

SENATE BILL REPORT

HB 2681

AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 24, 1992

**Brief Description:** Modifying provisions for the refund of overpaid taxes.

**SPONSORS:** Representatives J. Kohl, Brumsickle and Fraser; by request of Department of Revenue

**HOUSE COMMITTEE ON REVENUE**

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Hayner, M. Kreidler, Metcalf, Murray, Newhouse, Niemi, Owen, Saling, L. Smith, Talmadge, Williams, and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** February 20, 1992; February 24, 1992

**BACKGROUND:**

The Department of Revenue (DOR) is authorized to collect back taxes, penalties, and interest from businesses that evade taxes or are late in paying taxes. DOR may not assess additional taxes, penalties, or interest later than four years after discovering the additional tax liability, except:

- (1) When a taxpayer has not registered as required;
- (2) Upon a showing of fraud or misrepresentation by the taxpayer; or
- (3) When a taxpayer has signed a waiver of the four year statute of limitations on assessments.

DOR will sometimes seek a waiver of the four-year statute of limitations when the information needed to complete an audit within the four-year time period is not yet available. The waiver ensures that DOR will be able to assess the appropriate amount of taxes after the limitation expires. However, if DOR discovers in an audit extending beyond the limitation that a business has overpaid taxes, the department is unable to offer a refund.

**SUMMARY:**

Taxpayer waivers of the four-year limitation on assessments will automatically allow refunds or credits of overpaid taxes that DOR discovers after the waiver is signed.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**Effective Date:** July 1, 1992

**SUMMARY OF PROPOSED SENATE AMENDMENT:**

The amendment clarifies that refunds can be made more than four years after the waiver.

**TESTIMONY FOR:**

The waiver is currently unfair. It should be a two-way street.

**TESTIMONY AGAINST:** None

**TESTIFIED:** George Mastrodonato, Washington State Bar Association