget and Policy Priorities (2019): "How Much Would a State Earned Income Tax Credit Cost in Fiscal Year 2020?"
- U.S. Bureau of Labor Statistics, chained consumer price index (CPI-Chained), all-urban, historical series.

REFUND PAYOUT ESTIMATES:

TOTAL REFUND PAYOUT OF PROGRAM UNDER CURRENT LAW:

State Government (cash basis, $000):
FY 2022 - $ 0
FY 2023 - ($ 83,000)
FY 2024 - ($ 86,000)
FY 2025 - ($ 88,000)
FY 2026 - ($ 89,000)
FY 2027 - ($ 91,000)

TOTAL REFUND PAYOUT OF PROGRAM AS EXPANDED IN THIS LEGISLATION:

State Government (cash basis, $000):

| | |
|---|---|
| FY 2022 - | $ 0 |
| FY 2023 - | ($ 242,000) |
| FY 2024 - | ($ 255,000) |
| FY 2025 - | ($ 263,000) |
| FY 2026 - | ($ 273,000) |
| FY 2027 - | ($ 281,000) |

TOTAL REFUND PAYOUT INCREASE FOR PROGRAM AS EXPANDED IN THIS LEGISLATION AS COMPARED TO CURRENT LAW:

State Government (cash basis, $000):

| | |
|---|---|
| FY 2022 - | $ 0 |
| FY 2023 - | ($ 159,000) |
| FY 2024 - | ($ 169,000) |
| FY 2025 - | ($ 175,000) |
| FY 2026 - | ($ 184,000) |
| FY 2027 - | ($ 190,000) |

Local Government, if applicable (cash basis, $000): None

**II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation ), identifying by section number the provisions of the legislation that result in the expenditures (or savings ). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived . Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing*

ASSUMPTIONS:
- The Department of Revenue (Department) will administer the tax exemption.
- This proposal affects 420,000 taxpayers.
- Expenditures assume that applications will be accepted beginning April 2023, for sales and use taxes paid in 2022.

FIRST YEAR COSTS:
The Department will incur total costs of $5,467,300 in Fiscal Year 2022. These costs include :

Labor Costs – Time and effort equates to 28.8 FTEs.
- Amend one administrative rule.
- Adopt one new administrative rule.
- Provide technical advice, interpretation and analysis for internal use during the implementation process.
- Program, test and verify computer systems to accept and process exemption /refund applications for payment, including an internet-based application process, processing queues, tracking, imaging, and electronic funds transfers.
- Identify publications, printed materials, web information and media advertising that needs to be created to publicize the tax exemption.
- Organize an exemption group or new division within the Department to administer the exemption, develop policies and procedures, and create a new call center for all exemption phone calls.
- Create printed materials, web information and media advertising.
- Design and develop forms and other materials to enable the processing of exemption applications.
- Answer telephone questions concerning the qualifications and application process for the exemption.
- Respond to email and written correspondence.

Object Costs - $1,871,200.
- Contract computer system programming.
- Translation services for various media uses.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Contract project management services to provide oversight of a new tax program involving individual taxpayers, which involves a multi-year implementation with ongoing system modifications. This will involve the development of an overall strategy, including development of key expectations and deliverables, to ensure a successful implementation.

SECOND YEAR COSTS:
The Department will incur total costs of $13,512,500 in Fiscal Year 2023. These costs include :

Labor Costs – Time and effort equates to 82.3 FTEs.
- Provide technical advice, interpretation and analysis for internal use during the implementation process.
- Continuing computer system programming and testing.
- Further development of the exemption group or new division, including organization, policies and procedures and a new call center for all exemption phone calls.
- Further development of printed materials, web information and media advertising.
- Continued design and development of forms and other materials to enable the processing of exemption applications.
- Answer telephone questions concerning the qualifications and application process for the exemption.
- Respond to email and written correspondence.
- Develop training materials for those receiving and processing claims for exemption.

Object Costs - $5,150,800.
- Contract computer system programming.
- Acquire additional server equipment.
- Acquire additional software licenses and computer support services.
- Acquire printers/scanners for field office kiosks.
- Brochures and other outreach materials for use in field offices.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Contract project management services to provide oversight of a new tax program involving individual taxpayers, which involves a multi-year implementation with ongoing system modifications. This will involve the development of an overall strategy, including development of key expectations and deliverables, to ensure a successful implementation.

