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HOUSE BILL 1477

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State of Washington

68th Legislature

2023 Regular Session

By Representatives Thai and Street

1 AN ACT Relating to making changes to the working families' tax  
2 credit that clarify program qualification requirements, allow  
3 applications to be submitted for up to three years, and require a  
4 biennial program report from the department of revenue; amending RCW  
5 82.08.02061; reenacting and amending RCW 82.08.0206; and providing an  
6 effective date.

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

8 **Sec. 1.** RCW 82.08.0206 and 2022 c 41 s 1 and 2022 c 33 s 1 are  
9 each reenacted and amended to read as follows:

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

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

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

17 (A) Is eligible for the credit provided in Title 26 U.S.C. Sec.  
18 32 of the internal revenue code; and

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

1 (ii) "Eligible low-income person" also means an individual who(~~(+~~  
2 ~~(A) Meets~~) meets the requirements provided in (a)(i)(B) of this  
3 subsection(~~(+)~~) and

4 (~~(B)~~):

5 (A) Would otherwise qualify for the credit provided in Title 26  
6 U.S.C. Sec. 32 of the internal revenue code except for the fact that  
7 the individual filed a federal income tax return for the prior  
8 federal tax year using a valid individual taxpayer identification  
9 number in lieu of a social security number, and the individual's  
10 spouse, if any, and all qualifying children, if any, have a valid  
11 individual taxpayer identification number or a social security  
12 number; or

13 (B) Would otherwise qualify for the credit provided in Title 26  
14 U.S.C. Sec. 32 of the internal revenue code except that the  
15 individual files their federal income tax return as married filing  
16 separately.

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

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

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

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

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

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

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

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

1 (ii) \$600 for eligible persons with one qualifying child;  
2 (iii) \$900 for eligible persons with two qualifying children; or  
3 (iv) \$1,200 for eligible persons with three or more qualifying  
4 children.

5 (b) Except as provided in (f) of this subsection, the refund  
6 amounts provided in (a) of this subsection will be reduced, rounded  
7 to the nearest dollar, as follows:

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

13 (ii) For eligible persons with one qualifying child, beginning at  
14 \$5,000 of income below the federal phase-out income for the prior  
15 federal tax year, by 12 percent per additional dollar of income until  
16 the minimum credit amount as specified in (c) of this subsection is  
17 reached.

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

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

28 (c) If the refund for an eligible person as calculated in this  
29 section is greater than or equal to one cent, but less than \$50, the  
30 refund amount is \$50.

31 (d) 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) For purposes of this section, "consumer price index" means,  
37 for any 12-month period, the average consumer price index for that  
38 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) The percentage rate of remittance reductions in (b) of this  
2 subsection must be adjusted every year beginning January 1, 2023,  
3 based on calculations by the department that result in the minimum  
4 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 under this section will be paid to eligible  
8 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.

14 (ii) (~~Application~~) (A) Except as provided in (a)(ii)(B) of this  
15 subsection (4), application for (the) a refund under this section  
16 must be made in the year following the year for which the federal tax  
17 return was filed, but in no case may any refund be provided for any  
18 period before January 1, 2022. The department must use the eligible  
19 person's most recent federal tax filing for the tax year for which  
20 the refund is being claimed to calculate the refund.

21 (B) A person may apply for any refunds for which they were  
22 eligible but did not claim for up to three years. An application may  
23 not be accepted more than three years after the end of the calendar  
24 year in which the relevant federal income tax return was filed. For  
25 applications for refunds under this subsection (4)(a)(ii)(B), the  
26 department must use the federal tax filing for the tax year for which  
27 a refund is being claimed to calculate the refund.

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

35 (b) The department shall protect the privacy and confidentiality  
36 of personal data of refund recipients in accordance with chapter  
37 82.32 RCW.

38 (c) The department shall, in conjunction with other agencies or  
39 organizations, design and implement a public information campaign to

1 inform potentially eligible persons of the existence of, and  
2 requirements for, the credit provided in this section.

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

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

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

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

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

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

32 (b) If an amount due under this subsection is not paid in full by  
33 the date due, or the department issues a warrant for the collection  
34 of amounts due under this subsection, the department may assess the  
35 applicable penalties under RCW 82.32.090. Penalties under this  
36 subsection (8)(b) may not be made due until six months after the  
37 department's issuance of the assessment.

38 (c) If the department finds by clear, cogent, and convincing  
39 evidence that an individual knowingly submitted, caused to be  
40 submitted, or consented to the submission of, a fraudulent claim for

1 refund under this section, the department must assess a penalty of 50  
2 percent of the overpaid amount. This penalty is in addition to any  
3 other applicable penalties assessed in accordance with (b) of this  
4 subsection (8).

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

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

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

13 **Sec. 2.** RCW 82.08.02061 and 2014 c 97 s 317 are each amended to  
14 read as follows:

15 (1) The department must assess the implementation of the working  
16 families' tax ((~~exemption~~)) credit in a report to the legislature to  
17 identify administrative or resource issues that require legislative  
18 action. The department must submit the report to the finance  
19 committee of the house of representatives and the ways and means  
20 committee of the senate within ((~~eighteen~~)) 18 months of the  
21 implementation of the program. The report must also be made available  
22 on the public website of the department.

23 (2) The department must submit a report to the finance committee  
24 of the house of representatives and the ways and means committee of  
25 the senate on a biennial basis. The report must include relevant data  
26 collected from administration of the working families' tax credit,  
27 including demographic data, as well as a quantitative summary of  
28 challenges and success of program administration. The report must  
29 also be made available on the public website of the department. The  
30 first report under this subsection is due December 31, 2025, and  
31 every two years thereafter.

32 NEW SECTION. **Sec. 3.** This act takes effect January 1, 2024.

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