

ESHB 1297 - S COMM AMD
By Committee on Ways & Means

NOT ADOPTED 04/11/2021

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) Many Washington families do not earn
4 enough annually to keep pace with increasing health care, child care,
5 housing, and other essential expenses.

6 (2) Amidst rising cost of living across the state, the regressive
7 nature of Washington's tax code puts an additional strain on
8 households already struggling to meet their basic needs. Washington's
9 tax system is the most upside down and regressive in the nation,
10 allowing those who earn the most to pay the least percentage of their
11 income in taxes. As a percentage of household income, low-income
12 Washingtonians, who are disproportionately Black, American Indian and
13 Alaska Native, Latinx, Native Hawaiian and Pacific Islander, and
14 multiracial Washingtonians, pay six times more in taxes than our
15 wealthiest residents.

16 (3) Eligibility for the working families tax exemption is based
17 on eligibility for the federal earned income tax credit, a refundable
18 tax credit for working individuals and families whose earnings are
19 below an income threshold. Since its establishment in 1975, the
20 earned income tax credit has increased family income, reduced child
21 poverty, and improved health, educational, and career outcomes for
22 children in low-income families. Taxpayers filing with an individual
23 tax identification number and their families, however, are excluded
24 from receiving the federal credit and its corollary benefits to
25 health and well-being, despite paying local, state, and federal
26 taxes.

27 (4) Since its establishment in 1975, the earned income tax credit
28 has also had a positive impact on local businesses because it puts
29 more money in the hands of low-income working people who spend the
30 money on immediate needs, such as groceries, transportation, rent,
31 and health care. The credit has been shown to have a multiplier
32 effect to support local businesses, generating an estimated \$1.50 to

1 \$2.00 in local economic activity for every dollar received by
2 beneficiaries.

3 (5) Therefore, it is the public policy objective of the
4 legislature to stimulate local economic activity, advance racial
5 equity, and promote economic stability and well-being for lower-
6 income working people, including individual tax identification number
7 filers, by updating and simplifying the structure of the working
8 families tax exemption.

9 **Sec. 2.** RCW 82.08.0206 and 2008 c 325 s 2 are each amended to
10 read as follows:

11 (1) A working families' tax exemption, in the form of a
12 remittance of tax due under this chapter and chapter 82.12 RCW, is
13 provided to eligible low-income persons for sales taxes paid under
14 this chapter after January 1, ~~((2008))~~ 2022.

15 (2) For purposes of the exemption in this section, ~~((an eligible
16 low-income person is))~~ the following definitions apply:

17 (a) ~~((An))~~ (i) Except as provided in (a)(ii) of this subsection,
18 "eligible low-income person" means an individual ~~((, or an individual
19 and that individual's spouse if they file a federal joint income tax
20 return;~~

21 ~~(b) [An individual who] Who is))~~ who:

22 (A) Is eligible for ~~((, and is granted,))~~ the credit provided in
23 Title 26 U.S.C. Sec. 32; and

24 ~~((c) [An individual who] Who properly))~~ (B) Properly files a
25 federal income tax return as a Washington resident, and has been a
26 resident of the state of Washington more than one hundred eighty days
27 of the year for which the exemption is claimed.

28 (ii) "Eligible low-income person" also means an individual who:

29 (A) Meets the requirements provided in (a)(i)(B) of this
30 subsection; and

31 (B) Would otherwise qualify for the credit provided in Title 26
32 U.S.C. Sec. 32 except for the fact that the individual filed a
33 federal tax return in the prior year using a valid individual
34 taxpayer identification number in lieu of a social security number,
35 or the individual has a spouse or dependent without a social security
36 number.

37 (b) "Income" means earned income as defined by Title 26 U.S.C.
38 Sec. 32.

1 (c) "Individual" means an individual and that individual's spouse
2 if they file a federal joint income tax return.

3 (d) "Qualifying child" means a qualifying child as defined by
4 Title 26 U.S.C. Sec. 32.

