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**Finance Committee**

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**HB 2867**

**Brief Description:** Concerning the calculation of interest associated with annual tax reporting periods without making any changes to the interest rate.

**Sponsors:** Representative Blake.

**Brief Summary of Bill**

- Updates the date for interest calculations associated with annual filing periods for business and occupation taxes.

**Hearing Date:** 2/6/20

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Business & 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.

In addition, a taxpayer may be eligible to utilize other tax preferences, including credits and deductions, to reduce their tax liability. For example, a taxpayer engaging in activities subject to different B&O tax rates may be eligible for a Multiple Activities Tax Credit. A taxpayer may also be eligible for a small business credit that will either eliminate or reduce their B&O tax liability. In general, the credit is \$70 per month for service businesses and \$35 per month for all

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other businesses, multiplied by the number of months in the reporting period. The amount of the credit available phases out based on the business's gross receipts.

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.

In 2019 the Legislature enacted Second Substitute House Bill 1059 (2SHB 1059) which changed the due date for reports and B&O tax payments to April 15.

**Summary of Bill:**

The date for the calculation of interest associated with annual tax reporting periods to be computed from the last day of April immediately following the annual reporting period until the due date include in a notice or refund.

This act applies both prospectively and retrospectively to January 1, 2020.

**Appropriation:** None.

**Fiscal Note:** Requested on February 3, 2020.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.