

## **Bill aims to aid low-income**

Brad Shannon

A sales-tax credit for low-income working families has quickly gained support of Democratic leaders in the state House and Senate, but political realities are clouding its future.

The proposal from Democratic Sen. Craig Pridemore, D-Vancouver, would let low-income taxpayers that qualify for the federal Earned Income Tax Credit receive an additional 10 percent sales-tax rebate from the state — on average about \$168 per qualifying family.

The program could cost \$60 million a year for the estimated 350,000 families. Checks would go out starting in 2009, and Pridemore's idea is to use the rebates to lessen the sales tax load on lower-income families, which pay a higher percentage of income in state taxes than higher income families.

House Speaker Frank Chopp, D-Seattle, said it might be necessary to cut the tax break in half.

"Five percent is a lot less expensive, and that may be the way we do it," Chopp said.

Senate Majority Leader Lisa Brown, D-Spokane, said it might be necessary to create the program this year but determine the amount of assistance next year when the state's budget outlook is clearer.

Brown and Chopp have concerns about saving at least \$1 billion for the next budget cycle. Brown said concerns about the economy have prompted Senate and House leaders to "scrub" spending plans adopted last year to see if they can find "efficiencies" that lower the state's outlay in the two-year period.

A total of 21 lawmakers signed on as co-sponsors of Senate Bill 6809, including Sen. Karen Fraser, D-Thurston County, and a companion measure is in the works for the House. Only one Republican supporter, Sen. Jerome Delvin of Richland, has signed on.

Senate Minority Leader Mike Hewitt, R-Walla Walla, said there is no GOP caucus position on the bill yet, and he is open to learning more about it — while keeping an eye on overall spending and Republicans' preference to lower it.

"At first blush this sounds good but I need to take a look at the program," Hewitt said.

Sen. Joe Zarelli, R-Ridgefield, said he thinks the state should focus tax relief on property taxes, where he's heard more public outcry. Zarelli said the state Constitution might forbid the aid — a complaint Chopp disputes.

About two-dozen other states piggy-back on the Earned Income Tax Credit, which reroutes about \$600 million a year in federal taxes back into Washington's economy.

### **Purpose of credit**

The tax credit is geared to giving a boost to working families with low-paying jobs. A married taxpayer with at least two children qualified for the credit last year if he or she had adjusted gross annual income of \$39,783 or less. Lower thresholds apply for families with one child or none.

The Washington State Budget and Policy Center, a left-leaning think tank in Seattle, brought the idea to Pridemore and other lawmakers after discovering the state Department of Revenue could get tax information from the Internal Revenue Service and somewhat easily send checks to Earned Income Tax Credit recipients. Lawmakers and policy center executive director Remy Trupin had thought it couldn't be done since the state lacked an income tax.

The center says there were 8,205 Earned Income Tax Credit tax-filers in the 22nd Legislative District in 2004, which takes in Olympia, Lacey, Tumwater and north Thurston County. The average 22nd district rebate that year was \$1,541, which means a state match would be \$154; higher amounts would be paid in the 20th, 2nd and 35th districts in South Sound.

### **Response to program**

The federal program has been popular in Thurston County, said United Way leader Pam Toal and Matt Hornyak of the county's 2-1-1 telephone-aid network, which has done outreach and tried to tell low-income working families they might qualify for federal aid.

United Way received a \$20,000 state grant to set up an asset-development coalition in Thurston County and \$15,000 more went to Mason County United Way.

"The thought that people could get even more money, if in fact they earned wages, caused EITC to be the No. 1 call topic for the 2-1-1 network last year — statewide, from January to April 15, the whole tax season," Hornyak said. "It is already shaping up to be the No. 1 call topic again, until tax season closes on April 15."

Toal said the EITC is one tool used by a local coalition that works to help low-income people build assets for college and home purchases. "There is a lot of energy for these kinds of things in our community," Toal said.

### **Shift of burden**

Despite their caution about costs, Brown and Chopp are enthusiastic about the tax proposal because it would help shift the state's regressive tax burden off the backs of low-income working families without resorting to an unpopular income tax.

"I think it's a really good step forward because we are essentially looking at the unfairness of the tax system and moving forward to help the people who need help the most," Chopp said. "We're obviously concerned on the budget side and want to look at the next revenue forecast to see if we can do it."

Gov. Chris Gregoire is not yet on board with creating a state match. But she did say she is interested in finding ways to create incentives that would make it easier for people to buy homes.

Pridemore said he wants the proposal to be considered alongside other tax cuts or credits being proposed.

"It's one that has strong leadership support, so it's not impossible," Pridemore said.