

HOUSE BILL REPORT

HB 2789

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to tax reporting and registration requirements of small businesses with no tax liability.

Brief Description: Simplifying tax reporting and registration requirements for small businesses.

Sponsors: Representatives Van Luven, Sheldon, Schoesler, Morris, Silver, Ogden, Thompson, Blanton, Patterson, Tokuda, Romero, Conway, Cole and Poulsen; by request of Governor Lowry.

Brief History:

Committee Activity:

Trade & Economic Development: 1/29/96, 1/31/96 [DP].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 11 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Backlund; Hatfield; Hickel; Mason; Sherstad and Valle.

Staff: Kenny Pittman (786-7392).

Background: The Department of Revenue (DOR) is responsible for the administration of the state's tax system. The state imposes a business and occupation (B&O) tax, a retail sales tax, a use tax, and a public utility tax. Local governments are authorized to impose local retail sales and use taxes.

The department is required to issue a registration certificate to any person who engages in any business or performs any act that is taxable. An exemption from the registration requirement is provided to any person whose income from all business activities is less than \$12,000 per year. There are not similar provisions for any person or business subject to the public utility tax.

Businesses with gross incomes that exceed \$12,000 per year, public utilities with gross incomes that exceed \$6,000 per year, or businesses that collect sales tax are required to file an annual tax return with DOR.

Summary of Bill: The Department of Revenue's (DOR) certificate of registration process and annual tax filing requirements for small businesses are revised.

A person or business with a gross income from the business, subject to the public utility tax, of less than \$12,000 per year is exempt from obtaining a certificate of registration. The provision related to businesses with gross incomes of less than \$12,000 per year is clarified. Only gross income generated from business activities subject to the B&O tax is considered.

The threshold for a person or business filing an annual tax return with the department is raised from \$12,000 per year to \$24,000 per year. This would apply to businesses subject to the B&O tax or the public utility tax. This exemption does not apply to a person or business that is a retailer or is required to collect state or local sales tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect July 1, 1996.

Testimony For: The reduction in paperwork associated with registration and tax filings benefit both small businesses and the department. The department can now shift its resources from small business accounts to more significant tax administrative issues.

Testimony Against: None.

Testified: (Pro) Representative Van Luven, prime sponsor; and Karen Brown, Department of Revenue.