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**SUBSTITUTE SENATE BILL 6809**

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**State of Washington**

**60th Legislature**

**2008 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Pridemore, McAuliffe, Rockefeller, Eide, Oemig, Hatfield, Regala, Fraser, Brown, Fairley, Tom, Kilmer, Keiser, Franklin, Kauffman, Kline, Rasmussen, Spanel, Jacobsen, and Kohl-Welles)

READ FIRST TIME 02/12/08.

1       AN ACT Relating to providing a tax exemption for working families  
2 measured by the federal earned income tax credit; adding new sections  
3 to chapter 82.08 RCW; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       NEW SECTION.   **Sec. 1.** The legislature finds that many Washington  
6 families do not earn enough annually to keep pace with increasing  
7 health care, child care, and work-related expenses. Because the state  
8 relies so heavily on sales tax revenue, families in Washington with the  
9 lowest incomes pay proportionately four or five times as much in state  
10 taxes as the most affluent households. The legislature finds that  
11 higher-income families are able to recover some of the sales and use  
12 taxes that they pay to support state and local government through the  
13 federal income tax deduction for sales and use taxes, but that lower-  
14 income people, who are not able to itemize, receive no benefit.  
15 Therefore, it is the intent of the legislature to provide a sales and  
16 use tax exemption, in the form of a remittance, to lower-income working  
17 families in Washington, and to use the federal earned income tax credit  
18 as a proxy for the amount of sales tax paid.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 82.08 RCW  
2 to read as follows:

3        (1) A working families' tax exemption, in the form of a remittance  
4 tax due under this chapter and chapter 82.12 RCW, is provided to  
5 eligible low-income persons for sales taxes paid under this chapter  
6 after January 1, 2008.

7        (2) For purposes of the exemption in this section, an eligible low-  
8 income person is:

9        (a) An individual, or an individual and that individual's spouse if  
10 they file a federal joint income tax return;

11        (b) Who is eligible for, and is granted, the credit provided in  
12 Title 26 U.S.C. Sec. 32; and

13        (c) Who properly files a federal income tax return as a Washington  
14 resident, and has been a resident of the state of Washington more than  
15 one hundred eighty days of the year for which the exemption is claimed.

16        (3) For remittances made in 2009 and 2010, the working families'  
17 tax exemption for the prior year is a retail sales tax exemption equal  
18 to the greater of five percent of the credit granted as a result of  
19 Title 26 U.S.C. Sec. 32 in the most recent year for which data is  
20 available or twenty-five dollars. For 2011 and thereafter, the working  
21 families' tax exemption for the prior year is equal to the greater of  
22 ten percent of the credit granted as a result of Title 26 U.S.C. Sec.  
23 32 in the most recent year for which data is available or fifty  
24 dollars.

25        (4) The working families' tax exemption shall be administered as  
26 provided in this subsection.

27        (a) An eligible low-income person claiming an exemption under this  
28 section must pay the tax imposed under chapters 82.08, 82.12, and 82.14  
29 RCW in the year for which the exemption is claimed. The eligible low-  
30 income person may then apply to the department for the remittance as  
31 calculated under subsection (3) of this section.

32        (b) Application shall be made to the department in a form and  
33 manner determined by the department, but the department must provide  
34 alternative filing methods for applicants who do not have access to  
35 electronic filing.

36        (c) Application for the exemption remittance under this section  
37 must be made in the year following the year for which the federal  
38 return was filed, but in no case may any remittance be provided for any

1 period before January 1, 2008. The department may use the best  
2 available data to process the exemption remittance. The department  
3 shall begin accepting applications October 1, 2009.

4 (d) The department shall review the application and determine  
5 eligibility for the working families tax exemption based on information  
6 provided by the applicant and through audit and other administrative  
7 records, including, when it deems it necessary, verification through  
8 internal revenue service data.

9 (e) The department shall remit the exempted amounts to eligible  
10 low-income persons who submitted applications. Remittances may be made  
11 by electronic funds transfer or other means.

12 (f) The department may, in conjunction with other agencies or  
13 organizations, design and implement a public information campaign to  
14 inform potentially eligible persons of the existence of and  
15 requirements for this exemption.

16 (g) The department may contact persons who appear to be eligible  
17 low-income persons as a result of information received from the  
18 internal revenue service under such conditions and requirements as the  
19 internal revenue service may by law require.

20 (5) The provisions of chapter 82.32 RCW apply to the exemption in  
21 this section.

22 (6) The department may adopt rules necessary to implement this  
23 section.

24 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.08 RCW  
25 to read as follows:

26 The department must assess the implementation of the working  
27 families' tax exemption in a report to the legislature to identify  
28 administrative or resource issues that require legislative action. The  
29 department must submit the report to the finance committee of the house  
30 of representatives and the ways and means committee of the senate by  
31 December 1, 2012.

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