

# HOUSE BILL REPORT

## EHB 1357

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### As Passed Legislature

**Title:** An act relating to providing the department of revenue with additional flexibility to achieve operational efficiencies through the expanded use of electronic means to remit and report taxes.

**Brief Description:** Providing the department of revenue with additional flexibility to achieve operational efficiencies through the expanded use of electronic means to remit and report taxes.

**Sponsors:** Representatives Carlyle, Parker, Hunter, Dickerson, Roberts and Kenney; by request of Department of Revenue.

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 1/25/11, 2/10/11 [DP].

##### **Floor Activity:**

Passed House: 3/7/11, 65-31.

Passed Senate: 3/23/11, 34-13.

Passed Legislature.

#### **Brief Summary of Engrossed Bill**

- Expands the mandatory requirement to electronically file and pay taxes to all taxpayers.
- Authorizes the Department of Revenue (Department) to waive the mandatory electronic filing and payment requirement for annual filers.
- Extends an existing 10 percent penalty to willfully disregarding specific written instructions of the Department to file and pay taxes electronically.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass. Signed by 16 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist, Springer and Sullivan.

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**Minority Report:** Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

**Staff:** Jeffrey Mitchell (786-7139).

**Background:**

Most businesses report and pay their taxes to the Department of Revenue (Department) on a monthly, quarterly, or annual basis. Only monthly filers are required to report and pay their taxes electronically.

The Department is authorized to assess various penalties on a number of tax reporting and payment deficiencies. For example, separate and cumulative penalties are assessed on late tax payments, substantially underpaid tax payments, and for failing to register with the Department. The Department may also assess a 10 percent penalty where the taxpayer has disregarded specific written instructions by the Department regarding reporting or tax liabilities.

**Summary of Engrossed Bill:**

All taxpayers are required to report and pay taxes electronically. However, the Department is authorized to waive these requirements for taxpayers filing on an annual basis and taxpayers with certain extenuating circumstances such as lack of access to the Internet, computer problems, or the taxpayer does not have a bank account or credit card.

The 10 percent penalty for disregarding specific written instructions is applied to circumstances where the Department has specifically required a taxpayer to electronically file or remit taxes and the taxpayer willfully disregards those instructions.

The bill applies to tax returns and payments originally due after July 24, 2011.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a bill that is consistent with our strategy to move all agencies toward a paperless approach with recordkeeping, billing, and other paperless efforts. This bill will save taxpayers significant money statewide. Filing electronically has a significant error reduction rate. This bill will allow the Department to reduce its staff by about six full-time equivalents (FTEs). There will be over \$900,000 in savings over the biennium. This bill will also allow us to require up to 90 percent of taxpayers to file electronically. It will allow the

Department to target its tax returns to individual taxpayers. There will still be statutory exceptions to the electronic filing requirement if the taxpayer will experience significant hardship.

(In support with concerns) There are folks that will have challenges with electronically filing and paying taxes. The Department has done a reasonably good job with monthly filers. We have issues with the penalty provision and need to take a closer look at it. Overall, this legislation can work. There may be access or Internet speed issues for some taxpayers. Some business owners have been operating in a certain way for a very long time and may be uncomfortable having to process state taxes in a completely different way. We would like the "good cause" sections spelled out a little more clearly.

(Opposed) None.

**Persons Testifying:** (In support) Representative Carlyle, prime sponsor; and Drew Shirk, Department of Revenue.

(In support with concerns) Gary Smith, Independent Business Association; and Amber Carter, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying:** None.