
Finance Committee

HB 3234

Brief Description: Providing a tax exemption for working families measured by the federal earned income tax credit.

Sponsors: Representatives Green, Darneille, Sullivan, Wood, Ormsby, Hasegawa, Pettigrew, McIntire, Appleton, Hunt, Moeller, Morrell, Rolfes, Dunn, Roberts, Sells, Simpson, Conway, O'Brien, Santos, Campbell, Liias, VanDeWege, Loomis, Kagi, Dickerson and Nelson.

Brief Summary of Bill

- Creates a sales tax remittance, equal 10 percent of the federal earned income tax credit for Washington residents who have received a federal earned income tax credit of at least \$100.

Hearing Date: 2/6/08

Staff: Rick Peterson (786-7150).

Background:

The earned income tax credit (EITC) is a refundable tax credit available to eligible workers earning relatively low wages. Because the credit is refundable, an EITC recipient need not owe taxes to receive the benefits. The amount of the credit varies but it is generally determined by income and family size. Some states with an income tax provide an EITC.

For purposes of the EITC, "earned income" includes wages, salaries, tips, and other taxable employee pay. The following types of income are not considered earned income: retired persons' disability benefits, pensions and annuities, social security, child support, welfare benefits, workers' compensation benefits, and veterans' benefits. The EITC cannot be claimed unless investment income is less than \$2,900 for the 2007 tax year.

To qualify for the EITC in tax year 2007, earned income and adjusted gross income must each be less than:

- \$37,783 (\$39,783 married filing jointly) with two or more qualifying children;
- \$33,241 (\$35,241 married filing jointly) with one qualifying child;

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

\$12,590 (\$14,590 married filing jointly) with no qualifying children.

The maximum amounts of EITC for tax year 2007 maximum is:

\$4,716 with two or more qualifying children;

\$2,853 with one qualifying child;

\$428 with no qualifying children.

The sales and use tax is imposed on the retail sales of most items of tangible personal property and some services. The use tax is imposed on the privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales and use taxes are levied by the state and local governments. Total rates vary from 7 to 8.9 percent.

Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State sales and use tax revenues are deposited in the state General Fund.

Summary of Bill:

A sales tax remittance, equal 10 percent of the federal earned income tax credit (EITC), is available to persons that have resided in Washington for more than 180 days. Applicants must have filed a federal income tax return, received an EITC of at least \$100, and have paid the Washington state and local sales and use tax.

Appropriation: None.

Fiscal Note: Requested on January 28, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.