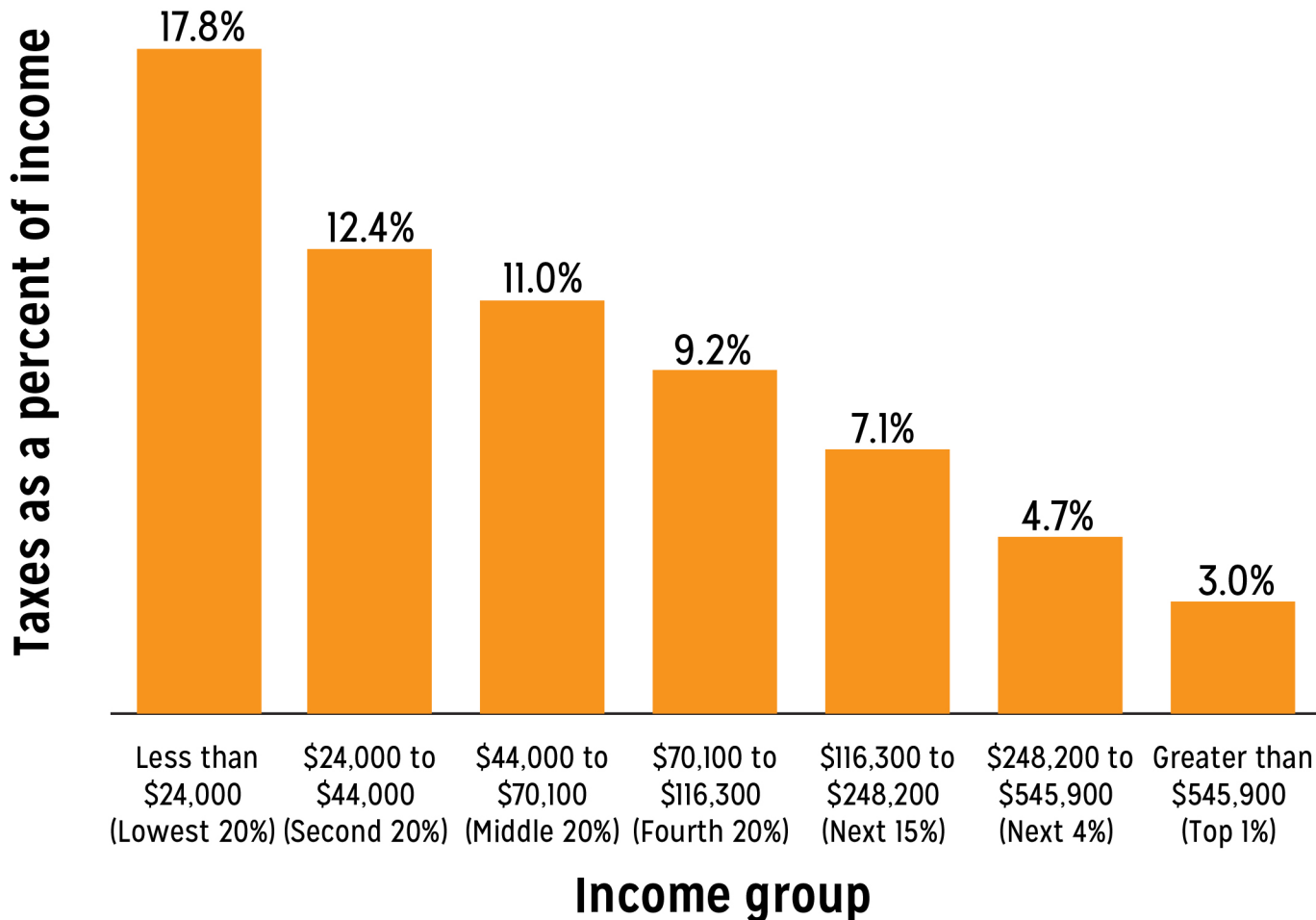


# Washington's worst-in-the-nation tax code: Highest rates for those with the least

Washington state and local taxes as a share of annual income by income group



Source: Institute on Taxation and Economic Policy, 2018

# THE WORKING FAMILIES TAX REBATE

## WOULD ADVANCE RACIAL EQUITY FOR WASHINGTON FAMILIES

### WHAT IS THE WORKING FAMILIES TAX REBATE?

*The Working Families Tax Rebate is Washington state's version of the federal Earned Income Tax Credit (EITC), which lifts more working families out of poverty than any other government program. The EITC provides qualifying low-wage workers with an annual boost to their income in the form of a tax credit. Nearly all recipients are families with at least one child living at home. So a qualifying Washington family with two children receiving the maximum EITC credit could qualify for an extra \$562 through the WFTR. This income could cover the cost of feeding a family of three for one month.*

For too many Washingtonians – particularly many people of color – high-quality jobs that can support a family and provide enough to save for the future are out of reach. What's more, in Washington state, people of color and people with low incomes are more likely to pay a disproportionate share of their incomes in taxes. These racial disparities are partially the result of historic and persistent inequitable state policies.

