

SENATE BILL REPORT

SB 5249

As of January 19, 2023

Title: An act relating to expanding eligibility for the working families' tax credit to everyone age 18 and older.

Brief Description: Expanding eligibility for the working families' tax credit to everyone age 18 and older.

Sponsors: Senators Shewmake, Frame, Hunt, Kuderer, Lovick, Nguyen, Nobles, Saldaña, Stanford and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 1/19/23.

Brief Summary of Bill

- Changes the minimum age requirement for individuals with no qualifying children from 25 to 18 for purposes of the Working Families Tax Credit.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Alia Kennedy (786-7405)

Background: Working Families Tax Credit Program. In 2008, the Legislature enacted a state-level benefit program called the Working Families Tax Exemption (WFTE) that was based in part on the federal Earned Income Tax Credit program (EITC). The EITC is a federal refundable tax credit for individuals with low to moderate income. Qualified individuals receive a credit on their federal tax return. The size of an individual's benefit from the EITC depends on the recipient's income, marital status, and number of children. The credit amount is a fixed percentage of earnings that increases with each dollar earned until it reaches a maximum level and then begins to phase out at higher income levels. The state exemption is modeled as a sales and use tax remittance program.

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.

In 2021, the Legislature restructured the WFTE as the Working Families Tax Credit Program (WFTC). The remittance calculations was modified and the program was expanded to include those with individual taxpayer identification numbers who would otherwise be eligible for the federal earned income tax credit. The requirement was eliminated that the Legislature provide an appropriation in the state omnibus appropriations act before a person may claim the WFTE.

Starting in 2023, the new base remittance amounts for the state WFTC are as follows:

- \$300 for eligible persons with no qualifying children;
- \$600 for eligible persons with one qualifying child;
- \$900 for eligible persons with two qualifying children; or
- \$1,200 for eligible persons with three or more qualifying children.

The credit program is administered by the Department of Revenue (DOR). Beginning in 2024 and annually thereafter, remittance amounts will be adjusted for inflation based on changes in the consumer price index. DOR must design and implement a public information campaign to inform eligible persons of the existence of the WFTC.

Working Family Tax Credit Program Eligibility Requirements. To be eligible for the WFTC, a person must:

- have a valid social security number or individual taxpayer identification number (ITIN);
- lived in Washington for more than half the year;
- be between the ages of 25 to 64 or have a qualifying child;
- have filed a federal tax return; and
- be eligible to claim the federal EITC— or would meet the requirements for EITC but are filing with an ITIN.

There is no minimum age requirement for a person with an qualifying child. A qualifying child must be either:

- under age 19 at the end of the tax year and be younger than the applicant;
- under age 24 at the end of the tax year and a full-time student for at least five months of the year and younger than the applicant; or
- any age if permanently and totally disabled at any time during the tax year.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax

preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is explicitly exempted from the expiration requirements.

The tax preference performance statement for the WFTC legislation passed in 2021 requires JLARC to review the tax preference in 2028 and every ten years thereafter. If a review finds that the WFTC does not provide a meaningful financial relief to low-income and middle-income households, then the credit expires at the end of the calendar year two years after the final JLARC report containing the finding is adopted.

Summary of Bill: Beginning January 1, 2024, the WFTC minimum age requirement for individuals with no qualifying children is changed from 25 to 18 years of age by the end of the prior federal tax year.

JLARC, as part of its tax preference performance review, is required to provide written notice of the expiration date of the WFTC to affected parties, DOR, the chief clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others as JLARC deems appropriate.

The act is not subject to the ten-year automatic tax preference expiration provision.

Appropriation: None.

Fiscal Note: Requested on January 11, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony: PRO: Under current statute, low-income Washingtonians without a qualifying child must be between the ages 25 and 65 in order to claim the working families tax credit. This bill will expand the eligibility age to anyone 18 years and older, recognizing that young adults face the highest poverty rates in America and that 65 and older is the only age group to experience an increase in poverty in the last year. All other eligibility requirements will remain the same and the Department of Revenue has ensured that this expansion is feasible. The state's tax code is regressive and inequitable, and this program offsets the significant inequity in the amount of income of the people in the lowest income levels. This expansion will extend the eligibility to people who are equally deserving of this credit and will further offset the inequity in the current tax code.

Persons Testifying: PRO: Cynthia Stewart, League of Women Voters of WA; Emily Vyhnanek, Working Families Tax Credit Coalition & Washington State Budget & Policy Center; Shaun Scott, Statewide Poverty Action Network; Aaron Czyzewski, Food Lifeline.

Persons Signed In To Testify But Not Testifying: No one.