
SUBSTITUTE SENATE BILL 5771

State of Washington

69th Legislature

2025 Regular Session

By Senate Ways & Means (originally sponsored by Senators Robinson, Cleveland, Cortes, Frame, Hasegawa, Kauffman, Krishnadasan, Lias, Nobles, Pedersen, Riccelli, Saldaña, Slatter, Stanford, Trudeau, Valdez, and C. Wilson)

READ FIRST TIME 02/28/25.

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; creating new sections; and providing a contingent
5 effective date.

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

7 **Sec. 1.** RCW 82.08.0206 and 2024 c 3 s 1 are each amended to read
8 as follows:

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

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

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

16 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.
17 32 of the internal revenue code;

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

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

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

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

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

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

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

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

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

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

36 (g) "Washington resident" means an individual who is physically
37 present and residing in this state for at least 183 days. "Washington
38 resident" also includes an individual who is not physically present
39 and residing in this state for at least 183 days but is the spouse of

1 a Washington resident. For purposes of this subsection, "day" means a
2 calendar day or any portion of a calendar day.

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

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

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

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

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

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

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

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

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

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

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

37 (d) (i) In addition to the amounts specified in (a) of this
38 subsection, beginning in calendar year 2026 and thereafter, an
39 additional working families' tax credit refund amount of \$300 is
40 provided to an eligible person who leased or rented their primary

1 residence or mobile home lot in Washington for at least 183 days
2 during the year for which the credit is claimed. The 183-day period
3 may be met by aggregating the leasehold or rental periods for
4 multiple lease or rental agreements if the individual changed
5 location during the calendar year. An individual must be a signatory
6 on any lease or rental agreements used to meet the 183-day
7 requirement under this subsection (3)(d). For purposes of this
8 subsection (3)(d)(i), "mobile home lot" has the same meaning as in
9 RCW 59.20.030.

10 (ii) To qualify, eligible individuals must meet the requirements
11 for a refund under (a) of this subsection and apply for the
12 additional refund amount in a form and manner specified by the
13 department, provided the application does not require additional
14 supplemental documentation from the individual to verify eligibility
15 for the additional refund amount under this subsection (3)(d). The
16 department is not required to verify eligibility before issuing a
17 refund under this subsection (3)(d) but may verify eligibility as
18 provided in subsection (7) of this section.

19 (iii) The additional refund amounts provided in this subsection
20 (3)(d) must be adjusted for inflation every year beginning January 1,
21 2027, as provided under (e) of this subsection. The adjusted refund
22 amounts must be rounded to the nearest \$5.

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

27 (v) The percentage rate of remittance reductions in (d)(iv) of
28 this subsection must be adjusted every year beginning January 1,
29 2026, based on calculations by the department that result in the
30 minimum credit being received at the maximum qualifying income level.

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

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

1 (~~(f)~~) (g) The percentage rate of remittance reductions in (b)
2 of this subsection must be adjusted every year beginning January 1,
3 2023, based on calculations by the department that result in the
4 minimum credit being received at the maximum qualifying income level.

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

7 (a) (~~The refund paid~~) Refunds under this section will be paid
8 to eligible filers who apply pursuant to this subsection.

9 (i) Application must be made to the department in a form and
10 manner determined by the department. If the application process is
11 initially done electronically, the department must provide a paper
12 application upon request. The application must include any
13 information and documentation as required by the department. The
14 department may use the information provided by the individual to
15 calculate the refund (~~amount~~) amounts. Income reported on the
16 application may be rounded to the nearest dollar.

17 (ii) An individual applying for the credit under this section
18 must keep records necessary for the department to verify eligibility
19 under this section. Any information provided by the individual is
20 subject to audit verification by the department.

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

25 (iv) (A) Except as provided in (a)(iv)(B) of this subsection (4),
26 application for a refund under this section must be made in the year
27 following the year for which the federal tax return was filed, but in
28 no case may any refund be provided for any period before January 1,
29 2022.

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

37 (II) If a person seeks to increase the amount of a refund that
38 has been made under this subsection (4), the person must apply for
39 the amended refund within the nonclaims period established under RCW
40 82.32.060(1).

1 (v) A person may not claim a credit on behalf of a deceased
2 individual. No individual may claim a credit under this section for
3 any year in a disallowance period under Title 26 U.S.C. Sec. 32(k)(1)
4 of the internal revenue code or for any year for which the individual
5 is ineligible to claim the credit in Title 26 U.S.C. Sec. 32 of the
6 internal revenue code by reason of Title 26 U.S.C. Sec. 32(k)(2) of
7 the internal revenue code.

8 (b) The department shall protect the privacy and confidentiality
9 of personal data of refund recipients in accordance with chapter
10 82.32 RCW.

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

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

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

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

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

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

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

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

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

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

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

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

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

34 NEW SECTION. **Sec. 2.** (1) This section is the tax preference
35 performance statement for section 1, chapter . . ., Laws of 2025
36 (section 1 of this act). This performance statement is only intended
37 to be used for subsequent evaluation of the tax preference. It is not
38 intended to create a private right of action by any party or be used
39 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.

7 NEW SECTION. **Sec. 5.** If specific funding for the purposes of
8 this act, referencing this act by bill or chapter number, is not
9 provided by June 30, 2025, in the omnibus appropriations act, this
10 act is null and void.

11 NEW SECTION. **Sec. 6.** This act takes effect January 1, 2026, if
12 the proposed amendment to Article VII of the state Constitution
13 (Senate Joint Resolution No. 8203) is validly submitted to and is
14 approved and ratified by the voters at the next general election. If
15 the proposed amendment is not approved and ratified, this act is void
16 in its entirety.

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