

# Tax Structure Work Group

## Expand the WFTC by allowing those filing as “married filing separately” 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.

An individual is eligible for the WFTC when their filing status is “married filing separately” only if the individual:

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- Is married but did not file their federal income tax return under the “married filing jointly” status,
- Lived with their qualifying child more than half of the year, and
- Can prove they:
  - Did not have the same principal place of abode as their spouse during the last six months of the tax year; or
  - Have a decree, instrument, or agreement with their spouse concerning marital separation and they or their spouse are not members of the same household by the end of the tax year.

**Proposal** This proposal expands eligibility to all individuals who filed their federal income tax return under the “married filing separately” status.

**Effective Date** This proposal takes effect on January 1, 2024.

**Revenue Estimate** This proposal has no impact to taxes administered by the Department.

**Expenditure Estimate** The table shows the FTE staff years and expenditures for this proposal:

FTE	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>FTE Count</b>	2.63	2.5	2.5	2.5	2.5	2.5
<b>Biennial FTE</b>		2.57		2.5		2.5
<b>Fund</b>						
GF-State 001	3,160,900	3,125,400	3,125,400	3,025,400	3,025,400	2,925,400
<b>Fiscal Total</b>	3,160,900	3,125,400	3,125,400	3,025,400	3,025,400	2,925,400
<b>Biennial Total</b>		6,286,300		6,150,800		5,950,800

**Expenditure Assumptions** The first eligible tax year is Calendar Year 2023, with payments being issued in Fiscal Year 2024.

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**First Year Costs**

The Department will incur total costs of \$3,160,900 in Fiscal Year 2024. These costs include:

- Labor Costs - Time and effort equate to approximately 2.63 FTEs.
  - Amend one administrative rule.
  - Update web pages, videos, publications, and forms.
  - Provide administrative support.
  - Provide supervisory functions for multiple teams.
  - Review and approve reports, data, and returns.
  - Perform desk examinations and complex cases.
  - Respond to letter ruling requests, email inquiries, and phone calls.
  - Report fraud investigations.

- Object Costs - Approximately \$2,903,200.
  - Postage and Printing.
  - Increased cost of refund payouts to eligible participants of \$2,900,000.

**Second Year Costs**

The Department will incur total costs of \$3,125,400 in Fiscal Year 2024. These costs include:

- Labor Costs - Time and effort equate to approximately 2.5 FTEs.
  - Continue updating of web pages, videos, publications, and forms.
  - Provide administrative support.
  - Provide supervisory functions for multiple teams.
  - Review and approve reports, data, and returns.
  - Perform desk examinations and complex cases.
  - Respond to letter ruling requests, email inquiries, and phone calls.
  - Report fraud investigations.

- Object Costs - Approximately \$2,903,200.
  - Postage and Printing.
  - Increased cost of refund payouts to eligible participants of \$2,900,000.

**Ongoing Costs**

Ongoing costs for the 2025-27 Biennium equal approximately \$6,150,800 and include similar activities described in the second-year costs. Time and effort equate to approximately 2.5 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	6,000	6,000	6,000	5,000	5,000	5,000
Refund Payout Amounts	\$2,900,000	\$2,900,000	\$2,900,000	\$2,800,000	\$2,800,000	\$2,700,000

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**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.

**Exp Detail**

Expenditures by Object or Purpose:

Expense Objects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries and Wages	150,600	141,300	141,300	141,300	141,300	141,300
Benefits	49,600	46,600	46,600	46,600	46,600	46,600
Supplies & Material	42,400	29,800	29,800	29,800	29,800	29,800
Office Equipment	18,300	7,700	7,700	7,700	7,700	7,700
Grants & Subsidies ^	2,900,000	2,900,000	2,900,000	2,800,000	2,800,000	2,700,000
<b>Fiscal Year Total</b>	<b>3,160,900</b>	<b>3,125,400</b>	<b>3,125,400</b>	<b>3,025,400</b>	<b>3,025,400</b>	<b>2,925,400</b>
<b>Biennial Total</b>		<b>6,286,300</b>		<b>6,150,800</b>		<b>5,950,800</b>

**Exp Detail**

FTE Detail:

Job Classes	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
EMS BAND 4	0.01	0	0	0	0	0
EMS BAND 5	0.01	0	0	0	0	0
INVESTIGATOR 2	0.1	0.1	0.1	0.1	0.1	0.1
MGMT ANALYST4	0.01	0	0	0	0	0
PUBLIC BENEFITS SPECIALIST 2	0.4	0.4	0.4	0.4	0.4	0.4
PUBLIC BENEFITS SPECIALIST 3	1	1	1	1	1	1
PUBLIC BENEFITS SPECIALIST 4	0.7	0.7	0.7	0.7	0.7	0.7
PUBLIC BENEFITS SPECIALIST 5	0.2	0.2	0.2	0.2	0.2	0.2
TAX POLICY SP 2	0.01	0	0	0	0	0
TAX POLICY SP 3	0.17	0.1	0.1	0.1	0.1	0.1
TAX POLICY SP 4	0.01	0	0	0	0	0
WMS BAND 3	0.01	0	0	0	0	0

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<b>Fiscal Year Total</b>	2.63	2.5	2.5	2.5	2.5	2.5
<b>Biennial Total</b>	2.57		2.5		2.5	

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**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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**Further Information**

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