1 AN ACT Relating to providing a tax exemption for working families measured by the federal earned income tax credit; adding a new section to chapter 82.08 RCW; and creating a new section.

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

5 NEW SECTION. Sec. 1. The legislature finds that many Washington families have income that is too low to afford the high cost of health care, child care, and work-related expenses. Lower-income families pay a higher percentage of their income in state and local taxes than do higher-income families. The legislature finds that higher-income families are able to recover some of the sales and use taxes that they pay to support state and local government through the federal income tax deduction for sales and use taxes, but that lower-income people, who are not able to itemize, receive no benefit from this deduction. Therefore, it is the intent of the legislature to provide a sales and use tax exemption, in the form of a remittance, to lower-income working families in Washington.

17 NEW SECTION. Sec. 2. A new section is added to chapter 82.08 RCW to read as follows:
(1) A working families' tax exemption, in the form of a remittance, is provided to eligible low-income persons for sales taxes paid under this chapter.

(2) For purposes of the exemption in this section, an eligible low-income person is:

(a) An individual, or an individual and that individual's spouse if they file a federal joint income tax return;

(b) Who is eligible for, and is granted, the credit provided in 26 U.S.C. Sec. 32, in an amount of at least one hundred dollars; and

(c) Who properly files a federal income tax return as a Washington resident, and has been a resident of the state of Washington more than one hundred eighty days of the year for which the tax return was filed.

(3) The working families' tax exemption is a retail sales tax exemption equal to ten percent of the credit granted as a result of 26 U.S.C. Sec. 32 for the prior year.

(4) The working families' tax exemption shall be administered as provided in this subsection.

(a) An eligible low-income person claiming an exemption under this section must pay the tax imposed under chapters 82.08, 82.12, and 82.14 RCW. The eligible low-income person may then apply to the department for the remittance as calculated under subsection (3) of this section.

(b) Application shall be made to the department in a form and manner determined by the department, but the department must provide alternative filing methods for applicants who do not have access to electronic filing.

(c) Application for the exemption remittance under this section must be made in the year following the year for which the federal return was filed, but in no case may any remittance be provided for any period before January 1, 2008. The department shall begin accepting applications July 1, 2009.

(d) The department shall review the application and determine eligibility for the working families tax exemption based on information provided by the applicant and through audit and other administrative records, including, when it deems it necessary, verification through internal revenue service data.

(e) The department shall, on a quarterly basis, remit the exempted amounts to eligible low-income persons who submitted applications
during the previous quarter. Remittances may be made by electronic
funds transfer or other means.

(f) The department may, in conjunction with other agencies or
organizations, design and implement a public information campaign to
inform potentially eligible persons of the existence of and
requirements for this exemption.

(g) The department may contact persons who appear to be eligible
low-income persons as a result of information received from the
internal revenue service under such conditions and requirements as the
internal revenue service may by law require.

(5) The provisions of chapter 82.32 RCW apply to the exemption in
this section.

(6) The department may adopt rules necessary to implement this
section.

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