

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	.0	0	0	9,600	.0	0	0	4,800	.0	0	0	0
Department of Revenue	15.8	36,465,400	36,465,400	36,465,400	33.2	73,629,200	73,629,200	73,629,200	32.3	74,412,400	74,412,400	74,412,400
Total \$	15.8	36,465,400	36,465,400	36,475,000	33.2	73,629,200	73,629,200	73,634,000	32.3	74,412,400	74,412,400	74,412,400

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: Gaius Horton, OFM	Phone: (360) 819-3112	Date Published: Final 1/25/2024
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Individual State Agency Fiscal Note

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
Account					
Performance Audits of Government Account-State 553-1	4,800	4,800	9,600	4,800	0
Total \$	4,800	4,800	9,600	4,800	0

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: Emily Stephens	Phone: 360-786-7157	Date: 01/19/2024
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 01/24/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/24/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/25/2024

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.

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.

The bill takes effect January 1, 2024. 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.

The initial 2028 review of this preference is already included in JLARC's 10-year tax preference review schedule. Therefore, costs associated with the 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 due to changes implemented by this bill.

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 proposed bill 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 2024 legislative session.

This audit will require an estimated 1 audit month.

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 \$23,900 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	4,800	4,800	9,600	4,800	0
Total \$			4,800	4,800	9,600	4,800	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	3,100	3,100	6,200	3,200	
B-Employee Benefits	1,000	1,000	2,000	1,000	
C-Professional Service Contracts					
E-Goods and Other Services	600	600	1,200	600	
G-Travel	100	100	200		
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 \$	4,800	4,800	9,600	4,800	0

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	131,064					
Support staff	110,856					
Total FTEs						0.0

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

NONE

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

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		31.5	15.8	33.2	32.3
Account					
GF-STATE-State 001-1		36,465,400	36,465,400	73,629,200	74,412,400
Total \$		36,465,400	36,465,400	73,629,200	74,412,400

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: Emily Stephens	Phone: 60-786-7157	Date: 01/19/2024
Agency Preparation: Erin Valz	Phone: 60-534-1522	Date: 01/19/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/19/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/24/2024

Request # 1075-1-1

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.

Note: This fiscal note reflects language in SHB 1075, 2024 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 partly based 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. For tax year 2023 the maximum credits are:

- \$315 for eligible persons with no qualifying children.
- \$625 for eligible persons with one qualifying child.
- \$940 for eligible persons with two qualifying children.
- \$1,255 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 adjusted for inflation every year 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 2023, 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 12.6% 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 12.5% 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 18.8% 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 25.1% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates are 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. However, this fiscal note assumes an amended effective date of January 1, 2025.

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 on 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 104,000 persons newly eligible for the Working Families Tax Credit.
- The effective date of the legislation will be amended to January 1, 2025, and the department will accept applications beginning February 1, 2025, for sales and use taxes paid in 2024. An amended fiscal note will be prepared to reflect the actual language of the bill if the bill is not amended once referred out of committee.
- Expenditures assume the department receives the required appropriation.

FIRST YEAR COSTS:

The department will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$36,465,400 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 31.54 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 - \$33,149,120.

- Increased cost of credit payouts to eligible participants of \$33,000,000.
- Issue refund warrants.
- Contract computer system programming.
- Printing and Postage.

- Certifications.
- Outreach.
- Additional seat licenses.
- Software.
- Training.
- Travel.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$73,629,200 and include similar activities described in the second-year costs. Time and effort equate to 33.0 FTEs in each year.

Increased cost of credit payouts to eligible participants:

- FY 2026 - \$33,000,000
- FY 2027 - \$34,000,000
- FY 2028 - \$34,000,000
- FY 2029 - \$34,000,000

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		31.5	15.8	33.2	32.3
A-Salaries and Wages		1,990,300	1,990,300	4,117,300	3,993,300
B-Employee Benefits		656,800	656,800	1,358,700	1,317,900
C-Professional Service Contracts		9,000	9,000		
E-Goods and Other Services		575,800	575,800	909,100	871,500
G-Travel		12,800	12,800	29,600	29,600
J-Capital Outlays		220,700	220,700	214,500	200,100
N-Grants, Benefits & Client Services		33,000,000	33,000,000	67,000,000	68,000,000
Total \$		\$36,465,400	\$36,465,400	\$73,629,200	\$74,412,400

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	46,596		0.1	0.1	0.1	0.1
COMMUNICATIONS CNSLT 4	69,072		2.0	1.0	2.0	2.0
EMS BAND 4	131,684		0.0	0.0		
FISCAL ANALYST 1	46,596		0.2	0.1	0.2	0.2
FORMS AND RECORDS ANALYST 1	42,444		0.1	0.1	0.1	0.1
INVESTIGATOR 2	58,104		1.0	0.5	1.0	1.0
INVESTIGATOR 3	76,188		3.1	1.6	3.0	2.9
INVESTIGATOR 4	80,112		0.4	0.2	0.4	0.4
MGMT ANALYST 4	76,188		1.0	0.5	1.0	1.0
PUBLIC BENEFITS SPECIALIST 3	58,104		10.6	5.3	10.4	10.0
PUBLIC BENEFITS SPECIALIST 4	61,056		7.3	3.7	7.2	6.9
PUBLIC BENEFITS SPECIALIST 5	65,748		1.8	0.9	1.8	1.7
TAX INFO SPEC 1	46,596		2.3	1.2	4.5	4.5
TAX POLICY SP 2	78,120		0.1	0.1	0.1	0.1
TAX POLICY SP 3	88,416		1.3	0.7	1.3	1.3
TAX POLICY SP 4	95,184		0.2	0.1	0.2	0.1
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			31.5	15.8	33.2	32.3

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.