Funding the Working Families Tax Rebate (WFTR), which was enacted by the legislature in 2008 but never funded, would be an important step to advance racial equity. It would help strengthen the economic security of many families of color. Here's how.

### IT SUPPORTS AN EQUITABLE ECONOMY



**The WFTR would invest \$98.5 million back into the local economies**, nearly half (49 percent) of which would go to communities of color.



**It would reduce the disproportionate tax responsibility placed on communities of color.** Latinos, Asian or Native Hawaiian/Pacific Islanders, and American Indians/Alaska Natives are estimated to be eligible for the largest credit and rebate amounts. (See chart on opposite page.)



**It would help kids, particularly kids of color, do better in school.** Research shows that children in families that receive the Earned Income Tax Credit (and that, by extension, would qualify for the WFTR), do better in school and are more likely to go to college. And the majority (51 percent) of children in EITC-eligible families are children of color.

### BY THE NUMBERS

**498,000**

*The number of Washingtonians overall who would be eligible for the Working Families Tax Rebate if it were funded*

**\$2,180**

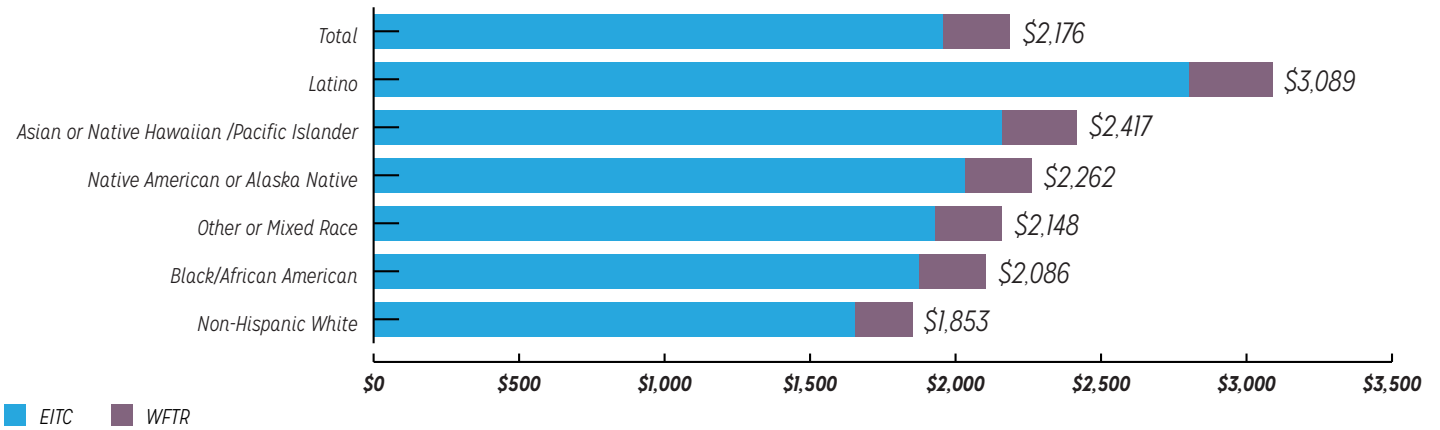
*The average annual income boost households would receive from both the EITC and the WFTR*

**31%**

*The share of Native American tax filers eligible to receive the financial boost provided by the WFTR*

