

Tax Structure Work Group

Expand WFTC by increasing the childless amount to \$500 and keeping the \$300 additional amount per child up to three children

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.

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Proposal This proposal increases the maximum credit as follows:
 - \$500 for eligible persons with no qualifying children.
 - \$800 for eligible persons with one qualifying child.
 - \$1,100 for eligible persons with two qualifying children.
 - \$1,400 for eligible persons with three or more qualifying children.

Effective Date This proposal takes effect on July 1, 2023.

Revenue Estimate This proposal results in no impact to taxes administered by the Department of Revenue.

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
FTE Count	0.17	0	0	0	0	0
Biennial FTE		0.09		0		0
Fund						
GF-State 001	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Fiscal Total	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Biennial Total		131,034,400		130,017,600		130,017,600

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

First Year Costs The Department will incur total costs of approximately \$66,025,600 in Fiscal Year 2024. These costs include:

- Labor Costs - Time and effort equate to approximately 0.17 FTEs.
- Adopt one new rule.
- Set-up, program, and test computer system changes.

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- Object Costs - \$66,008,800.
- System changes in ATLAS of \$8,800.
- Increased cost of credit payouts to eligible participants of \$66,000,000.

Ongoing Costs The Department will have ongoing contract programming costs to adjust the phase out percentages of \$8,800 and estimated increased payout amounts of \$65,000,000 per fiscal year.

Rules Should this legislation become law, the Department will use the expedited process to amend WAC 458-20-285, titled: "Working Families' Tax Credit." Persons affected by this rulemaking would include recipients of the WFTC.

Exp Detail Expenditures by Object or Purpose:

Expense Objects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries and Wages	10,500	0	0	0	0	0
Benefits	3,500	0	0	0	0	0
Personal Service Contracts ^	8,800	8,800	8,800	8,800	8,800	8,800
Supplies & Material	1,900	0	0	0	0	0
Office Equipment	900	0	0	0	0	0
Grants & Subsidies ^	66,000,000	65,000,000	65,000,000	65,000,000	65,000,000	65,000,000
Fiscal Year Total	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Biennial Total		131,034,400		130,017,600		130,017,600

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
MGMT ANALYST4	0.01	0	0	0	0	0
MGMT ANALYST5	0.1	0	0	0	0	0
TAX POLICY SP 2	0.01	0	0	0	0	0
TAX POLICY SP 3	0.02	0	0	0	0	0

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TAX POLICY SP 4	0.01	0	0	0	0	0
WMS BAND 3	0.01	0	0	0	0	0
Fiscal Year Total	0.17	0	0	0	0	0
Biennial Total		0.09		0		0

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.

Further Information

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