

HOUSE BILL REPORT

EHB 2680

As Passed Legislature

Title: An act relating to the improvement of the administration of the assessment and collection of taxes.

Brief Description: Modifying provisions for the assessment and collection of taxes.

Sponsor(s): Representatives J. Kohl, Brumsickle and Fraser; by request of Department of Revenue.

Brief History:

Reported by House Committee on:
Revenue, January 31, 1992, DPA;
Passed House, February 13, 1992, 94-2;
Amended by Senate;
Passed Legislature.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *Do pass as amended.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Belcher; Carlson; Day; J. Kohl; Leonard; Morris; Morton; Rust; Silver; and Van Luven.

Staff: Robin Appleford (786-7093).

Background:

Excise Tax Administration

The retail sales tax is generally remitted by the seller of the taxed good or service to the Department of Revenue (DOR) by the 25th of each month following the tax period in which the purchase was made. In cases where a buyer has failed to pay sales tax to the seller, DOR may proceed directly against the buyer for collection of the tax, and may assess penalties and interest against the buyer from the time the tax is due. In this case, the statutory due date is set at the 15th day of the month instead of the 25th.

When a taxpayer believes his or her tax assessment is too high, the taxpayer may appeal to DOR for a refund. If DOR rejects the appeal, the taxpayer may appeal to the Thurston

County Superior Court. Within 10 days of filing the appeal, the taxpayer must file a \$200 bond with the superior court. The intent of the bond requirement is to cover court costs if the appeal is not sustained.

Emergency lodging provided to homeless persons by eligible organizations is exempt from local option hotel/motel taxes. The statute states that the taxes do not apply to lodging provided for a period of 30 days.

The state leasehold excise tax is imposed on property used for private purposes that is also exempt from property taxation. The tax is collected by public entities that lease property to private parties. Currently, the tax must be remitted to DOR by the 15th of each month following the period in which the tax is collected.

Persons engaging in business are subject to the state business and occupation tax on the gross income of the business if the income exceeds \$1,000 per month. Persons engaging in retail sales must also collect sales and use tax on sales of tangible personal property and some services. Depending on the activity, other taxes may apply.

Any person engaging in business or performing a taxable act is required to register with the Department of Revenue (DOR) and pay a registration fee of \$15. Registration and filing of a tax return are required even if no tax is due.

Property Tax Administration

County boards of equalization provide the first level of appeal for property owners who dispute the value placed on their property by the assessor for property tax purposes. Appeals of county boards of equalization decisions are taken to the State Board of Tax Appeals. Appeals to the State Board of Tax Appeals must be made within 30 days.

County boards of equalization ensure all parcels of property are valued correctly by:

- 1) Ruling on appeals of property owners who believe their property has been incorrectly assessed;
- 2) Examining the county assessment roll and "equalizing" the property values;
- 3) Approving certain corrections discovered by the county assessor after the property tax roll has been closed.

Senior citizens at least 61 years of age and persons retired by reason of physical disability may receive a partial property tax exemption on their principal residence if the combined disposable household income is \$26,000 or less.

Application is only required in the first year, but the claimant must inform the county assessor of any change in status.

Summary of Bill:

Excise Tax Administration

Various statutes are repealed or amended to correct obsolete or incorrect references. The statute extending the hotel/motel tax exemption to homeless organizations is changed to clarify that the taxes do not apply to lodging provided for a period of less than 30 days. The requirement that taxpayers file a \$200 bond is removed.

The statutory due date for remittance of retail sales tax collections due from the buyer is changed from the 15th to the 25th of the month following the tax collection period. The date for remittance of the state leasehold excise tax is changed from the 15th of the month to the last day of the month following the tax collection period.

DOR may exempt certain persons from the requirement to file tax returns or pay a registration fee to DOR. Registration with DOR is not required if a person:

- 1) Has gross income below \$1,000 per month;
- 2) Is not required to collect or pay to DOR any other tax administered by DOR; and
- 3) Is not required to register under the master licensing program.

Property Tax Administration

Property owners may appeal valuations directly to the State Board of Equalization when the assessor, owner, and a majority of the county board of equalization agree. An assessor may make corrections to the assessment roll of clerical and other errors that do not involve a revaluation of the property without review by the Board of Equalization. No correction shall be made for periods prior to three years from discovery of error.

County assessors may make corrections that involve a revaluation of the property after the certification of the assessment roll under the following conditions:

- 1) The taxpayer and the assessor have agreed to the correct property value; and
- 2) The taxpayer has appealed to the board of equalization and a hearing has not been held.

All applicants for the senior citizen and disabled persons property tax relief programs must provide documents to verify income. An application must be renewed at least once every four years. A county assessor may require a renewal application following a change in the program's income requirements.

Fiscal Note: Requested 3/16/92.

Effective Date: July 1, 1992.

Testimony For: This bill repeals obsolete statutes, makes technical changes and improves tax administration procedures.

Testimony Against: None.

Witnesses: Dennis Okamoto, Department of Revenue (in favor).