

FINAL BILL REPORT

HB 2671

C 256 L 06

Synopsis as Enacted

Brief Description: Providing excise tax relief by modifying due dates and eliminating an assessment penalty.

Sponsors: By Representatives Ericks, Kessler, Simpson, Clibborn, Morrell, Springer, Dunn and Wallace; by request of Governor Gregoire.

House Committee on Finance

Senate Committee on Ways & Means

Background:

The Department of Revenue (DOR) collects the state's major excise taxes, such as the retail sales tax and the Business and Occupation (B&O) tax. For large businesses, excise taxes must be paid monthly. The due date is the 20th day of each month for activity in the previous month. In 2003, the Legislature changed the due date for monthly tax returns from the 25th to the 20th day. The DOR is authorized by statute to allow smaller businesses to report taxes quarterly or annually. Quarterly and annual returns are due by the end of the month following the end of the reporting period.

Penalties are imposed if taxes are not paid on time. In 2003, the Legislature increased penalties for late excise taxes. A new penalty of 5 percent was applied to any billing or assessment of unpaid tax by the DOR. If taxes remain unpaid, the penalties increase over time.

In 1990, the Legislature required taxpayers with an annual tax liability of more than \$240,000 to make payment of their excise tax returns using electronic funds transfer (EFT). In 1999, the Legislature allowed any taxpayer to make payment using electronic funds. An EFT payment must be completed so that the state receives the collectible funds on or before the next banking day after the due date.

Summary:

Taxpayers filing monthly excise tax returns are required to report and pay taxes by the 25th of the month rather than the 20th. This change applies to tax returns due after July 31, 2006.

The 5 percent penalty for a billing of unpaid state excise taxes applies only if there is a "substantial underpayment." A substantial underpayment occurs when the payment is less than 80 percent of the tax due and the amount of underpayment is at least \$1,000. This change applies to tax assessments originally issued after June 30, 2006.

If a taxpayer uses the automated clearinghouse debit procedure for an EFT, the payment will be deemed to have been received on the due date if the taxpayer initiates the transfer on or before 11:59 p.m. Pacific time on the due date with a payment effective date on or before the next banking day after the due date. A legislative findings section recites an understanding of the automated clearinghouse procedure. These EFT provisions apply to payments due after July 31, 2006.

Votes on Final Passage:

House	98	0	
Senate	47	0	(Senate amended)
House	98	0	(House concurred)

Effective: June 7, 2006
August 1, 2006 (Sections 1-4)
July 1, 2006 (Sections 6 and 7)