

# HOUSE BILL REPORT

## HB 1888

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### As Reported by House Committee On:

Finance

**Title:** An act relating to allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels.

**Brief Description:** Allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels.

**Sponsors:** Representatives Thai, Berry, Ortiz-Self, Ryu, Peterson, Shewmake, Goodman, Ormsby, Johnson, J., Bronoske, Tharinger, Senn, Ramel, Taylor, Stokesbary, Frame, Riccelli, Lekanoff, Fey, Davis, Bateman, Macri, Harris-Talley and Young.

### Brief History:

#### Committee Activity:

Finance: 1/24/22, 1/27/22 [DP].

#### Brief Summary of Bill

- Authorizes the Department of Revenue to annually adjust the rate of Working Families Tax Credit reductions based on qualifying income changes.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 14 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase.

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

**Staff:** Rachelle Harris (786-7137).

**Background:**

Working Families Tax Credit.

The Working Families Tax Credit (WFTC) is a state program for low- to moderate-income families that offers a partial credit against sales and use taxes paid. To be eligible for credit payments, a person must:

- have filed a federal tax return;
- meet the requirements for the federal Earned Income Tax Credit (EITC), or would meet the requirements for the EITC, but are filing with an Individual Taxpayer Identification Number;
- be at least 25 and under 65 years of age, or have a qualifying child; and
- have lived in Washington for more than 180 days.

The amount of the credit varies depending on the number of qualifying children and the filer's income level. The maximum credit amount is as follows:

- For eligible persons with no qualifying children, the maximum credit is \$300.
- For eligible persons with one qualifying child, the maximum credit is \$600.
- For eligible persons with two qualifying children, the maximum credit is \$900.
- For eligible persons with three or more qualifying children, the maximum credit is \$1,200.

The minimum credit amount for all eligible persons that apply is \$50.

The maximum credit amount for the WFTC is reduced by varying percentages at income levels based around the maximum adjusted gross income (AGI) for the federal EITC, which changes annually. The rates of credit reduction also vary based on the number of qualifying children:

- For eligible persons with no qualifying children, beginning at \$2,500 of income below the federal maximum AGI, the base remittance is reduced by 18 percent 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 maximum AGI, the base remittance is reduced by 12 percent 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 maximum AGI, the base remittance is reduced by 15 percent per additional dollar of income until the minimum credit is reached.
- For eligible persons with three or more qualifying children, beginning at \$5,000 of income below the federal maximum AGI, the base remittance is reduced by 18 percent per additional dollar of income until the minimum credit is reached.

To receive a credit, eligible persons must apply to the Department of Revenue (DOR). The DOR has authority to adopt rules necessary to design and implement the program.

**Summary of Bill:**

Beginning January 1, 2023, the DOR is authorized to annually adjust the rate of credit reductions based on calculations that maintain the minimum credit being received at the maximum federal qualifying income level.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill helps ensure that families do not face a significant benefit cliff. Since the Department of Revenue is currently building the information technology system, this is good timing to make small adjustments. Work to create the best solution has been done in collaboration with the coalition. There is a slight mismatch in qualifying standards between the federal and state programs. This will get worse over time without the appropriate fix. The bill honors the integrity of the state program and does not change the base credit payments. This policy is reflective of Washington making groundbreaking changes in government support. This bill makes sure that the program successfully reaches all eligible households in the state. This is a simple and important fix to make sure the program operates as originally intended.

(Opposed) None.

**Persons Testifying:** Representative My-Linh Thai, prime sponsor; Margaret Babayan, Washington State Budget and Policy Center; and Emily Vyhnaneck, Working Families Tax Credit Coalition.

**Persons Signed In To Testify But Not Testifying:** None.