

HOUSE BILL REPORT

SB 5282

As Reported By House Committee On:

Finance

Title: An act relating to confidentiality of certain information of the department of revenue.

Brief Description: Modifying department of revenue tax information disclosure regulations.

Sponsors: Senators Fraser and Newhouse; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 3/28/95, 4/3/95 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Bob Longman (786-7139).

Background: Generally, the Department of Revenue is prohibited from disclosing information about taxpayers. The department may disclose information about a taxpayer at the request of the taxpayer, as part of court proceedings, when requested by other government agencies, and under some other narrowly-defined circumstances.

When auditing a taxpayer, the department may find information that suggests another taxpayer has not paid the proper amount of tax. Presenting this information to the second taxpayer could be considered a disclosure of tax information that is prohibited by law.

The department sometimes receives information from confidential informants. Under some circumstances, the department could be required to disclose the identity of the informant.

Even if information has been released to the public by other persons, the department cannot provide the same information from its files.

Lists of registered taxpayers, including address and type of business, are public information, as long as the lists do not contain information about the taxpayer's taxes or sources of income.

Summary of Amended Bill: When the Department of Revenue obtains information from one taxpayer that may be useful in investigating another taxpayer, it may disclose the information to the second taxpayer, subject to detailed restrictions provided in the bill.

The department may not disclose tax information if the disclosure would identify a confidential informant.

The department may not provide lists of taxpayers for commercial purposes. It may disclose tax information that is also maintained by another Washington state agency, local governmental agency or court of record as a public record.

Amended Bill Compared to Original Bill: For information obtained from one taxpayer that could be used in an investigation of another taxpayer, the amended bill restricts the information that can be disclosed and the circumstances under which the information can be disclosed.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 4, 1995.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect on July 1, 1995.

Testimony For: There is an Attorney General Opinion on the tax secrecy law which caused the Department of Revenue to immediately stop one way that the department discovered delinquent taxpayers. This bill puts into law one way that the department has traditionally found delinquent taxpayers.

(Amended bill) The amendment represents a compromise. It also eliminates the appearance or potential for departmental "witch hunts." The department has no desire to learn any business or trade secrets. This compromise restricts the department to information that will assist it in finding delinquent taxpayers.

Testimony Against: None.

Testified: Senator Karen Fraser, prime sponsor; and Ryan Spiller, Department of Revenue.