
HOUSE BILL 2025

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By Representatives Berg, Ramel, Taylor, Ryu, Nance, Rule, Fosse, Salahuddin, Parshley, Hill, Thomas, and Cortes

Read first time 02/25/25. Referred to Committee on Finance.

1 AN ACT Relating to increasing the working families' tax credit to
2 reflect the economic impact of property taxes incorporated into
3 rental amounts charged to residential tenants; amending RCW
4 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 2024 c 3 s 1 are each amended to read
7 as follows:

8 (1) A working families' tax credit, funded by sales and use tax
9 imposed, is provided to eligible low-income persons for calendar
10 years beginning on or after January 1, 2022. The credit is refundable
11 and is calculated as provided in this section.

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;

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; and

20 (C) Has paid either retail sales tax under this chapter or use
21 tax under chapter 82.12 RCW, or both. There is a rebuttable

1 presumption that a person paid either retail sales tax under this
2 chapter or use tax under chapter 82.12 RCW, or both, if they were a
3 Washington resident during the year for which the credit is claimed.

4 (ii) "Eligible low-income person" also means an individual who
5 meets the requirements provided in (a)(i)(B) of this subsection and
6 would otherwise qualify for the credit provided in Title 26 U.S.C.
7 Sec. 32 of the internal revenue code except that one or any
8 combination of the following conditions apply:

9 (A) The individual filed a federal income tax return for the
10 prior federal tax year using a valid individual taxpayer
11 identification number in lieu of a social security number, and the
12 individual's spouse, if any, and all qualifying children, if any,
13 have a valid individual taxpayer identification number or a social
14 security number; or

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

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

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

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

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

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

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

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

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

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

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

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

9 (b) Except as provided in (~~(f)~~) (g) of this subsection, the
10 refund amounts provided in (a) of this subsection (~~(will)~~) must be
11 reduced, rounded to the nearest dollar, as follows:

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

17 (ii) For eligible persons with one qualifying child, beginning at
18 \$5,000 of income below the federal phase-out income for the prior
19 federal tax year, by 12 percent per additional dollar of income until
20 the minimum credit amount as specified in (c) of this subsection is
21 reached.

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

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

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

35 (d) (i) In addition to the amounts specified in (a) of this
36 subsection, beginning in calendar year 2026 and thereafter, an
37 additional working families' tax credit refund amount of \$300 is
38 provided to an eligible person who leased or rented their primary
39 residence in Washington for at least 183 days during the year for
40 which the credit is claimed. The 183-day period may be met by

1 aggregating the leasehold or rental periods for multiple lease or
2 rental agreements if the individual changed location during the
3 calendar year. An individual must be a signatory on any lease or
4 rental agreements used to meet the 183-day requirement under this
5 subsection (3)(d).

6 (ii) To qualify, eligible individuals must meet the requirements
7 for a refund under (a) of this subsection and apply for the
8 additional refund amount in a form and manner specified by the
9 department.

10 (iii) The additional refund amounts provided in this subsection
11 (3)(d) must be adjusted for inflation every year beginning January 1,
12 2027, as provided under (e) of this subsection. The adjusted refund
13 amounts must be rounded to the nearest \$5.

14 (iv) The additional refund amounts provided in this subsection
15 (3)(d) must be reduced, rounded to the nearest dollar, beginning at
16 the income amounts below the federal phase-out income levels
17 specified in (b) of this subsection.

18 (v) The percentage rate of remittance reductions in (d)(iv) of
19 this subsection must be adjusted every year beginning January 1,
20 2026, based on calculations by the department that result in the
21 minimum credit being received at the maximum qualifying income level.

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

27 ~~((e))~~ (f) For purposes of this section, "consumer price index"
28 means, for any 12-month period, the average consumer price index for
29 that 12-month period for the Seattle, Washington area for urban wage
30 earners and clerical workers, all items, compiled by the bureau of
31 labor statistics, United States department of labor.

32 ~~((f))~~ (g) The percentage rate of remittance reductions in (b)
33 of this subsection must be adjusted every year beginning January 1,
34 2023, based on calculations by the department that result in the
35 minimum credit being received at the maximum qualifying income level.

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

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

1 (i) Application must be made to the department in a form and
2 manner determined by the department. If the application process is
3 initially done electronically, the department must provide a paper
4 application upon request. The application must include any
5 information and documentation as required by the department. The
6 department may use the information provided by the individual to
7 calculate the refund amount. Income reported on the application may
8 be rounded to the nearest dollar.