THIRD YEAR COSTS:
The Department will incur total costs of $15,202,100 in Fiscal Year 2024. These costs include :

Labor Costs - Time and effort equates to 112.8 FTEs.
- Provide technical advice, interpretation and analysis for internal use during the implementation process.
- Continued computer system programming and testing.
- Additional staff for system administration, service desk, network and telephony.
- Updating of web and printed informational materials.
- Answer telephone questions concerning the qualifications and application process for the exemption.
- Respond to email and written correspondence.
- Preparation and training of new staff to process and respond to exemption applications.

- Additional staff in the Department's field offices to assist applicants.
- Establish new accounts for all applications received.
- Receive mail and paper correspondence, key-in application information, process paper documents for scanning, index data items and verify imaging.
- Manually process certain applications, including verification of application claims, calculation of exemption and issuing refunds.
- Review electronic applications, including verification of application claims and issue refunds.
- Review reports, scrutinize data, and examine accounts, then make corrections as necessary. Correspond with taxpayers impacted by these account or application changes to resolve discrepancies.
- Issue billings where refunds were requested or granted in error.
- Resolve disputes concerning denied applications.
- Increase in payroll, human resource, and administrative functions to service new employees.
- Increased collection efforts to investigate, assess and resolve outstanding delinquencies.
- Acquire access to 2022 federal tax information and, through automated and manual systems, receive and use this data to identify accounts for collection where refunds have been made in error.

Object Costs - $4,370,400.
- Acquire an additional document scanner.
- Contract computer system programming.
- Acquire additional server equipment.
- Acquire additional agent seat licenses for the Telephone Information Center.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Brochures and other outreach materials for use in field offices.
- Locate and research services for application verification.
- Services for issuing refund payments.
- Warrant filing fees and postage for collection of additional delinquent accounts.

FOURTH YEAR COSTS:
The Department will incur total costs of $11,927,300 in Fiscal Year 2025. These costs include :

Labor Costs - Time and effort equates to 103.6 FTEs.
- Provide technical advice, interpretation and analysis for internal use.
- Ongoing computer system maintenance, programming and testing.
- Additional staff for system administration, service desk, network and telephony.
- Update web and printed informational materials.
- Update and revisions of forms and other materials to enable the processing of exemption claims.
- Answer telephone questions concerning the exemption.
- Respond to email and written correspondence.
- Additional staff in the Department's field offices to assist applicants.
- Establish new accounts for those who have not previously submitted an exemption application.
- Update and maintenance of account information for those who have previously submitted an exemption application.
- Receive mail and paper correspondence, key-in application information, process paper documents for scanning, index data items and verify imaging.
- Manually process certain applications, including verification of application claims, calculation of credit and issuing

refunds.

- Review electronic applications including verification of application claims and issuing refunds.
- Review reports, scrutinize data, and examine accounts, then make corrections as necessary. Correspond with taxpayers impacted by these account or application changes to resolve discrepancies.
- Issue billings where refunds were requested or granted in error.
- Resolve disputes concerning denied applications.
- Increased collection efforts to investigate, assess and resolve outstanding delinquencies.
- Increase in payroll, human resource, and administrative functions to service new employees.

Object Costs - $2,401,000.

- Acquire additional server equipment.
- Acquire additional software licenses and computer support services.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Brochures and other outreach materials for use in field offices.
- Locate and research services for application verification.
- Services for issuing refund payments.

ONGOING COSTS:
Ongoing costs for the 2025-27 Biennium equal $23,724,400 and include similar activities described in the fourth year costs. Time and effort equates to 103.1 FTEs.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

| | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|
| FTE Staff Years | 28.8 | 82.3 | 55.5 | 108.2 | 103.1 |
| A-Salaries and Wages | 2,227,600 | 5,107,500 | 7,335,100 | 12,802,900 | 12,036,400 |
| B-Employee Benefits | 802,000 | 1,838,700 | 2,640,700 | 4,609,000 | 4,333,000 |
| C-Professional Service Contracts | 1,650,000 | 3,560,000 | 5,210,000 | 4,000,000 | 2,000,000 |
| E-Goods and Other Services | 586,000 | 1,867,200 | 2,453,200 | 4,990,300 | 4,840,000 |
| G-Travel | 400 | 10,400 | 10,800 | 50,800 | 50,800 |
| J-Capital Outlays | 201,300 | 1,128,700 | 1,330,000 | 676,400 | 464,200 |
| **Total $** | $5,467,300 | $13,512,500 | $18,979,800 | $27,129,400 | $23,724,400 |

