

Multiple Agency Fiscal Note Summary

Bill Number: 2418 HB	Title: Working families/prop. tax
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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	55.1	78,753,100	78,753,100	78,753,100	118.9	154,261,200	154,261,200	154,261,200	111.3	145,771,100	145,771,100	145,771,100
Total \$	55.1	78,753,100	78,753,100	78,762,700	118.9	154,261,200	154,261,200	154,266,000	111.3	145,771,100	145,771,100	145,771,100

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: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/28/2024
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Individual State Agency Fiscal Note

Bill Number: 2418 HB	Title: Working families/prop. tax	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: Tracey Taylor	Phone: 360-786-7152	Date: 01/22/2024
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 01/25/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/25/2024
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.

This bill expands the current Working Families’ Tax Credit tax preference. It adds RCW 82.08.0206(3)(g), to provide an additional \$300 in Working Families’ Tax Credit refund to eligible persons who leased or rented their prime residence in Washington for at least 183 days during the year for which a credit is claimed. Persons must apply for the additional credit and supply information to the Department of Revenue as detailed in the bill.

TAX PERFORMANCE STATEMENT DETAILS

Section 2 is a new section providing a tax preference performance statement. Subsection (2) states the tax preference performance statement in section 4, chapter 195, Laws of 2021 applies to the expansion of the tax preference noted in section 1 of this bill.

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 the original and expanded 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: 2418 HB	Title: Working families/prop. tax	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		110.2	55.1	118.9	111.3
Account					
GF-STATE-State 001-1		78,753,100	78,753,100	154,261,200	145,771,100
Total \$		78,753,100	78,753,100	154,261,200	145,771,100

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: Tracey Taylor	Phone: (360) 786-7152	Date: 01/22/2024
Agency Preparation: Erin Valz	Phone: (360) 534-1522	Date: 01/26/2024
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/28/2024

Request # 2418-1-1

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. 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 the 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 law reduces the credit amounts as follows (rounded to the nearest dollar):

- 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 reaching the minimum credit amount.
- 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 reaching the minimum credit amount.
- 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 reaching the minimum credit amount.
- 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 reaching the minimum credit amount.

The percentage reduction rates adjust 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 provides an additional WFTC refund amount to persons who leased or rented their primary residence within the state of Washington for at least 183 days during the year for which the credit is claimed. The 183-day period may be met by combining multiple lease or rental periods if the individual claiming the additional refund amount signed the lease or rental agreements being used. The additional maximum amount is \$300.

The maximum additional credit is 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 (rounded to the nearest \$5).

The reduction rate percentages for the additional credit will adjust annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

To qualify for the additional credit, applicants must submit, upon application, a copy of their lease agreement(s), or any other document specified by the Department of Revenue (department) as necessary to verify eligibility for the additional credit. Applicants must also qualify for the WFTC credit under current law.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session. However, the additional credit will be available starting January 1, 2025, for tax year 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 up to 250,000 persons who are already eligible for the Working Families' Tax Credit and will now also be eligible for an additional renters' credit.

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$78,753,100 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 110.22 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.
- Increase in payroll, human resources, and administrative functions to service new employees.
- Assist with implementation.
- Public records support.

Object Costs - \$67,156,800.

- Increased cost of credit payouts to eligible participants of \$67,000,000.

- Contract computer system programming.
- Printing and Postage.
- Certifications.
- Outreach.
- Additional seat licenses.
- Software.
- Training.
- Travel.

Ongoing costs for the 2025-27 biennium equal \$154,261,200 and include similar activities described in the second-year costs. Time and effort equate to 118.9 FTEs in each year.

Increased cost of credit payouts to eligible participants:

FY 2026 - \$66,000,000
FY 2027 - \$65,000,000
FY 2028 - \$63,000,000
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		110.2	55.1	118.9	111.3
A-Salaries and Wages		6,882,400	6,882,400	14,786,000	13,881,800
B-Employee Benefits		2,271,300	2,271,300	4,879,400	4,581,100
C-Professional Service Contracts		36,200	36,200		
E-Goods and Other Services		1,791,500	1,791,500	2,821,800	2,618,000
G-Travel		200	200	400	400
J-Capital Outlays		771,500	771,500	773,600	689,800
N-Grants, Benefits & Client Services		67,000,000	67,000,000	131,000,000	124,000,000
Total \$		\$78,753,100	\$78,753,100	\$154,261,200	\$145,771,100

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		1.0	0.5	1.0	1.0
EMS BAND 4	131,684		0.0	0.0		
EMS BAND 5	153,836		0.5	0.3	0.5	0.5
FISCAL ANALYST 1	46,596		0.1	0.1	0.1	0.1
FISCAL ANALYST 2	51,384		0.8	0.4	0.8	0.8
FORMS AND RECORDS ANALYST 1	42,444		0.2	0.1	0.2	0.2
HUM RES CNSLT 1	55,224		1.0	0.5	1.0	1.0
HUM RES CNSLT 4	82,056		1.0	0.5	1.0	1.0
INVESTIGATOR 2	58,104		2.5	1.3	2.5	2.4
INVESTIGATOR 3	76,188		7.4	3.7	7.4	7.0
INVESTIGATOR 4	80,112		0.9	0.5	0.9	0.9
IT CUST SUP-ENTRY	68,880		1.0	0.5	1.0	1.0
IT SYS ADM-JOURNEY	96,552		0.3	0.2		
MGMT ANALYST4	76,188		2.0	1.0	2.0	2.0
PROCUREMENT AND SUPPLY SP	52,620		0.4	0.2	0.4	0.4
PROGRAM SPECIALIST 5	76,188		0.2	0.1	0.2	0.2
PUBLIC BENEFITS SPECIALIST 3	58,104		54.5	27.3	55.5	52.2
PUBLIC BENEFITS SPECIALIST 4	61,056		23.2	11.6	30.7	28.9
PUBLIC BENEFITS SPECIALIST 5	65,748		7.8	3.9	8.6	8.1
TAX INFO SPEC 1	46,596		2.0	1.0	2.0	1.0
TAX INFO SPEC 2	50,088		0.5	0.3	0.5	0.3
TAX INFO SPEC 3	61,056		0.2	0.1	0.2	0.1
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		1.0	0.5	0.9	0.8
TAX POLICY SP 4	95,184		0.2	0.1	0.1	0.1
WMS BAND 2	98,456		1.4	0.7	1.3	1.3
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			110.2	55.1	118.9	111.3

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

Request # 2418-1-1

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 standard process to amend WAC 458-20-285, titled: "Working families tax credit." Persons affected by this rulemaking would include persons eligible for the additional credit.