

HOUSE BILL REPORT

HB 2867

As Passed House:
February 19, 2020

Title: An act relating to the calculation of interest associated with annual tax reporting periods without making any changes to the interest rate.

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 History:

Committee Activity:

Finance: 2/6/20, 2/7/20 [DP].

Floor Activity:

Passed House: 2/19/20, 98-0.

Brief Summary of Bill

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

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Tarleton, Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Young, Assistant Ranking Minority Member; Chapman, Frame, Macri, Orwall, Springer, Stokesbary, Vick and Wylie.

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

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.

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.

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 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:

For interest associated with annual tax reporting periods, interest must be computed from the last day of April immediately following the annual reporting period until the due date included in a notice or refund.

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

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) From time to time, we make a mistake or pass a bill that is less than perfect. House Bill 2867 corrects 2SHB 1059 from last session that extended the filing date for B&O tax annual filers. The DOR did not catch that the statutory date for interest calculations for late payments is February 1. However, the Legislature changed the filing due date to April 15. Without this bill, if someone is late filing and paying B&O tax on April 15, the taxpayer would owe interest back to February before the tax payment was actually due.

(Opposed) None.

Persons Testifying: Representative Blake, prime sponsor; and Dean Carlson, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.