

HOUSE BILL REPORT

HB 2592

As Reported By House Committee On:

Finance

Title: An act relating to penalty and interest administration of the department of revenue.

Brief Description: Providing consistency to penalty and interest administration of the department of revenue.

Sponsors: Representatives B. Thomas, Morris and Boldt; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 1/31/96, 2/5/96 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Cheri Keller (786-7093).

Background: The Department of Revenue administers a variety of tax programs. Within each program, there are provisions for the application of interest and penalties to be applied when a taxpayer does not satisfy his or her reporting and/or tax obligations in a timely manner, or when a taxpayer overpays the tax due. The interest rates and penalties applied are not uniform.

If payment of any tax assessed by the department is not received by the department by the due date specified in the notice, the department adds a penalty of 10 percent of the amount of the additional tax found to be due. No penalty may be less than \$5. The department has rules for the waiver or cancellation of interest or penalties imposed due to late payment.

Summary of Substitute Bill: If returns or other information obtained by the Department of Revenue are examined and it appears that a tax or penalty has been

paid in an amount less than is properly due, the department assesses the additional amount found to be due and adds interest. The department must notify the taxpayer by mail of the additional amount and this amount must be paid within 30 days from the date of the notice, or within such further time as the department may provide.

The rate of interest to be charged to the taxpayer for most tax liabilities arising after the effective date of this act is an average of the federal short-term rate plus two percentage points. The rate is computed by taking an arithmetical average to the nearest percentage point of the federal short-term rate, compounded annually, for the months of January, April, July, and October of the immediately preceding calendar year.

The department is directed to waive or cancel the penalty imposed due to late payment when the circumstances under which the delinquency occurred do not qualify for waiver or cancellation. For this to occur, the taxpayer must request the waiver, and must have timely filed and remitted payment on all tax returns due for a period of 24 months immediately preceding the period covered by the return for which the waiver is being requested. The department is directed to waive or cancel interest imposed due to late payment if either of the following conditions exist: the failure to timely pay was the direct result of written instructions given the taxpayer by the department or the extension of a due date for payment was not at the request of the taxpayer and was for the sole convenience of the department.

Substitute Bill Compared to Original Bill: The substitute bill removes the real estate excise tax from the list of programs that must change their interest and penalty provisions.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 1997.

Testimony For: The department has been studying its interest and penalty provisions for four or five years. This would make the provisions more consistent and make it easier for taxpayers to comply with the law.

Testimony Against: None.

Testified: Ryan Spiller, Department of Revenue.