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

| Job Classification | Salary | FY 2022 | FY 2023 | 2021-23 | 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| ADM ASST 3 | 43,392 | | 0.1 | 0.1 | 0.2 | 0.2 |
| ADM ASST 5 | 55,524 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| COMMUNICATIONS CNSLT 4 | 64,332 | 1.0 | 1.0 | 1.0 | 0.3 | 0.3 |
| EMS BAND 4 | 119,061 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| EMS BAND 5 | 139,090 | 0.0 | | 0.0 | | |
| EXCISE TAX EX 1 | 43,392 | | 16.0 | 8.0 | 17.0 | 17.0 |
| EXCISE TAX EX 2 | 54,108 | | 5.5 | 2.8 | 19.5 | 19.5 |
| EXCISE TAX EX 3 | 59,688 | 4.0 | 8.0 | 6.0 | 8.0 | 8.0 |
| EXCISE TAX EX 4 | 65,928 | 3.0 | 5.0 | 4.0 | 5.0 | 5.0 |
| FISCAL ANALYST 3 | 55,524 | | 0.5 | 0.3 | 0.5 | 0.5 |
| FISCAL ANALYST 5 | 64,332 | | 0.1 | 0.1 | 0.1 | 0.1 |
| FORMS AND RECORDS ANALYST 2 | 45,504 | | 1.0 | 0.5 | 1.0 | 1.0 |
| HUM RES CNSLT 4 | 69,264 | | 1.0 | 0.5 | 1.0 | 1.0 |
| IT APP DEV-JOURNEY | 85,644 | 1.5 | 3.0 | 2.3 | 3.0 | 3.0 |
| IT ARCH-SR/SPEC | 104,100 | 0.5 | 1.0 | 0.8 | 0.5 | |
| IT B A-JOURNEY | 85,644 | 1.0 | 2.0 | 1.5 | 1.5 | 1.0 |
| IT CUST SUP-ENTRY | 64,140 | 0.3 | 1.0 | 0.7 | 2.5 | 3.0 |
| IT NTWK & TEL-JOURNEY | 85,644 | 0.3 | 2.0 | 1.2 | 1.4 | 0.8 |
| IT PROJ MGT-JOURNEY | 89,916 | 1.0 | 1.0 | 1.0 | 0.5 | |
| IT QA-JOURNEY | 85,644 | 1.0 | 2.0 | 1.5 | 1.5 | 1.0 |
| IT SECURITY-JOURNEY | 85,644 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| IT SYS ADM-JOURNEY | 89,916 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| MGMT ANALYST4 | 70,956 | 3.9 | 4.8 | 4.4 | 3.4 | 2.7 |
| MGMT ANALYST5 | 78,408 | 1.1 | 1.1 | 1.1 | 0.8 | 0.5 |
| OFF ASST 3 | 37,728 | | 2.0 | 1.0 | 2.0 | 2.0 |
| RECORDS MGMT SUPV | 67,560 | 0.5 | 0.1 | 0.3 | 0.1 | 0.1 |
| REVENUE AGENT 2 | 55,524 | | | | 13.4 | 13.4 |
| REVENUE AGENT 3 | 61,224 | | | | 2.0 | 2.0 |
| TAX INFO SPEC 1 | 43,392 | | 12.0 | 6.0 | 11.8 | 10.5 |
| TAX INFO SPEC 4 | 64,332 | 0.5 | 1.5 | 1.0 | 1.0 | 0.5 |
| TAX POLICY SP 2 | 72,756 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| TAX POLICY SP 3 | 82,344 | 1.7 | 2.0 | 1.8 | 1.9 | 1.6 |
| TAX POLICY SP 4 | 88,644 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 |
| WMS BAND 2 | 89,018 | 1.1 | 2.1 | 1.6 | 2.0 | 2.0 |
| WMS BAND 3 | 101,257 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| **Total FTEs** | | 28.8 | 82.3 | 55.6 | 108.2 | 103.1 |

**III. C - Expenditures By Program (optional)**

NONE

# Part IV: Capital Budget Impact

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods*

NONE

None.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .*

Should this legislation become law, the Department will use the expedited process to amend WAC 458-20-100, titled: "Informa administrative reviews." The Department will also adopt one new rule under chapter 458-20 WAC.

Persons affected by this rule making would include all Washington State residents that qualify or would otherwise qualify (if they used an ITIN instead of a SSN the prior year) for the federal earned income tax credit.