9 (ii) An individual applying for the credit under this section
10 must keep records necessary for the department to verify eligibility
11 under this section. Any information provided by the individual is
12 subject to audit verification by the department.

13 (iii) In addition to information provided on the application, the
14 department may verify that an individual qualifies as a Washington
15 resident through the use of automated verification tools or other
16 reasonable means.

17 (iv) (A) Except as provided in (a) (iv) (B) of this subsection (4),
18 application for a refund under this section must be made in the year
19 following the year for which the federal tax return was filed, but in
20 no case may any refund be provided for any period before January 1,
21 2022.

22 (B) (I) A person may apply for any refund for which they were
23 eligible but did not claim under (a) (iv) (A) of this subsection (4)
24 for up to three additional years. A person must complete an
25 application to claim this refund within the three calendar years
26 after the end of the calendar year in which the federal income tax
27 return for that tax year was legally due for federal income tax
28 purposes, without regard to any federal extension.

29 (II) If a person seeks to increase the amount of a refund that
30 has been made under this subsection (4), the person must apply for
31 the amended refund within the nonclaims period established under RCW
32 82.32.060(1).

33 (v) A person may not claim a credit on behalf of a deceased
34 individual. No individual may claim a credit under this section for
35 any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1)
36 of the internal revenue code or for any year for which the individual
37 is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 of the
38 internal revenue code by reason of Title 26 U.S.C. Sec. 32(k)(2) of
39 the internal revenue code.

1 (vi) In order to qualify for the additional refund amount under
2 subsection (3)(d) of this section, applicants must submit, upon
3 application, a copy of the lease or rental agreement and any other
4 documents specified by the department as necessary to substantiate
5 the eligibility for the additional refund under subsection (3)(d) of
6 this section.

7 (b) The department shall protect the privacy and confidentiality
8 of personal data of refund recipients in accordance with chapter
9 82.32 RCW.

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

14 (d) The department must work with the internal revenue service of
15 the United States to administer the credit on an automatic basis as
16 soon as practicable.

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

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

24 (7) The department must review the application and determine
25 eligibility for the working families' tax credit based on information
26 provided by the applicant and through audit and other administrative
27 records, including, when it deems it necessary, verification through
28 information from the internal revenue service of the United States,
29 other federal agencies, Washington state agencies, third-party
30 entities, or other persons. The department may accept a signed
31 attestation in a form and manner determined by the department from an
32 individual to presumptively validate that an individual meets all the
33 eligibility requirements as provided in this section. The signed
34 attestation is subject to audit verification by the department to
35 validate an individual's eligibility for the working families' tax
36 credit.

37 (8) If, upon review of internal revenue service data or other
38 information obtained by the department, it appears that an individual
39 received a refund that the individual was not entitled to, or
40 received a larger refund than the individual was entitled to, the

1 department may assess against the individual the overpaid amount. The
2 department may also assess such overpaid amount against the
3 individual's spouse if the refund in question was based on both
4 spouses filing a joint federal income tax return for the year for
5 which the refund was claimed.

6 (a) Interest as provided under RCW 82.32.050 applies to
7 assessments authorized under this subsection (8) starting six months
8 after the date the department issued the assessment until the amount
9 due under this subsection (8) is paid in full to the department.
10 Except as otherwise provided in this subsection, penalties may not be
11 assessed on amounts due under this subsection.

12 (b) If an amount due under this subsection is not paid in full by
13 the date due, or the department issues a warrant for the collection
14 of amounts due under this subsection, the department may assess the
15 applicable penalties under RCW 82.32.090. Penalties under this
16 subsection (8)(b) may not be made due until six months after the
17 department's issuance of the assessment.

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

25 (9) If, within the period allowed for refunds under RCW
26 82.32.060, the department finds that an individual received a lesser
27 refund than the individual was entitled to, the department must remit
28 the additional amount due under this section to the individual.

29 (10) Interest does not apply to refunds provided under this
30 section.

31 (11) Chapter 82.32 RCW applies to the administration of this
32 section.

33 NEW SECTION. **Sec. 2.** (1) This section is the tax preference
34 performance statement for section 1, chapter . . ., Laws of 2025
35 (section 1 of this act). This performance statement is only intended
36 to be used for subsequent evaluation of the tax preference. It is not
37 intended to create a private right of action by any party or be used
38 to determine eligibility for the preferential tax treatment.

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

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

5 NEW SECTION. **Sec. 4.** Refunds may not be provided under section
6 1 of this act for any period before January 1, 2025.

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