

# Tax Structure Work Group

## Expand the WFTC by allowing those 18 years or older to qualify for the credit

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### Current Law

The “Working Families’ Tax Credit” (WFTC) is a credit in the form of a refund of sales and use tax provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the EITC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual’s income and number of qualifying children. The maximum credits are:

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

The minimum payment is \$50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, United States Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:

- For eligible persons with no qualifying children, beginning at \$2,500 of income below the federal phase-out income for the prior year, by 12% 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 phase-out income for the prior federal tax year, by 12% 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 phase-out income for the prior federal tax year, by 18% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at \$5,000 of income below the federal phase-out income for the prior federal tax year, by 24% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

The eligible age limit is 25-64 years of age for individuals with no qualifying children.

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<b>Proposal</b>	This proposal expands the WFTC age requirement to 18 years of age or over for individuals with no qualifying children.
<b>Effective Date</b>	This proposal takes effect on January 1, 2024.
<b>Revenue Estimate</b>	This legislation has no impact to taxes administered by the Department.
<b>Expenditure Assumptions</b>	The first eligible tax year is Calendar Year 2023, with payments being issued in Fiscal Year 2024.
<b>First Year Costs</b>	<p>The Department may incur total costs between \$68,880,000 and \$69,520,000 in Fiscal Year 2024. These costs include:</p> <ul style="list-style-type: none"><li>Labor Costs – Time and effort range from 27 to 33 FTEs.<ul style="list-style-type: none"><li>- Amend one administrative rule.</li><li>- Provide administrative support.</li><li>- Supervisory functions.</li><li>- Review and process applications.</li><li>- Perform desk examinations and complex reviews.</li><li>- Respond to letter ruling requests, email inquiries, and phone calls.</li><li>- Report fraud with law enforcement.</li><li>- Provide education and training to staff.</li><li>- Define business rules and test functionality.</li><li>- Computer system testing and monitoring.</li></ul></li><li>Object Costs - Approximately \$66,200,000.<ul style="list-style-type: none"><li>- Issue refund warrants.</li><li>- Contract computer system programming.</li><li>- Printing and Postage.</li><li>- Certifications.</li><li>- Outreach.</li><li>- Increased cost of credit payouts to eligible participants of \$66,000,000.</li></ul></li></ul>

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**Ongoing Costs** Ongoing costs for the 2025-27 Biennium equal between \$135,000,000 to 137,000,000 and include similar activities described in the first-year costs. Time and effort range from 27 to 33 FTEs per year.

The estimated increase in participant counts and refund payout amounts by fiscal year:

Fiscal Year	2024	2025	2026	2027	2028	2029
Participant Count	210,000	210,000	200,000	200,000	190,000	190,000
Refund Payout Amounts	\$66,000,000	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000	\$65,000,000

**Rules** Should this legislation become law, the Department will use the standard process to amend WAC 458-20-285, titled: "Working families' tax credit." Persons affected by this rulemaking would include recipients of the working families' tax credit.

**Note** Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

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