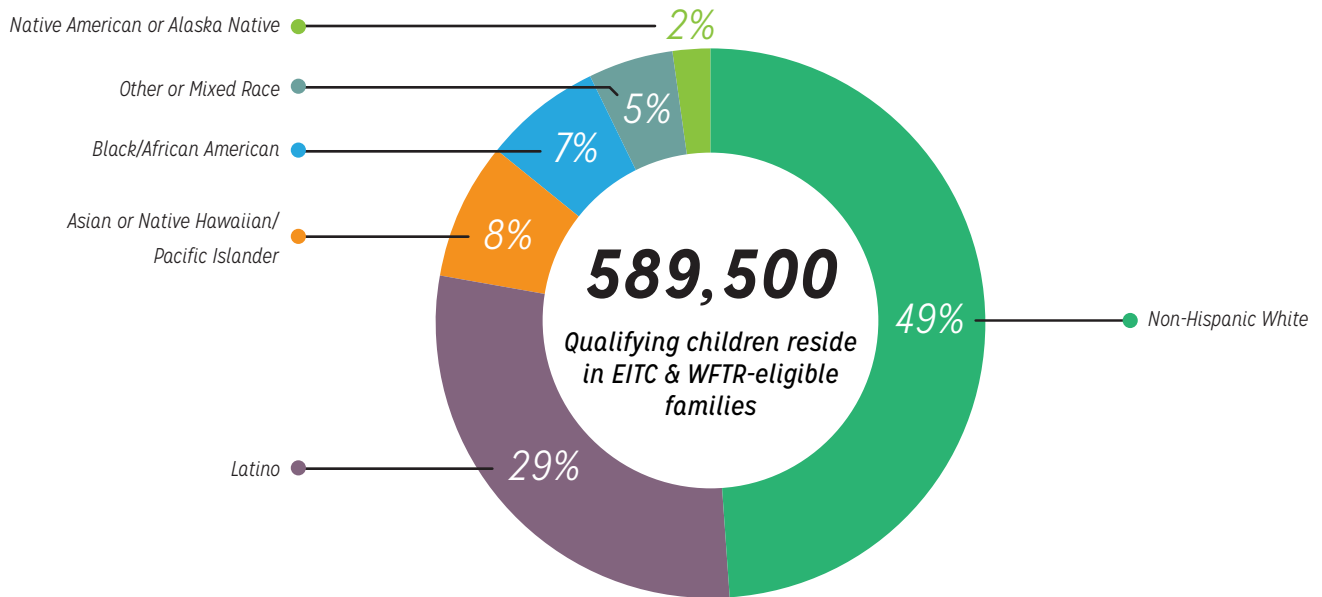
## WFTR Strengthens the Economic Security of Low-Wage Families of Color - Especially Latino Families

ESTIMATED EITC AND WFTR REBATES FOR QUALIFYING WASHINGTONIANS IN 2015, BY RACE AND ETHNICITY



## The Majority of Children Who Would Benefit from WFTR Are Children of Color

RACE AND ETHNICITY OF CHILDREN IN FAMILIES WHO QUALIFY FOR THE REBATE



1. Internal Revenue Service, 2017 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates, <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-income-limits-maximum-credit-amounts-next-year>

2. Economic Policy Institute, Family Budget Calculator, <http://www.epi.org/resources/budget/>. Estimated monthly cost of food for 1 adult and 2 children in the Seattle/Bellevue, WA metro area is \$584.

3. Budget and Policy Center's analysis of Brookings' MetroTax model on the Characteristics of the EITC-eligible population, which uses 2015 American Community Survey microdata to model tax units and eligibility for tax policies targeted to low- and moderate-income workers and their families.

4. Center on Budget and Policy Priorities, EITC and Child Tax Credit Promote Work, Reduce Poverty and Support Children's Development, [http://www.cbpp.org/research/federal-tax-/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793#\\_ftn30](http://www.cbpp.org/research/federal-tax-/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens?fa=view&id=3793#_ftn30)

5. Budget and Policy Center's analysis of Brookings' MetroTax model on the Characteristics of the EITC-eligible population.

6. Budget and Policy Center's analysis of Brookings' MetroTax model on the Characteristics of the EITC-eligible population

7. Budget and Policy Center's analysis of Brookings' MetroTax model on the Characteristics of the EITC-eligible population

# A Modern Working Families Tax Credit:

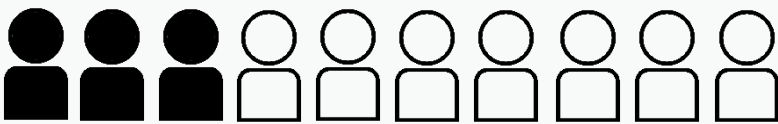
*Balance the tax code and promote financial stability for working people*

## What is the Working Families Tax Credit?

The Working Families Tax Credit is Washington state's version of the federal Earned Income Tax Credit (EITC), which provides an income boost to working people in the form of a tax refund. For those who qualify, the Working Families Tax Credit would be a meaningful amount of money back into their pockets to help them make ends meet. Washington, can build on the success of the federal EITC by modernizing the definition of work and including people who work hard but are excluded from the EITC - like immigrants, caregivers, and young workers without kids.

## WIDESPREAD POSITIVE IMPACTS

The Working Families Tax Credit would reach close to 1 million tax filers - nearly 30% of the population.



