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**HOUSE BILL 2418**

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**State of Washington**

**68th Legislature**

**2024 Regular Session**

**By** Representatives Berg, Ramel, Shavers, and Pollet

Read first time 01/18/24. Referred to Committee on Finance.

1 AN ACT Relating to increasing the working families' tax credit to  
2 reflect the economic burden of property taxes incorporated into  
3 rental amounts charged to residential tenants; reenacting and  
4 amending RCW 82.08.0206; and creating new sections.

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

6 **Sec. 1.** RCW 82.08.0206 and 2023 c 456 s 1 and 2023 c 374 s 10  
7 are each reenacted and amended to read as follows:

8 (1) A working families' tax credit, in the form of a refund of  
9 tax due under this chapter and chapter 82.12 RCW, is provided to  
10 eligible low-income persons for sales and use taxes paid under this  
11 chapter and chapter 82.12 RCW after January 1, 2022.

12 (2) For purposes of the credit in this section, the following  
13 definitions apply:

14 (a) (i) "Eligible low-income person" means an individual who:

15 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.  
16 32 of the internal revenue code; and

17 (B) Properly files a federal income tax return for the prior  
18 federal tax year, and was a Washington resident during the year for  
19 which the credit is claimed.

20 (ii) "Eligible low-income person" also means an individual who  
21 meets the requirements provided in (a) (i) (B) of this subsection and

1 would otherwise qualify for the credit provided in Title 26 U.S.C.  
2 Sec. 32 of the internal revenue code except that one or any  
3 combination of the following conditions apply:

4 (A) The individual filed a federal income tax return for the  
5 prior federal tax year using a valid individual taxpayer  
6 identification number in lieu of a social security number, and the  
7 individual's spouse, if any, and all qualifying children, if any,  
8 have a valid individual taxpayer identification number or a social  
9 security number; or

10 (B) The individual filed their federal income tax return for the  
11 prior federal tax year under the married filing separately status.  
12 For purposes of the refund provided in this section, the special rule  
13 for separated spouse under Title 26 U.S.C. Sec. 32(d)(2)(B) of the  
14 internal revenue code does not apply.

15 (b) "Income" means earned income as defined by Title 26 U.S.C.  
16 Sec. 32 of the internal revenue code.

17 (c) "Individual" means an individual or an individual and that  
18 individual's spouse if they file a federal joint income tax return.

19 (d) "Internal revenue code" means the United States internal  
20 revenue code of 1986, as amended, as of June 9, 2022, or such  
21 subsequent date as the department may provide by rule consistent with  
22 the purpose of this section.

23 (e) "Maximum qualifying income" means the maximum federally  
24 adjusted gross income for the prior federal tax year.

25 (f) "Qualifying child" means a qualifying child as defined by  
26 Title 26 U.S.C. Sec. 32 of the internal revenue code, except the  
27 child may have a valid individual taxpayer identification number in  
28 lieu of a social security number.

29 (g) "Washington resident" means an individual who is physically  
30 present and residing in this state for at least 183 days. "Washington  
31 resident" also includes an individual who is not physically present  
32 and residing in this state for at least 183 days but is the spouse of  
33 a Washington resident. For purposes of this subsection, "day" means a  
34 calendar day or any portion of a calendar day.

35 (3) (a) Except as otherwise provided in (~~(b) and (c) of~~) this  
36 subsection, for calendar year 2023 and thereafter, the working  
37 families' tax credit refund amount for the prior calendar year is:

38 (i) \$300 for eligible persons with no qualifying children;

39 (ii) \$600 for eligible persons with one qualifying child;

40 (iii) \$900 for eligible persons with two qualifying children; or

1 (iv) \$1,200 for eligible persons with three or more qualifying  
2 children.

3 (b) Except as provided in (f) of this subsection, the refund  
4 amounts provided in (a) of this subsection (~~(will)~~) must be reduced,  
5 rounded to the nearest dollar, as follows:

6 (i) For eligible persons with no qualifying children, beginning  
7 at \$2,500 of income below the federal phase-out income for the prior  
8 federal tax year, by 18 percent per additional dollar of income until  
9 the minimum credit amount as specified in (c) of this subsection is  
10 reached.

11 (ii) For eligible persons with one qualifying child, beginning at  
12 \$5,000 of income below the federal phase-out income for the prior  
13 federal tax year, by 12 percent per additional dollar of income until  
14 the minimum credit amount as specified in (c) of this subsection is  
15 reached.

