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**SUBSTITUTE HOUSE BILL 3234**

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**State of Washington**

**60th Legislature**

**2008 Regular Session**

**By** House Finance (originally sponsored by Representatives Green, Darneille, Sullivan, Wood, Ormsby, Hasegawa, Pettigrew, McIntire, Appleton, Hunt, Moeller, Morrell, Rolfes, Dunn, Roberts, Sells, Simpson, Conway, O'Brien, Santos, Campbell, Lias, VanDeWege, Loomis, Kagi, Dickerson, and Nelson)

READ FIRST TIME 02/12/08.

1       AN ACT Relating to providing a tax exemption for working families  
2 measured by the federal earned income tax credit; and creating new  
3 sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       NEW SECTION. **Sec. 1.** (1) The legislature finds that many  
6 Washington families have income that is too low to afford the high cost  
7 of health care, child care, and work-related expenses. Lower-income  
8 families pay a higher percentage of their income in state and local  
9 taxes than do higher-income families. The legislature finds that  
10 higher-income families are able to recover some of the sales and use  
11 taxes that they pay to support state and local government through the  
12 federal income tax deduction for sales and use taxes, but that lower-  
13 income people, who are not able to itemize, receive no benefit from  
14 this deduction.

15       (2) Therefore, it is the intent of the legislature to evaluate  
16 potential revenue sources and the fiscal cost of providing a sales tax  
17 remittance program for low-income workers who claim the federal earned  
18 income tax credit. To make this evaluation, the department of revenue,

1 in consultation with the department of community, trade, and economic  
2 development, shall conduct a study. The study must address the  
3 following elements:

4 (a) Health care expenses, child care expenses, and work-related  
5 expenses, as a percentage of income, for Washington state workers  
6 claiming the federal earned income tax credit and the percentage for  
7 all other workers;

8 (b) Payments for state and local taxes, as a percentage of income,  
9 for Washington state workers claiming the federal credit and the  
10 percentage for all other workers;

11 (c) The number of Washington workers who claim the federal earned  
12 income tax credit;

13 (d) The percentage of returns by county of workers claiming the  
14 credit;

15 (e) Geographic distribution throughout the state of Washington of  
16 workers who claim the credit;

17 (f) The percentage of returns of workers claiming the credit who  
18 have one or more qualifying children;

19 (g) The fiscal cost of providing a Washington state sales tax  
20 remittance program to Washington workers claiming the credit;

21 (h) Potential revenue sources to fund a Washington state sales tax  
22 remittance program;

23 (i) Administrative issues related to implementing a Washington  
24 state sales tax remittance program;

25 (j) Legal issues related to a Washington state sales tax remittance  
26 program;

27 (k) State refunds, credits, or exemptions for workers provided in  
28 other states that are a percentage of, or based on, the credit.

29 (3) The study may include any other matters the department  
30 determines necessary for the proper evaluation of the potential  
31 Washington state sales tax remittance program for low-income workers  
32 who claim the federal earned income tax credit.

33 (4) The department shall report its findings to the appropriate  
34 committees of the legislature by December 1, 2008.

35 (5) For the purposes of this section, "credit" or "federal credit"  
36 means the federal earned income tax credit.

1        NEW SECTION.   **Sec. 2.**   If specific funding for the purposes of this  
2   act, referencing this act by bill or chapter number, is not provided by  
3   June 30, 2008, in the omnibus appropriations act, this act is null and  
4   void.

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