

GIVING WORKING FAMILIES A BREAK

WHAT IS THE WORKING FAMILIES TAX REBATE?

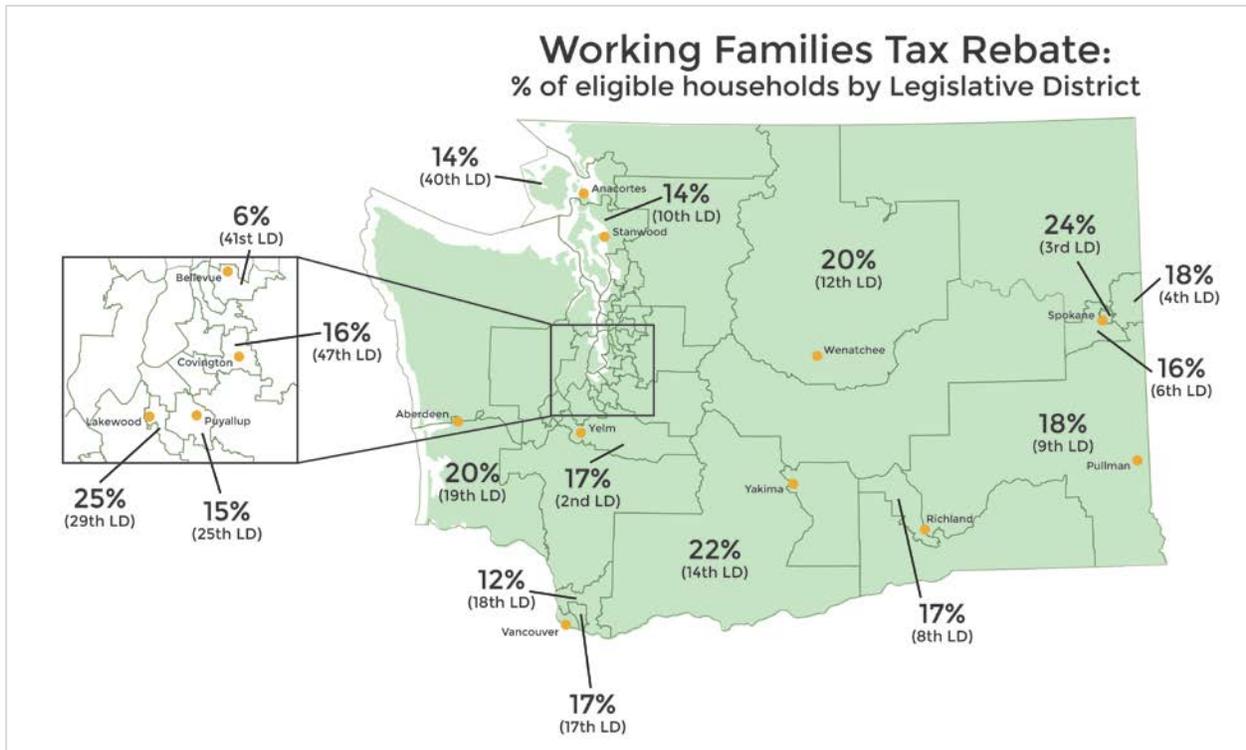
The Working Families tax rebate (WFTR) helps families throughout Washington who are employed, yet often find it difficult to make ends meet. The tax rebate is based on a federal program that has been highly successful in providing relief to working families, helping them move out of poverty and into the middle class.

FEDERAL EARNED INCOME TAX CREDIT

The federal government provides a tax credit — the Earned Income Tax Credit, or EITC — to low- and moderate-income families to offset federal payroll and income taxes. The EITC helps relieve some of the pressure those taxes place on those whose income is already stretched. The credit is calculated based on filing status, number of dependents and annual income. For instance:

- A single parent with one child who earns the 2014 minimum wage in Washington (\$9.32/hour) would have an EITC of \$3,060.
- A married person under the same circumstances would have an EITC of \$3,305.

In 2013, the average federal EITC benefit for qualifying Washingtonians was \$2,145.



STATE EARNED INCOME TAX CREDIT

Twenty-six states already offer an earned income tax credit to provide additional relief to low- and moderate-income families. These states refund a portion of the state income tax of these families based on a percentage of their federal EITC return.

WASHINGTON'S WORKING FAMILIES TAX REBATE

In 2008, the Legislature passed the WFTR. This rebate works like a state-level EITC as it is calculated as a percentage of a family's federal EITC benefit. Because the Legislature never appropriated the necessary funding, the law was suspended in 2010 before implementation could take place.

Our WFTR would provide an *additional* benefit to low- and moderate-income families, worth 10 percent of their federal EITC benefit. The Department of Revenue estimates this would help more than 500,000 families, mostly in rural and economically struggling areas of the state. The department estimates that the average additional state benefit to a Washington family would be \$223.

WHY IS THIS GOOD PUBLIC POLICY?

Our state's tax system is the most unfair in the nation: Low-income families pay an average of nearly 17 percent of their income in state taxes while the top earners in the state pay less than 3 percent. While the WFTR does not fix all the problems with our tax system, it is the only tool we have to shrink taxes for low-income families. It benefits families with children, who have the highest rates of poverty compared to other age groups. Combined with an increase in the minimum wage, the WFTR has been shown to be a powerful tool to boost wages for working families. Indeed, the WFTR will provide a small measure of relief to hard-working Washington families to help them keep their heads above water.