

Department of Revenue Fiscal Note

Bill Number: 1000 HB	Title: Working families' tax credit	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	168.5	176.6	172.6	174.3	172.4
Account					
GF-STATE-State 001-1	865,741,700	864,256,300	1,729,998,000	1,746,873,000	1,778,518,200
Total \$	865,741,700	864,256,300	1,729,998,000	1,746,873,000	1,778,518,200

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.

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Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/19/2023
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Request # 1000-2-2

Part II: Narrative Explanation

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

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects a revision to the expenditures, and replaces fiscal note number 1000-1.

CURRENT LAW:

The “Working Families' Tax Credit” (WFTC) is a credit in the form of a refund of sales and use tax provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the EITC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual’s income and number of qualifying children. The maximum credits are:

- \$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.

The minimum payment is \$50, regardless of the number of qualifying children.

The credit amounts are to 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.

For payments based on tax year 2022, the credit amounts 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 prior year, by 12% 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% 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 18% 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 24% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

An individual is eligible for the WFTC when their filing status is “married filing separately” only if the individual:

- Is married but did not file their federal income tax return under the “married filing jointly” status,
- Lived with their qualifying child more than half of the year, and
- Can prove they:
 - Did not have the same principal place of abode as their spouse during the last six months of the tax year; or
 - Have a decree, instrument, or agreement with their spouse concerning marital separation and they or their spouse are not members of the same household by the end of the tax year.

PROPOSAL:

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This proposal increases the maximum qualifying income, maximum credit, and minimum credit amounts for applicants with qualifying children for calendar year 2024 and thereafter.

Maximum credit amounts in the proposal are increased as follows:

- \$300 for eligible persons with no qualifying children (no change).
- \$1,200 for eligible persons with one qualifying child (increased from \$600).
- \$1,800 for eligible persons with two qualifying children (increased from \$900).
- \$2,400 for eligible persons with three or more qualifying children (increased from \$1,200).

The minimum credit for applicants with no qualifying children is \$50. The minimum credit for applicants with qualifying children is 50% of the maximum credit amount.

For applicants with one or more qualifying children, the phase-out beginning amount is two times the federal phase-out income for the prior year, minus \$5,000.

EFFECTIVE DATE:

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

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

This legislation has no impact to taxes administered by the Department of Revenue (department).

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- This legislation will affect 900,000 persons who will be newly eligible for the Working Families' Tax Credit.
- Expenditures assume the department will begin accepting applications April 2024, for sales and use taxes paid in 2023.

FIRST YEAR COSTS:

The department will incur total costs of \$865,741,700 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 168.53 FTEs.

- Update and revise implementation of the program to accommodate a greater number of applications which the department will receive and either approve or deny.
 - Adopt one new Excise Tax Advisory.
 - Amend one administrative rule.
 - Service desk personnel to assist new employees with computer and system needs.
 - Update 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 issuing refunds.
- Review reports, scrutinize data, and examine accounts, and make corrections as necessary. Correspond with taxpayers impacted by these account or application changes to resolve discrepancies.
- Issue billings where the department requested or granted refunds in error.
- Resolve disputes concerning denied applications.
- Process additional administrative reviews.
- Increased collection efforts to investigate, assess, and resolve outstanding delinquencies.
- Increase in payroll, human resource, and administrative functions to service new employees.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Assist with implementation.

Object Costs - \$849,238,100.

- Increased remittance amounts to approved claimants of \$847,000,000.
- Contract computer system programming.
- Translation services.
- Maintenance and purchase of networking equipment.
- Brochures and other outreach materials for use in field offices.
- Additional seat licenses for staff at the telephone information center.
- Background checks for personnel handling federal tax information.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Print and mail checks for approved applications.
- Onetime cost to buildout office space for additional new employees.
- Annual lease fee.
- Software.
- Training.
- Travel.

SECOND YEAR COSTS:

The department will incur total costs of \$864,256,300 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 176.6 FTEs.

- Service desk personnel to assist new employees with computer and system needs.
- Answer telephone questions concerning the qualifications and application process for the exemption.
- Respond to email and written correspondence.
- 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 issuing refunds.
- Review reports, scrutinize data, and examine accounts, and make corrections as necessary. Correspond with taxpayers impacted by these account or application changes to resolve discrepancies.
- Issue billings where the department requested or granted refunds 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.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Assist with implementation.

