

Multiple Agency Fiscal Note Summary

Bill Number: 1075 S HB	Title: Working families' tax credit
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	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	0	0	20,000	.0	0	0	0	.1	0	0	26,600
Department of Revenue	38.8	130,553,900	130,553,900	130,553,900	37.5	128,920,200	128,920,200	128,920,200	36.7	128,776,800	128,776,800	128,776,800
Total \$	38.9	130,553,900	130,553,900	130,573,900	37.5	128,920,200	128,920,200	128,920,200	36.8	128,776,800	128,776,800	128,803,400

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	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

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Revised 3/ 3/2023
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Individual State Agency Fiscal Note

Revised

Bill Number: 1075 S HB	Title: Working families' tax credit	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.1
Account					
Performance Audits of Government Account-State 553-1	20,000	0	20,000	0	26,600
Total \$	20,000	0	20,000	0	26,600

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: Rachelle Harris	Phone: 360-786-7137	Date: 02/11/2023
Agency Preparation: Pete van Moorsel	Phone: 360-786-5185	Date: 03/02/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 03/02/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/03/2023

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.

The bill expands eligibility for the Working Families’ Tax Credit to include persons who are at least 18 years of age and who would otherwise qualify but do not meet the age requirement. The bill assigns JLARC to notify DOR and the Legislature if a future JLARC report determines the credit will expire.

Section 1 amends RCW 82.08.0206(2) by expanding the definition of “eligible low-income person” to include persons who would otherwise qualify for the credit except that they do not meet the age requirement but are at least age 18 by the end of the prior federal tax year.

TAX PERFORMANCE STATEMENT DETAILS

Section 2 amends the uncodified tax preference performance statement (TPPS). Currently the TPPS requires the Joint Legislative Audit and Review Committee (JLARC) to review the preference in 2028 and every 10 years thereafter, and notes that if a review finds the Working Families’ Tax Credit does not provide meaningful financial relief to low-income and middle-income households, RCW 82.08.0206 expires at the end of the calendar year two years after the final JLARC report containing the finding is adopted.

The bill adds a clause requiring JLARC to provide written notice of the expiration date to the Department of Revenue, the chief clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Revisor, and others as deemed appropriate by JLARC.

Section 3 notes the credits granted to people per the expansion in section 1 are subject to the availability of amounts appropriated for this specific purpose.

Section 4 notes the act takes effect January 1, 2024.

Section 5 notes RCW 82.32.805 does not apply to the act.

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.

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.

JLARC staff would contact and work with the Department of Revenue and other appropriate offices immediately after passage of the bill to ensure all parties agree on the impacts of this bill, and that appropriate contact information for affected parties and others are identified and available, if needed in the future.

Costs associated with the 2028 scheduled review of the Working Families’ Tax Credit are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing contacts, determining contact processes, and collecting appropriate information.

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 2023-25 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	20,000	0	20,000	0	26,600
Total \$			20,000	0	20,000	0	26,600

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		0.1
A-Salaries and Wages	12,900		12,900		17,200
B-Employee Benefits	4,100		4,100		5,400
C-Professional Service Contracts					
E-Goods and Other Services	2,700		2,700		3,600
G-Travel	300		300		400
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 \$	20,000	0	20,000	0	26,600

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 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		0.1
Support staff	89,671					0.1
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

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

NONE

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

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.

Department of Revenue Fiscal Note

Bill Number: 1075 S HB	Title: Working families' tax credit	Agency: 140-Department of Revenue
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	38.4	39.1	38.8	37.5	36.7
Account					
GF-STATE-State 001-1	65,924,000	64,629,900	130,553,900	128,920,200	128,776,800
Total \$	65,924,000	64,629,900	130,553,900	128,920,200	128,776,800

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.

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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: Rachelle Harris	Phone: (360) 786-7137	Date: 02/11/2023
Agency Preparation: Tyler McLeod	Phone: (360) 534-1531	Date: 02/13/2023
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 02/13/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/14/2023

Request # 1075-4-1

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 language in SHB 1075, 2023 Legislative Session.

COMPARISON OF SUBSTITUTE BILL WITH ORIGINAL BILL:

The substitute clarifies language regarding the new eligibility age range and makes the credits for the expansion in this bill subject to appropriation.

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.

The eligible age limit is 25-64 years of age for individuals with no qualifying children.

PROPOSAL:

This proposal lowers the WFTC eligibility age requirement for individuals with no qualifying children. Under the proposal, such an individual would qualify for the WFTC if they were at least 18 years of age as of the end of the prior federal tax

year.

