

SENATE BILL REPORT

SB 5768

As Reported by Senate Committee On:
Ways & Means, February 27, 2025

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 Saldaña, Cleveland, Cortes, Dhingra, Frame, Krishnadasan, Nobles, Riccelli, Slatter, Stanford, Trudeau, Valdez and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 2/25/25, 2/27/25 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Extends the eligibility for the Working Families Tax Credit Program to individuals who were at least 18 by the end of the relevant tax year, regardless of the number of qualifying children they are applying with.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5768 be substituted therefor, and the substitute bill do pass.

Signed by Senators Robinson, Chair; Stanford, Vice Chair, Operating; Trudeau, Vice Chair, Capital; Frame, Vice Chair, Finance; Cleveland, Conway, Dhingra, Hansen, Hasegawa, Kauffman, Pedersen, Riccelli, Saldaña, Wellman and Wilson, C..

Minority Report: Do not pass.

Signed by Senators Gildon, Ranking Member, Operating; Schoesler, Ranking Member, Capital; Dozier, Assistant Ranking Member, Capital; Boehnke and Muzzall.

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.

Minority Report: That it be referred without recommendation.

Signed by Senators Torres, Assistant Ranking Member, Operating; Braun, Wagoner and Warnick.

Staff: Tianyi Lan (786-7432)

Background: Working Families Tax Credit Program. In 2021, the Legislature established the Working Families Tax Credit (WFTC) Program, based in part on the federal Earned Income Tax Credit (EITC) Program. It provides a refundable credit for retail sales or use tax paid by low-to-moderate income Washington residents who meet certain eligibility requirements. Individuals may apply for any WFTC payments for which they were eligible, but did not claim, for up to three years. To be eligible for credit payments, a person must:

- have filed a federal tax return;
- meet the requirements for the EITC, or would otherwise 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 183 days or be the spouse of someone who does.

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

The Department of Revenue (DOR) administers the WFTC Program. The credit amount varies depending on the number of qualifying children in the household and the filer's income level. 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 Program is reduced by varying percentages depending on income levels. DOR adjusts the rate of credit reductions annually to maintain the minimum credit being received at the maximum qualifying 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; or
- \$1,290 for eligible persons with three or more qualifying children.

Maximum credit amounts are adjusted annually for inflation based on changes in the Consumer Price Index.

DOR has authority to adopt rules necessary to implement and administer the WFTC Program. DOR must use the applicant's federal tax filing for the tax year for which a refund is being claimed to calculate the refund. To receive a credit, eligible persons must apply to DOR and provide any information and documentation required by DOR. DOR shall review

the application and determine the eligibility based on information provided and through audit and other administrative records.

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. 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 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 exempted from expiration.

Summary of Bill (First Substitute): The bill extends the age requirement of WFTC Program eligibility to individuals 18 years of age or older, regardless of the number of qualifying children they are applying with. This expanded eligibility takes effect on January 1, 2026.

The expansion of WFTC Program eligibility is included in the current TPPS for the WFTC Program and is exempt from the ten-year expiration date.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Makes the act null and void if no funding is provided in the omnibus operating budget.
- Makes a technical change to add reference to the internal revenue code.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The Working Families Tax Credit Program has returned over \$200 million to low-income Washingtonian since its launch in 2023, but it currently exclude young adults ages 19 to 24 and working seniors without dependents. The bill aims to fix this exclusion to expand the tax credit to provide fundamental financial support to 100,000 individuals making very low wages.

Dollars directed to people with low income are direct investment in communities which benefits all businesses and local economies. More seniors are working now than over the last 25 years due to Social Security not covering the cost of living, with nearly one in ten seniors experiencing poverty. Tax credits like the WFTC are crucial tools to alleviate poverty but arbitrary age restrictions leave young adults and seniors behind.

Persons Testifying: PRO: Molly Gallagher, Statewide Poverty Action Network; Emily Vyhnanek, Washington State Budget and Policy Center.

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