Object Costs - \$848,542,400.

- Increased remittance amounts to approved claimants of \$847,000,000.
- Maintenance and purchase of networking equipment.
- Translation services.
- Brochures and other outreach materials for use in field offices.
- Print and mail exemption applications and other correspondence for those who cannot apply electronically.
- Print and mail checks for approved applications.
- Annual lease fee.
- Software.
- Training.
- Travel.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$1,746,873,000 and include similar activities described in the second-year costs. Time and effort equate to 175.0 FTEs in fiscal year 2026 and 173.5 FTEs in fiscal year 2027.

Ongoing increased remittance amounts to approved claimants:

- FY 2026 - \$ 853,000,000
- FY 2027 - \$ 860,000,000
- FY 2028 - \$ 868,000,000
- FY 2029 - \$ 877,000,000

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	168.5	176.6	172.6	174.3	172.4
A-Salaries and Wages	9,595,600	9,899,000	19,494,600	19,530,000	19,319,800
B-Employee Benefits	3,166,400	3,266,600	6,433,000	6,444,800	6,375,500
C-Professional Service Contracts	26,400	26,400	52,800	52,800	52,800
E-Goods and Other Services	4,764,300	3,454,000	8,218,300	6,729,800	6,666,300
G-Travel	9,500	17,500	27,000	35,000	35,000
J-Capital Outlays	1,179,500	592,800	1,772,300	1,080,600	1,068,800
N-Grants, Benefits & Client Services	847,000,000	847,000,000	1,694,000,000	1,713,000,000	1,745,000,000
Total \$	\$865,741,700	\$864,256,300	\$1,729,998,000	\$1,746,873,000	\$1,778,518,200

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
ADM ASST 3	44,808	1.4	1.4	1.4	1.4	1.4
COMMUNICATIONS CNSLT 3	58,704	2.0	2.0	2.0	2.0	2.0
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
FISCAL ANALYST 3	57,324	1.3	1.4	1.4	1.4	1.4
FORMS AND RECORDS ANALYS 1	40,812	3.0	6.0	4.5	6.0	6.0
HUM RES CNSLT 1	51,888	2.0	2.0	2.0	2.0	2.0
HUM RES CNSLT 4	71,520	2.0	2.0	2.0	2.0	2.0
INVESTIGATOR 3	68,076	14.2	13.9	14.1	13.7	13.5
INVESTIGATOR 4	71,520	1.8	1.7	1.8	1.7	1.7
IT CUST SUP-ENTRY	66,228	1.0	1.0	1.0	1.0	1.0
MGMT ANALYST3	63,216	0.5	1.0	0.8	1.0	1.0
MGMT ANALYST4	73,260	2.0	1.5	1.8	1.5	1.5
PROCUREMENT AND SUPPLY SP	50,592	0.7	0.7	0.7	0.7	0.7
PUBLIC BENEFITS SPECIALIST 2	50,592	15.7	15.4	15.6	15.2	15.0
PUBLIC BENEFITS SPECIALIST 3	54,492	49.7	48.6	49.2	47.9	47.2
PUBLIC BENEFITS SPECIALIST 4	57,324	39.1	38.3	38.7	37.7	37.2
PUBLIC BENEFITS SPECIALIST 5	61,632	10.4	10.2	10.3	10.1	10.0
TAX INFO SPEC 1	44,808	14.0	22.0	18.0	21.8	21.5
TAX INFO SPEC 2	48,156	1.0	1.0	1.0	1.0	1.0
TAX INFO SPEC 3	58,704	1.0	1.0	1.0	1.0	1.0
TAX INFO SPEC 4	66,420	0.5	0.5	0.5	0.5	0.5
TAX POLICY SP 2	75,120	0.2	0.2	0.2	0.2	0.2
TAX POLICY SP 3	85,020	4.4	4.2	4.3	4.1	4.1
TAX POLICY SP 4	91,524	0.6	0.6	0.6	0.6	0.6
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		168.5	176.6	172.6	174.3	172.4

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill 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 458-20-285, titled: "Working families tax credit". Persons affected by this rulemaking would include individuals who may qualify for a refund.