16 (iii) For eligible persons with two qualifying children,  
17 beginning at \$5,000 of income below the federal phase-out income for  
18 the prior federal tax year, by 15 percent per additional dollar of  
19 income until the minimum credit amount as specified in (c) of this  
20 subsection is reached.

21 (iv) For eligible persons with three or more qualifying children,  
22 beginning at \$5,000 of income below the federal phase-out income for  
23 the prior federal tax year, by 18 percent per additional dollar of  
24 income until the minimum credit amount as specified in (c) of this  
25 subsection is reached.

26 (c) If the refund for an eligible person as calculated in this  
27 section is greater than zero cents, but less than \$50, the refund  
28 amount is \$50.

29 (d) The refund amounts in this section shall be adjusted for  
30 inflation every year beginning January 1, 2024, based upon changes in  
31 the consumer price index that are published by November 15th of the  
32 previous year for the most recent 12-month period. The adjusted  
33 refund amounts must be rounded to the nearest \$5.

34 (e) For purposes of this section, "consumer price index" means,  
35 for any 12-month period, the average consumer price index for that  
36 12-month period for the Seattle, Washington area for urban wage  
37 earners and clerical workers, all items, compiled by the bureau of  
38 labor statistics, United States department of labor.

39 (f) The percentage rate of remittance reductions in (b) of this  
40 subsection must be adjusted every year beginning January 1, 2023,

1 based on calculations by the department that result in the minimum  
2 credit being received at the maximum qualifying income level.

3 (g)(i) In addition to the amounts specified in (a) of this  
4 subsection, beginning in calendar year 2025 and thereafter, an  
5 additional working families' tax credit refund amount of \$300 is  
6 provided to an eligible person who leased or rented their primary  
7 residence in Washington for at least 183 days during the year for  
8 which the credit is claimed. The 183-day period may be met by  
9 aggregating the leasehold or rental periods for multiple lease or  
10 rental agreements if the individual changed location during the  
11 calendar year. An individual must be a signatory on any lease or  
12 rental agreements used to meet the 183-day requirement under this  
13 subsection (3)(g).

14 (ii) To qualify, eligible individuals must meet the requirements  
15 for a refund under (a) of this subsection and apply for the  
16 additional refund amount in a form and manner specified by the  
17 department.

18 (iii) The additional refund amounts provided in this subsection  
19 (3)(g) must be adjusted for inflation every year beginning January 1,  
20 2026, as provided under (d) of this subsection. The adjusted refund  
21 amounts must be rounded to the nearest \$5.

22 (iv) The additional refund amounts provided in this subsection  
23 (3)(g) must be reduced, rounded to the nearest dollar, beginning at  
24 the income amounts below the federal phase-out income levels  
25 specified in (b) of this subsection.

26 (v) The percentage rate of remittance reductions in (g)(iv) of  
27 this subsection must be adjusted every year beginning January 1,  
28 2025, based on calculations by the department that result in the  
29 minimum credit being received at the maximum qualifying income level.

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

32 (a) The refund paid under this section will be paid to eligible  
33 filers who apply pursuant to this subsection.

34 (i) Application must be made to the department in a form and  
35 manner determined by the department. If the application process is  
36 initially done electronically, the department must provide a paper  
37 application upon request. The application must include any  
38 information and documentation as required by the department.

39 (ii)(A) Except as provided in (a)(ii)(B) of this subsection (4),  
40 application for a refund under this section must be made in the year

1 following the year for which the federal tax return was filed, but in  
2 no case may any refund be provided for any period before January 1,  
3 2022. The department must use the eligible person's most recent  
4 federal tax filing for the tax year for which the refund is being  
5 claimed to calculate the refund.

6 (B)(I) A person may apply for any refund for which they were  
7 eligible but did not claim under (a)(ii)(A) of this subsection (4)  
8 for up to three additional years. A person must complete an  
9 application to claim this refund within the three calendar years  
10 after the end of the calendar year in which the federal income tax  
11 return for that tax year was legally due for federal income tax  
12 purposes, without regard to any federal extension.

13 (II) If a person seeks to increase the amount of a refund that  
14 has been made under this subsection (4), the person must apply for  
15 the amended refund within the nonclaims period established under RCW  
16 82.32.060(1).

17 (III) For applications for refunds under this subsection  
18 (4)(a)(ii)(B), the department must use the federal tax filing for the  
19 tax year for which a refund is being claimed to calculate the refund.