**\$350**  
average  
income  
boost






**\$970**  
maximum  
credit

**967,000**  
households

## HOW TO MODERNIZE THE CREDIT:

- » Increase state match to 15% of EITC
- » Expand to workers age 19 and up who do not have children
- » Expand to immigrant workers
- » Expand to low-income college students
- » Expand to family caregivers of children under 6, adults over 70, or adults with disabilities

## It builds on the federal Earned Income Tax Credit, a proven success at:

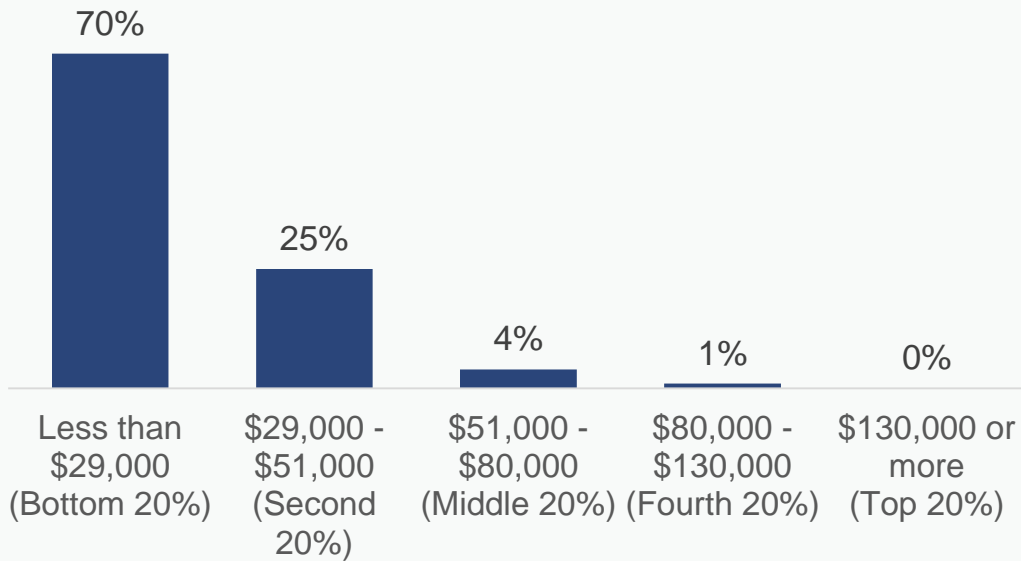
-  Boosting financial security and asset building, especially in families with children
-  Driving local economic growth, particularly in rural areas
-  Supporting work and growing wages, especially for working moms
-  Promoting better educational and health outcomes for babies and kids
-  Improving racial equity by beginning to redress the impacts of systemic racism

**FAIR WORK  
CENTER**



# THE WORKING FAMILIES TAX CREDIT IS TARGETED TO HELP REBALANCE THE TAX CODE FOR WORKING PEOPLE

Share of state spending on total Working Families Tax Credits by income group, 2018



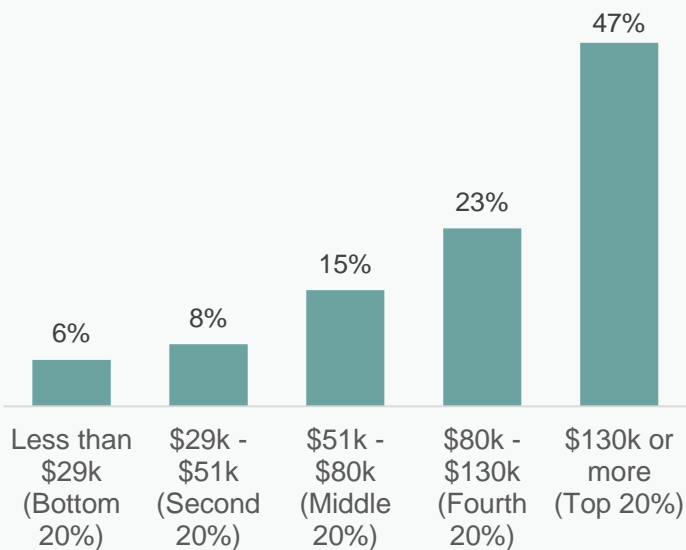
*A tax break for low- and moderate-income workers is the best tool to rebalance the tax code for those at the bottom and middle - who pay up to **6 times more** in state and local taxes as a share of income than the top 1 percent.*

**The Working Families Tax Credit is the best way to target tax breaks to help working people keep more of what they earn.**

**Across-the-board sales and property tax cuts prioritize the wealthiest:**

## CUTTING PROPERTY TAXES BENEFITS THE WEALTHIEST MORE THAN EVERYDAY WORKERS

Share of property tax cut by income group, 2018



## A LARGE PORTION OF A SALES TAX CUT WOULD LIKEWISE BE WASTED ON THE WEALTHIEST

Share of sales tax cut by income group, 2018

