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## Finance Committee

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### HB 1214

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

**Sponsors:** Representatives Thai, Reed, Shavers, Farivar, Simmons, Pollet, Lekanoff and Scott.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Expands eligibility for the Working Families' Tax Credit to include people 18 years of age or older.</li></ul>
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**Hearing Date:** 2/4/25

**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 in the form of a refund. 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 over 24 years old, but under 65 years of age, or have a qualifying child; and
- have lived in, or be the spouse of someone who has lived in Washington for more than 183 days.

There is no minimum or maximum age requirement for a person with a qualifying child.

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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.*

The amount of the WFTC payment varies depending on the number of qualifying children in the household and the filer's income level. The minimum credit amount for all eligible persons that apply is \$50. For tax year 2024, the maximum credit amount is as follows:

- \$325 for eligible persons with no qualifying children.
- \$640 for eligible persons with one qualifying child.
- \$965 for eligible persons with two qualifying children.
- \$1,290 for eligible persons with three or more qualifying children.

Credit amounts are adjusted every 3 years for inflation based on changes in the consumer price index.

Qualifying income levels are based around the maximum adjusted gross income for the federal EITC, which changes annually. The maximum credit amount for the WFTC is reduced by varying percentages, depending on income levels. The Department of Revenue (DOR) adjusts the rate of credit reductions annually to maintain the minimum credit being received at the maximum qualifying income level. The rates of credit reduction also vary based on the number of qualifying children.

To receive a credit, eligible persons must apply to the DOR. The DOR has authority to adopt rules necessary to implement and administer the program.

#### Tax Preference Performance Statement.

State law provides for 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. Currently, Washington has over 700 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 (TPPS) 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 10 years unless an alternative expiration date is provided.

#### **Summary of Bill:**

Individuals 18 years of age or older are eligible for the WFTC if they meet the income qualifications, without regard to filing with a qualifying child.

The expansion of the WFTC is included in the existing TPPS used to direct JLARC's review. The bill is exempt from the 10-year expiration date.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2026.