

FINAL BILL REPORT

2SHB 1059

C 63 L 19
Synopsis as Enacted

Brief Description: Extending the business and occupation tax return filing due date for annual filers.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Van Werven, Kraft, Kilduff, Chambers, Eslick, Vick and Leavitt).

House Committee on Finance
House Committee on Appropriations
Senate Committee on Ways & Means

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than \$28,000 per year, or less than \$46,667 if at least 50 percent of its taxable income is from services or activities not classified elsewhere.

Payment of taxes, including B&O taxes, along with reports and returns, are due monthly within 25 days after the end of the month in which taxable activities occur. The DOR may relieve a taxpayer or class of taxpayers from the monthly remittance and reporting requirements and allow longer reporting periods, including quarterly and annual filing periods. Filing frequency is assigned based on a business's estimated annual income.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Independent Contractors.

Businesses that hire an independent contractor must have them complete the Internal Revenue Service (IRS) Form W-9 and provide their taxpayer identification number (TIN). A TIN may be either a Social Security number or an employer identification number. If a business pays someone who is not an employee, such as an independent contractor, \$600 or more during a tax year, the business must complete an IRS Form 1099-MISC. A copy of the Form 1099-MISC must be provided to the independent contractor by January 31 of the year following payment. In addition, the business must send a copy of the Form 1099-MISC to the IRS. There are exceptions to the Form 1099-MISC requirement, including payments made to a corporation, payments for merchandise, and payments to tax-exempt organizations.

Summary:

Upon closure of an annual filing period, payment of B&O taxes, along with reports and returns, are due from annual filers on or before April 15.

Votes on Final Passage:

House	98	0
Senate	47	0

Effective: July 28, 2019