

SENATE BILL REPORT

HB 2671

As Reported By Senate Committee On:
Ways & Means, February 21, 2006

Title: An act relating to providing excise tax relief by modifying due dates and eliminating an assessment penalty.

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

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

Brief History: Passed House: 2/10/06, 98-0.

Committee Activity: Ways & Means: 2/21/06 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Staff: Dean Carlson (786-7305)

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. 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. In addition, 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. There are two methods of paying taxes by EFT: Automated Clearinghouse (ACH) debit and ACH credit.

Summary of Amended Bill: 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.

A waiver of the 5 percent assessment penalty is provided for businesses if the amount of underpaid tax is less than 20 percent of the tax due, and the assessment is not for more than a 12 month period. This waiver can only be granted once in a twelve-month period.

If a taxpayer uses the ACH 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 the DOR's understanding of the automated clearinghouse procedure. These EFT provisions apply to payments due after July 31, 2006.

Amended Bill Compared to Original Bill: The bill as referred to committee was not considered.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: None.

Testimony Against: None.

Who Testified: No one.