20 (iii) A person may not claim a credit on behalf of a deceased  
21 individual. No individual may claim a credit under this section for  
22 any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1)  
23 of the internal revenue code or for any year for which the individual  
24 is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 of the  
25 internal revenue code by reason of Title 26 U.S.C. Sec. 32(k)(2) of  
26 the internal revenue code.

27 (iv) In order to qualify for the additional refund amount under  
28 subsection (3)(g) of this section, applicants must submit, upon  
29 application, a copy of the lease or rental agreement and any other  
30 documents specified by the department as necessary to substantiate  
31 the eligibility for the additional refund under subsection (3)(g) of  
32 this section.

33 (b) The department shall protect the privacy and confidentiality  
34 of personal data of refund recipients in accordance with chapter  
35 82.32 RCW.

36 (c) The department shall, in conjunction with other agencies or  
37 organizations, design and implement a public information campaign to  
38 inform potentially eligible persons of the existence of, and  
39 requirements for, the credit provided in this section.

1 (d) The department must work with the internal revenue service to  
2 administer the credit on an automatic basis as soon as practicable.

3 (5) Receipt of a refund under this section may not be used in  
4 eligibility determinations for any state income support programs or  
5 in making public charge determinations.

6 (6) The department may adopt rules necessary to implement this  
7 section. This includes establishing a date by which applications will  
8 be accepted, with the aim of accepting applications as soon as  
9 possible.

10 (7) The department must review the application and determine  
11 eligibility for the working families' tax credit based on information  
12 provided by the applicant and through audit and other administrative  
13 records, including, when it deems it necessary, verification through  
14 information from the internal revenue service ((data)) of the United  
15 States, other federal agencies, Washington state agencies, third-  
16 party entities, or other persons. The department may accept a signed  
17 attestation in a form and manner determined by the department from an  
18 individual to presumptively validate that an individual meets all the  
19 eligibility requirements as provided in this section. The signed  
20 attestation is subject to audit verification by the department to  
21 validate an individual's eligibility for the working families' tax  
22 credit.

23 (8) If, upon review of internal revenue service data or other  
24 information obtained by the department, it appears that an individual  
25 received a refund that the individual was not entitled to, or  
26 received a larger refund than the individual was entitled to, the  
27 department may assess against the individual the overpaid amount. The  
28 department may also assess such overpaid amount against the  
29 individual's spouse if the refund in question was based on both  
30 spouses filing a joint federal income tax return for the year for  
31 which the refund was claimed.

32 (a) Interest as provided under RCW 82.32.050 applies to  
33 assessments authorized under this subsection (8) starting six months  
34 after the date the department issued the assessment until the amount  
35 due under this subsection (8) is paid in full to the department.  
36 Except as otherwise provided in this subsection, penalties may not be  
37 assessed on amounts due under this subsection.

38 (b) If an amount due under this subsection is not paid in full by  
39 the date due, or the department issues a warrant for the collection  
40 of amounts due under this subsection, the department may assess the

1 applicable penalties under RCW 82.32.090. Penalties under this  
2 subsection (8)(b) may not be made due until six months after the  
3 department's issuance of the assessment.

4 (c) If the department finds by clear, cogent, and convincing  
5 evidence that an individual knowingly submitted, caused to be  
6 submitted, or consented to the submission of, a fraudulent claim for  
7 refund under this section, the department must assess a penalty of 50  
8 percent of the overpaid amount. This penalty is in addition to any  
9 other applicable penalties assessed in accordance with (b) of this  
10 subsection (8).

11 (9) If, within the period allowed for refunds under RCW  
12 82.32.060, the department finds that an individual received a lesser  
13 refund than the individual was entitled to, the department must remit  
14 the additional amount due under this section to the individual.

15 (10) Interest does not apply to refunds provided under this  
16 section.

17 (11) Chapter 82.32 RCW applies to the administration of this  
18 section.

19 NEW SECTION. **Sec. 2.** (1) This section is the tax preference  
20 performance statement for section 1, chapter . . ., Laws of 2024  
21 (section 1 of this act). This performance statement is only intended  
22 to be used for subsequent evaluation of the tax preference. It is not  
23 intended to create a private right of action by any party or be used  
24 to determine eligibility for the preferential tax treatment.

25 (2) The tax preference performance statement in section 4,  
26 chapter 195, Laws of 2021 applies to the expansion of the tax  
27 preference in section 1 of this act.

28 NEW SECTION. **Sec. 3.** RCW 82.32.805 does not apply to this act.

29 NEW SECTION. **Sec. 4.** Refunds may not be provided under section  
30 1 of this act for any period before January 1, 2024.

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