

# FINAL BILL REPORT

## HB 2789

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C 111 L 96

Synopsis as Enacted

**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.

**House Committee on Trade & Economic Development**  
**Senate Committee on Ways & Means**

**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.

Any person who engages in a business or performs an act that is taxable must have a registration certificate issued by the DOR. Registration is not required for a person whose income from all business activities is less than \$12,000 per year. There are no similar provisions for a 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 the DOR.

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

A person or business, subject to the public utility tax, with a gross income from the business of less than \$12,000 per year, is exempt from obtaining a certificate of registration. Only gross income generated from business activities subject to business and occupation taxation (B&O) is considered income.

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 applies 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.

**Votes on Final Passage:**

House	92	0
Senate	48	0

**Effective:** July 1, 1996