

Department of Revenue Fiscal Note

Bill Number: 5839 SB	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	0.1		0.0		
Account					
GF-STATE-State 001-1	3,800		3,800		
Total \$	3,800		3,800		

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:

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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).

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Capital budget impact, complete Part IV.

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Requires new rule making, complete Part V.

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Request # 5839-1-1

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.

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.

To be eligible for the credit, individuals must qualify for the federal Earned Income Tax Credit (EITC) or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number to file 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 bill does the following:

- Clarifies that the WFTC is a refundable credit.
- Clarifies that a WFTC applicant must have paid retail sales or use tax. It specifies that 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.

- Allows the Department of Revenue (department) to use information provided by the individual to calculate the WFTC refund amount.
- Clarifies that applicants can round their income to the nearest dollar when entering it on the WFTC application.
- Requires individuals to keep records necessary for the department to determine eligibility and allows the department to verify that information.
- Authorizes the department to use automated verification tools and other reasonable means to determine if the applicant qualifies as a Washington resident for purposes of the WFTC program.
- Removes the requirement that the department must use the eligible person's most recent federal tax filing for the tax year for which the refund is being claimed to calculate the refund.
- Expands the types of sources the department may use to verify eligibility requirements.
- Authorizes the department to accept a self-attestation to presumptively validate an individual's eligibility for the WFTC program. It provides that the signed attestation is subject to audit verification by the department to validate an individual's eligibility for the WFTC.

EFFECTIVE DATE:

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

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 proposal has no 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.

FIRST YEAR COSTS:

The department will incur total costs of \$3,800 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.07 FTE.
- Amend one administrative rule.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.0		
A-Salaries and Wages	2,500		2,500		
B-Employee Benefits	800		800		
E-Goods and Other Services	300		300		
J-Capital Outlays	200		200		
Total \$	\$3,800		\$3,800		

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
EMS BAND 4	131,684	0.0		0.0		
MGMT ANALYST4	76,188	0.0		0.0		
TAX POLICY SP 2	78,120	0.0		0.0		
TAX POLICY SP 3	88,416	0.0		0.0		
TAX POLICY SP 4	95,184	0.0		0.0		
WMS BAND 3	111,992	0.0		0.0		
Total FTEs		0.1		0.1		

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

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 program recipients.