

Working Families Tax Credit Program Improvements

AGENCY REQUEST LEGISLATION

Department of Revenue

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What the bill does

The bill changes the timeline for when the Department of Revenue may assess penalties and interest in clear cases of intentional misuse of the Working Families Tax Credit program.

- DOR is the administrator of the Working Families Tax Credit (WFTC).

The bill authorizes the Health Care Authority (HCA) and DOR to enter into a memorandum of understanding to establish data-sharing practices to increase WFTC participation.

This bill helps ensure that Washingtonians receive the WFTC refund to which they're entitled, and safeguards taxpayer funds.

- It will provide the WFTC program the procedural flexibility needed to protect the WFTC against intentional misuse.

Authorizing data sharing between the Health Care Authority and DOR will increase WFTC enrollment and lead to more low- and moderate-income Washingtonians receiving refunds.

Additional information

The Working Families Tax Credit is a relatively new program; payments began in CY 2023. The legislature's stated goals when creating the WFTC were to promote economic stability and combat the state's regressive tax structure. The WFTC is based in part on the federal Earned Income Tax Credit.

Eligibility for the WFTC depends on age, income level, and residency. There are approximately 360,000 Washingtonians eligible for the WFTC. The refund amount a person receives depends on income level, marital status, and the number of qualifying children. The minimum refund amount is \$50. For refunds made in CY 2024, maximum refund amounts are:

- \$315 for eligible persons with no qualifying children.
- \$625 for eligible persons with one qualifying child.
- \$940 for eligible persons with two qualifying children.
- \$1,255 for eligible persons with three or more qualifying children.

DOR has seen very little misuse of the WFTC program during our first two years of administration. The bill's proposed change to when DOR may assess penalties and interest is a proactive measure that will allow DOR to act swiftly and fully to any intentional misuse of the WFTC program.

Washington is the first non-income tax state to launch a program like the WFTC. The absence of income tax data between individuals and the state makes it challenging to maximize the uptake of the WFTC. Entering into a data-sharing agreement with HCA, which administers the state Medicaid program, will allow DOR to reach more Washingtonians who are eligible for the WFTC.