5 ~~(3) ((For remittances made in 2009 and 2010, the working~~
6 ~~families' tax exemption for the prior year is a retail sales tax~~
7 ~~exemption equal to the greater of five percent of the credit granted~~
8 ~~as a result of Title 26 U.S.C. Sec. 32 in the most recent year for~~
9 ~~which data is available or twenty-five dollars. For 2011)) (a) Except~~
10 ~~as provided in (b) and (c) of this subsection, for 2023 and~~
11 ~~thereafter, the working families' tax ((exemption)) remittance amount~~
12 ~~for the prior year is ((equal to the greater of ten percent of the~~
13 ~~credit granted as a result of Title 26 U.S.C. Sec. 32 in the most~~
14 ~~recent year for which data is available or fifty dollars)):~~

15 (i) \$500 for eligible persons with no qualifying children;

16 (ii) \$650 for eligible persons with one qualifying child;

17 (iii) \$800 for eligible persons with two qualifying children; or

18 (iv) \$950 for eligible persons with three or more qualifying
19 children.

20 (b) The remittance amounts provided in (a) of this subsection
21 will be reduced, rounded to the nearest dollar, as follows:

22 (i) For eligible persons with no qualifying children, beginning
23 at \$2,500 of income below the federal phase-out income for the prior
24 federal tax year, by 18 percent per additional dollar of income until
25 the minimum credit amount as specified in (c) of this subsection is
26 reached.

27 (ii) For eligible persons with one qualifying child, beginning at
28 \$5,000 of income below the federal phase-out income for the prior
29 federal tax year, by 12 percent per additional dollar of income until
30 the minimum credit amount as specified in (c) of this subsection is
31 reached.

32 (iii) For eligible persons with two qualifying children,
33 beginning at \$5,000 of income below the federal phase-out income for
34 the prior federal tax year, by 15 percent per additional dollar of
35 income until the minimum credit amount as specified in (c) of this
36 subsection is reached.

37 (iv) For eligible persons with three or more qualifying children,
38 beginning at \$5,000 of income below the federal phase-out income for
39 the prior federal tax year, by 18 percent per additional dollar of

1 income until the minimum credit amount as specified in (c) of this
2 subsection is reached.

3 (c) If the remittance for an eligible person as calculated in
4 this section is greater than one cent, but less than \$50, the
5 remittance amount is \$50.

6 (d) The remittance amounts in this section shall be adjusted for
7 inflation every year beginning January 1, 2024, based upon changes in
8 the consumer price index during the previous calendar year.

9 (e) For purposes of this section, "consumer price index" means,
10 for any calendar year, that year's average consumer price index for
11 the Seattle, Washington area for urban wage earners and clerical
12 workers, all items, compiled by the bureau of labor statistics,
13 United States department of labor.

14 (4) For any fiscal period, the working families' tax exemption
15 authorized under this section shall be approved by the legislature in
16 the state omnibus appropriations act before persons may claim the
17 exemption during the fiscal period.

18 (5) The working families' tax exemption shall be administered as
19 provided in this subsection.

20 (a) The remittance paid under this section will be paid to
21 eligible filers who apply pursuant to this subsection.

22 (i) Application must be made to the department in a form and
23 manner determined by the department. If the application process is
24 initially done electronically, the department must provide a paper
25 application upon request. The application must include any
26 information and documentation as required by the department.

27 (ii) Application for the remittance under this section must be
28 made in the year following the year for which the federal return was
29 filed, but in no case may any remittance be provided for any period
30 before January 1, 2022. The department must use the eligible person's
31 most recent federal tax filing to process the remittance.

32 (iii) A person may not claim an exemption on behalf of a deceased
33 individual. No individual may claim an exemption under this section
34 for any year in a disallowance period under Title 26 U.S.C. Sec.
35 32(k)(1) or for any year for which the individual is ineligible to
36 claim the credit in Title 26 U.S.C. Sec. 32 by reason of Title 26
37 U.S.C. Sec. 32(k)(2).

38 (b) The department shall protect the privacy and confidentiality
39 of personal data of remittance recipients in accordance with chapter
40 82.32 RCW.

1 (c) The department shall, in conjunction with other agencies or
2 organizations, design and implement a public information campaign to
3 inform potentially eligible persons of the existence of, and
4 requirements for, this section.

5 (d) The department must work with the internal revenue service to
6 administer the exemption on an automatic basis as soon as
7 practicable.

8 (6) Receipt of the remittance under this section may not be used
9 in eligibility determinations for any state income support programs
10 or in making public charge determinations.

11 (7) The department may adopt rules necessary to implement this
12 section. This includes establishing a date by which applications will
13 be accepted, with the aim of accepting applications as soon as
14 possible. The department may gather necessary data through audit and
15 other administrative records, including verification through internal
16 revenue service data.

