
HOUSE BILL 1224

State of Washington

69th Legislature

2025 Regular Session

By Representatives Thai, Entenman, and Reed; by request of Department of Revenue

Prefiled 01/09/25.

1 AN ACT Relating to modifying the working families' tax credit by
2 enhancing collection services and increasing participation rates
3 through data-sharing agreements; amending RCW 82.08.0206; adding a
4 new section to chapter 74.09 RCW; and creating a new section.

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 provided in (b) and (c) of this subsection, for
2 calendar year 2023 and thereafter, the working families' tax credit
3 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) of this subsection, the refund
10 amounts provided in (a) of this subsection will be reduced, rounded
11 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) The refund amounts in this section shall be adjusted for
36 inflation every year beginning January 1, 2024, based upon changes in
37 the consumer price index that are published by November 15th of the
38 previous year for the most recent 12-month period. The adjusted
39 refund amounts must be rounded to the nearest \$5.

1 (e) For purposes of this section, "consumer price index" means,
2 for any 12-month period, the average consumer price index for that
3 12-month period for the Seattle, Washington area for urban wage
4 earners and clerical workers, all items, compiled by the bureau of
5 labor statistics, United States department of labor.

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

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

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

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

22 (ii) An individual applying for the credit under this section
23 must keep records necessary for the department to verify eligibility
24 under this section. Any information provided by the individual is
25 subject to audit verification by the department.

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

30 (iv) (A) Except as provided in (a)(iv)(B) of this subsection (4),
31 application for a refund under this section must be made in the year
32 following the year for which the federal tax return was filed, but in
33 no case may any refund be provided for any period before January 1,
34 2022.

35 (B) (I) A person may apply for any refund for which they were
36 eligible but did not claim under (a)(iv)(A) of this subsection (4)
37 for up to three additional years. A person must complete an
38 application to claim this refund within the three calendar years
39 after the end of the calendar year in which the federal income tax

1 return for that tax year was legally due for federal income tax
2 purposes, without regard to any federal extension.

3 (II) If a person seeks to increase the amount of a refund that
4 has been made under this subsection (4), the person must apply for
5 the amended refund within the nonclaims period established under RCW
6 82.32.060(1).

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

14 (b) The department shall protect the privacy and confidentiality
15 of personal data of refund recipients in accordance with chapter
16 82.32 RCW.

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

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

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

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

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

1 attestation is subject to audit verification by the department to
2 validate an individual's eligibility for the working families' tax
3 credit.

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

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

20 (b) If an amount due under this subsection is not paid in full by
21 the date due, or the department issues a warrant for the collection
22 of amounts due under this subsection, the department may assess the
23 applicable penalties under RCW 82.32.090. Penalties under this
24 subsection (8)(b) may not be made due until six months after the
25 department's issuance of the assessment.

26 (c) If the department finds by clear, cogent, and convincing
27 evidence that an individual knowingly submitted, caused to be
28 submitted, or consented to the submission of, a fraudulent claim for
29 refund under this section, the department must assess a penalty of 50
30 percent of the overpaid amount. This penalty is in addition to any
31 other applicable penalties assessed in accordance with ~~((b)—of))~~
32 this subsection (8). If a penalty is assessed under this subsection
33 (8)(c), it, along with additional applicable penalties under RCW
34 82.32.090, are due in accordance with the applicable provisions of
35 chapter 82.32 RCW. The six-month time period for interest and
36 applicable penalties provided in (a) and (b) of this subsection,
37 respectively, do not apply when a penalty is assessed under this
38 subsection (8)(c). Interest, as provided under RCW 82.32.050, also
39 applies to any assessments to which this subsection (8)(c) applies
40 and must be computed starting from the last day of the month

1 following the department's receipt of the working families' tax
2 credit application.

3 (9) If, within the period allowed for refunds under RCW
4 82.32.060, the department finds that an individual received a lesser
5 refund than the individual was entitled to, the department must remit
6 the additional amount due under this section to the individual.

7 (10) Interest does not apply to refunds provided under this
8 section.

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

11 NEW SECTION. Sec. 2. A new section is added to chapter 74.09
12 RCW to read as follows:

13 Subject to federal and state laws governing the disclosure of
14 confidential information, the department of revenue and the authority
15 shall enter into a memorandum of understanding to establish
16 information-sharing practices necessary to carry out the purpose of
17 RCW 82.08.0206.

18 NEW SECTION. Sec. 3. This act applies both prospectively and
19 retroactively to January 1, 2023.

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