H-1997.2

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**HOUSE BILL 1888**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Representatives Thai, Berry, Ortiz-Self, Ryu, Peterson, Shewmake, Goodman, Ormsby, J. Johnson, Bronoske, Tharinger, Senn, Ramel, Taylor, Stokesbary, Frame, Riccelli, Lekanoff, Fey, Davis, Bateman, Macri, Harris-Talley, and Young

AN ACT Relating to allowing the department of revenue to adjust the rates of remittance reductions in the working families' tax credit in order to align with federal maximum qualifying income levels; and amending RCW 82.08.0206.

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

**Sec.**  RCW 82.08.0206 and 2021 c 195 s 2 are each amended to read as follows:

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

(2) For purposes of the exemption in this section, the following definitions apply:

(a)(i) Except as provided in (a)(ii) of this subsection, "eligible low-income person" means an individual who:

(A) Is eligible for the credit provided in Title 26 U.S.C. Sec. 32; and

(B) Properly files a federal income tax return as a Washington resident, and has been a resident of the state of Washington more than one hundred eighty days of the year for which the exemption is claimed.

(ii) "Eligible low-income person" also means an individual who:

(A) Meets the requirements provided in (a)(i)(B) of this subsection; and

(B) Would otherwise qualify for the credit provided in Title 26 U.S.C. Sec. 32 except for the fact that the individual filed a federal tax return in the prior year using a valid individual taxpayer identification number in lieu of a social security number, or the individual has a spouse or dependent without a social security number.

(b) "Income" means earned income as defined by Title 26 U.S.C. Sec. 32.

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

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

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

(3)(a) Except as provided in (b) and (c) of this subsection, for 2023 and thereafter, the working families' tax remittance amount for the prior year is:

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

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

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

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

(b) ((~~The~~)) Except as provided in (f) of this subsection, the remittance amounts provided in (a) of this subsection will be reduced, rounded to the nearest dollar, as follows:

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

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

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

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

(c) If the remittance for an eligible person as calculated in this section is greater than one cent, but less than $50, the remittance amount is $50.

(d) The remittance amounts in this section shall be adjusted for inflation every year beginning January 1, 2024, based upon changes in the consumer price index during the previous calendar year.

(e) For purposes of this section, "consumer price index" means, for any calendar year, that year's average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the bureau of labor statistics, United States department of labor.

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

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

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

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

(ii) Application for the remittance under this section must be made in the year following the year for which the federal return was filed, but in no case may any remittance be provided for any period before January 1, 2022. The department must use the eligible person's most recent federal tax filing to process the remittance.

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

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

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

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

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

(6) The department may adopt rules necessary to implement this section. This includes establishing a date by which applications will be accepted, with the aim of accepting applications as soon as possible. The department may gather necessary data through audit and other administrative records, including verification through internal revenue service data.

(7) The department must review the application and determine eligibility for the working families' tax exemption based on information provided by the applicant and through audit and other administrative records, including, when it deems it necessary, verification through internal revenue service data.

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

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

(b) If an amount due under this subsection is not paid in full by the date due, or the department issues a warrant for the collection of amounts due under this subsection, the department may assess the applicable penalties under RCW 82.32.090. Penalties under this subsection may not be made due until six months after their assessment.

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

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

(10) Interest does not apply to remittances provided under chapter 195, Laws of 2021.

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

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