

# SENATE BILL REPORT

## ESHB 2592

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As Reported By Senate Committee On:  
Way & Means, February 23, 1996

**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:** House Committee on Finance (originally sponsored by Representatives B. Thomas, Morris and Boldt; by request of Department of Revenue).

**Brief History:**

**Committee Activity:** Ways & Means: 2/21/96, 2/23/96 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rinehart, Chair; Cantu, Drew, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Pelz, Sheldon, Snyder, Sutherland, Winsley and Wojahn.

**Staff:** David Schumacher (786-7715)

**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 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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This bill allows the Department of Revenue to be consistent in its treatment of interest and penalties. It also adds flexibility in waiving penalties for good cause.

**Testimony Against:** None.

**Testified:** Ryan Spiller, DOR (pro).