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HOUSE BILL 2025

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State of Washington

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2025 Regular Session

By Representatives Berg and Ramel

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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