The expansion of the credit is subject to the availability of amounts appropriated for this specific purpose.

EFFECTIVE DATE:

This proposal takes effect on January 1, 2024.

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 revenue impact to taxes administered by the 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 210,000 persons who will be newly eligible for the Working Families' Tax Credit.
- Expenditures assume the department will accept applications beginning April 2024, for sales and use taxes paid in 2023.
- Expenditures assume the department receives the required appropriation.

FIRST YEAR COSTS:

The department will incur total costs of \$65,924,000 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 38.44 FTEs.

- Amend one administrative rule.
- Provide administrative support.
- Supervisory functions.
- Review and process applications.
- Perform desk examinations and complex reviews.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Report fraud with law enforcement.
- Provide education and training to staff.
- Define business rules and test functionality.
- Computer system testing and monitoring.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Assist with implementation.

Object Costs - \$62,138,800.

- Increased cost of credit payouts to eligible participants of \$62,000,000.
- Issue refund warrants.
- Contract computer system programming.
- Printing and Postage.
- Certifications.
- Outreach.
- Additional seat licenses.
- Software.
- Training.
- Travel.

SECOND YEAR COSTS:

The department will incur total costs of \$64,629,900 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 39.1 FTEs.

- Provide administrative support.
- Additional staff in the department's field offices to assist applicants.
- Supervisory functions.
- Review and process applications.
- Perform desk examinations and complex reviews.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Report fraud with law enforcement.
- Respond to data requests and questions, compile statistics, create and maintain tax system models, and manage data.
- Assist with implementation.

Object Costs - \$61,122,100.

- Increased cost of credit payouts to eligible participants of \$61,000,000.
- Issue refund warrants.
- Printing and Postage.
- Outreach.
- Additional seat licenses.
- Software.
- Training.
- Travel.

Ongoing costs for the 2025-27 biennium equal \$128,920,200 and include similar activities described in the second-year costs. Time and effort equate to 37.5 FTEs in each year.

Increased cost of credit payouts to eligible participants:

FY 2026 - \$61,000,000

FY 2027 - \$61,000,000

FY 2028 - \$61,000,000

FY 2029 - \$61,000,000

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	38.4	39.1	38.8	37.5	36.7
A-Salaries and Wages	2,205,700	2,214,400	4,420,100	4,239,600	4,150,900
B-Employee Benefits	727,800	730,700	1,458,500	1,398,800	1,369,600
C-Professional Service Contracts	8,800		8,800		
E-Goods and Other Services	699,200	539,500	1,238,700	1,018,000	997,500
G-Travel	13,500	15,500	29,000	31,000	31,000
J-Capital Outlays	269,000	129,800	398,800	232,800	227,800
N-Grants, Benefits & Client Services	62,000,000	61,000,000	123,000,000	122,000,000	122,000,000
Total \$	\$65,924,000	\$64,629,900	\$130,553,900	\$128,920,200	\$128,776,800

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	1.1	1.1	1.1	1.1	1.1
COMMUNICATIONS CNSLT 3	58,704	1.0	1.0	1.0	1.0	1.0
EMS BAND 4	126,619	0.0		0.0		
FISCAL TECHNICIAN 1	35,484	0.4	0.4	0.4	0.4	0.4
FORMS AND RECORDS ANALYST 1	40,812	0.3	0.3	0.3	0.3	0.2
INVESTIGATOR 3	68,076	3.3	3.2	3.3	3.0	2.9
INVESTIGATOR 4	71,520	0.4	0.4	0.4	0.4	0.4
MGMT ANALYST4	73,260	1.0	1.0	1.0	1.0	1.0
PUBLIC BENEFITS SPECIALIST 2	50,592	3.7	3.5	3.6	3.3	3.3
PUBLIC BENEFITS SPECIALIST 3	54,492	11.6	11.1	11.4	10.5	10.3
PUBLIC BENEFITS SPECIALIST 4	57,324	9.2	8.7	9.0	8.3	8.1
PUBLIC BENEFITS SPECIALIST 5	61,632	2.4	2.3	2.4	2.2	2.2
TAX INFO SPEC 1	44,808	2.3	4.5	3.4	4.5	4.5
TAX POLICY SP 2	75,120	0.1	0.1	0.1	0.1	0.1
TAX POLICY SP 3	85,020	1.4	1.3	1.4	1.3	1.3
TAX POLICY SP 4	91,524	0.2	0.2	0.2	0.1	0.1
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		38.4	39.1	38.8	37.5	36.7

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 will now qualify for the working families' tax credit.