

SENATE BILL REPORT

HB 2867

As of February 29, 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: Passed House: 2/19/20, 98-0.

Committee Activity: Ways & Means: 3/02/20.

Brief Summary of Bill

- Updates the date for interest calculations associated for taxpayers filing business and occupation tax returns on an annual basis.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: 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.

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Taxpayers are required to electronically file and pay their excise taxes on a monthly basis. However, DOR may relieve any taxpayer or class of taxpayers from this monthly obligation and may require the return to cover other longer reporting periods, but not in excess of one year. DOR requires taxpayers with an estimated annual tax liability in excess of \$4,800 to pay on a monthly basis; however, taxpayers with an estimated annual tax liability between \$1,050 and \$4,800 may pay quarterly and taxpayers with an estimated annual tax liability below \$1,050 may pay annually.

Tax returns are due 25 days after the end of the tax reporting period. In 2019, the Legislature enacted 2SHB 1059 which changed the due date for annual filers 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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