

SENATE BILL REPORT

SB 5771

As of February 24, 2025

Title: An act relating to increasing the working families' tax credit to reflect the economic impact of property taxes incorporated into rental amounts charged to residential tenants.

Brief Description: Increasing the working families' tax credit to reflect the economic impact of property taxes incorporated into rental amounts charged to residential tenants.

Sponsors: Senators Robinson, Cleveland, Cortes, Frame, Hasegawa, Kauffman, Krishnadasan, Lias, Nobles, Pedersen, Riccelli, Saldaña, Slatter, Stanford, Trudeau, Valdez and Wilson, C..

Brief History:

Committee Activity: Ways & Means: 2/25/25.

Brief Summary of Bill

- Provides an additional Working Families Tax Credit refund amount of up to \$300 to persons who leased or rented their primary residence within the state of Washington for at least 183 days during the year for which the credit is claimed.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tianyi Lan (786-7432)

Background: Working Families Tax Credit Program. In 2021, the Legislature established the Working Families Tax Credit (WFTC) Program, based in part on the federal Earned Income Tax Credit Program (EITC). It provides a refundable credit for retail sales or use tax paid by low-to-moderate income Washington residents who meet certain eligibility requirements. Individuals may apply for any WFTC payments for which they were eligible, but did not claim, for up to three years. To be eligible for credit payments, a person must:

- have filed a federal tax return;

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- meet the requirements for the EITC, or would otherwise meet the requirements for the EITC, but are filing with an Individual Taxpayer Identification Number;
- be at least 25 and under 65 years of age, or have a qualifying child; and
- have lived in Washington for more than 183 days or be the spouse of someone who does.

The Department of Revenue (DOR) administers the WFTC Program. The credit amount varies depending on the number of qualifying children in the household and the filer's income level. Qualifying income levels are based around the maximum adjusted gross income for the federal EITC, which changes annually. The maximum credit amount for the WFTC is reduced by varying percentages depending on income levels. DOR adjusts the rate of credit reductions annually to maintain the minimum credit being received at the maximum qualifying income level.

The minimum credit amount for all eligible persons that apply is \$50. For tax year 2024, the maximum credit amount is as follows:

- \$325 for eligible persons with no qualifying children;
- \$640 for eligible persons with one qualifying child;
- \$965 for eligible persons with two qualifying children; or
- \$1,290 for eligible persons with three or more qualifying children.

Maximum credit amounts are adjusted annually for inflation based on changes in the consumer price index.

DOR has authority to adopt rules necessary to implement and administer the program. DOR must use the applicant's federal tax filing for the tax year for which a refund is being claimed to calculate the refund. To receive a credit, eligible persons must apply to DOR and provide any information and documentation required by DOR. DOR shall review the application and determine the eligibility based on information provided and through audit and other administrative records.

Tax Preference Performance Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

Summary of Bill: The bill provides an additional WFTC refund amount to persons who leased or rented their primary residence within the state of Washington for at least 183 days during the year for which the credit is claimed, starting from calendar year 2025. The 183-

day period may be met by combining multiple lease or rental periods if the individual claiming the additional refund amount signed the lease or rental agreements being used.

The additional maximum amount is \$300, which will be adjusted for inflation every year beginning in 2027. The DOR will also adjust the reduction rate percentages for the additional credit to maintain the minimum credit being received at the maximum qualifying income level.

To qualify for the additional credit, applicants must qualify for the WFTC credit under current law and submit a copy of their lease agreement(s), or any other document specified by the DOR as necessary to verify eligibility for the additional credit.

The current TPPS for the WFTC Program applies to the additional WFTC credit. It is exempt from the ten-year expiration date.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.