17 (8) The department must review the application and determine
18 eligibility for the working families' tax exemption based on
19 information provided by the applicant and through audit and other
20 administrative records, including, when it deems it necessary,
21 verification through internal revenue service data.

22 (9) If, upon review of internal revenue service data or other
23 information obtained by the department, it appears that an individual
24 received a remittance that the individual was not entitled to, or
25 received a larger remittance than the individual was entitled to, the
26 department may assess against the individual the overpaid amount. The
27 department may also assess such overpaid amount against the
28 individual's spouse if the remittance in question was based on both
29 spouses filing a joint federal income tax return for the year for
30 which the remittance was claimed.

31 (a) Interest as provided under RCW 82.32.050 applies to
32 assessments authorized under this subsection (9) starting six months
33 after the date the department issued the assessment until the amount
34 due under this subsection (9) is paid in full to the department.
35 Except as otherwise provided in this subsection, penalties may not be
36 assessed on amounts due under this subsection.

37 (b) If an amount due under this subsection is not paid in full by
38 the date due, or the department issues a warrant for the collection
39 of amounts due under this subsection, the department may assess the
40 applicable penalties under RCW 82.32.090. Penalties under this

1 subsection may not be made due until six months after their
2 assessment.

3 (c) If the department finds by clear, cogent, and convincing
4 evidence that an individual knowingly submitted, caused to be
5 submitted, or consented to the submission of, a fraudulent claim for
6 remittance under this section, the department must assess a penalty
7 of 50 percent of the overpaid amount. This penalty is in addition to
8 any other applicable penalties assessed in accordance with (b) of
9 this subsection (9).

10 (10) If, within the period allowed for refunds under RCW
11 82.32.060, the department finds that an individual received a lesser
12 remittance than the individual was entitled to, the department must
13 remit the additional amount due under this section to the individual.

14 (11) Interest does not apply to remittances provided under this
15 act.

16 (12) Chapter 82.32 RCW applies to the administration of this
17 section.

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

23 ~~(b) Application shall be made to the department in a form and~~
24 ~~manner determined by the department, but the department must provide~~
25 ~~alternative filing methods for applicants who do not have access to~~
26 ~~electronic filing.~~

27 ~~(c) Application for the exemption remittance under this section~~
28 ~~must be made in the year following the year for which the federal~~
29 ~~return was filed, but in no case may any remittance be provided for~~
30 ~~any period before January 1, 2008. The department may use the best~~
31 ~~available data to process the exemption remittance. The department~~
32 ~~shall begin accepting applications October 1, 2009.~~

33 ~~(d) The department shall review the application and determine~~
34 ~~eligibility for the working families' tax exemption based on~~
35 ~~information provided by the applicant and through audit and other~~
36 ~~administrative records, including, when it deems it necessary,~~
37 ~~verification through internal revenue service data.~~

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

1 ~~(f) The department may, in conjunction with other agencies or~~
2 ~~organizations, design and implement a public information campaign to~~
3 ~~inform potentially eligible persons of the existence of and~~
4 ~~requirements for this exemption.~~

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

9 ~~(6) The provisions of chapter 82.32 RCW apply to the exemption in~~
10 ~~this section.~~

11 ~~(7) The department may adopt rules necessary to implement this~~
12 ~~section.~~

13 ~~(8) The department shall limit its costs for the exemption~~
14 ~~program to the initial start-up costs to implement the program. The~~
15 ~~state omnibus appropriations act shall specify funding to be used for~~
16 ~~the ongoing administrative costs of the program. These ongoing~~
17 ~~administrative costs include, but are not limited to, costs for: The~~
18 ~~processing of internet and mail applications, verification of~~
19 ~~application claims, compliance and collections, additional full-time~~
20 ~~employees at the department's call center, processing warrants,~~
21 ~~updating printed materials and web information, media advertising,~~
22 ~~and support and maintenance of computer systems.)~~

23 NEW SECTION. **Sec. 3.** The provisions of RCW 82.32.805 and
24 82.32.808 do not apply to this act."

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25 On page 1, line 1 of the title, after "exemption;" strike the
26 remainder of the title and insert "amending RCW 82.08.0206; creating
27 new sections; and prescribing penalties."

EFFECT: Restores language requiring the program to be authorized
in the state operating budget.

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