

HOUSE BILL REPORT

SHB 3283

As Amended by the Senate

Title: An act relating to relieving active duty military personnel of interest and penalties on delinquent excise taxes.

Brief Description: Relieving active duty military personnel of interest and penalties on delinquent excise taxes.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Herrera, Takko, Orcutt, Hurst, Eddy, Sump, Ericks, Fromhold, McCoy, Hudgins, Kelley, Kessler, Dunn, Ormsby, Linville, Roach and McCune).

Brief History:

Committee Activity:

Finance: 2/12/08 [DPS].

Floor Activity:

Passed House: 2/15/08, 94-0.

Senate Amended.

Passed Senate: 3/5/08, 47-0.

Brief Summary of Substitute Bill

- Waives excise tax penalties and interest for businesses while the owner is on active duty in the military and engaged in an armed conflict outside of the country.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Don Taylor (786-7388).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Current law provides a variety of penalties for late payment of state excise taxes and for failure to file a tax return, failure to obtain a business registration, and failure to pay at least a substantial portion of the tax that is due. Penalties also apply to assessments involving filing of a warrant against the taxpayer and for intentional evasion. Interest is added to the amount of outstanding taxes but not to the amount of any penalties that are assessed.

Summary of Substitute Bill:

Penalties or interest for state excise tax purposes may not be levied against any business in which the majority owner is a member of the armed forces during the period in which the person: (1) is on active duty, (2) is participating in an armed conflict, and (3) is assigned to a location outside of the United States. The waiver is limited to a two-year period.

In order to qualify for the waiver, the firm's gross income cannot exceed \$1 million for the year prior to when the owner was assigned to military service outside of the country.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment retains the same waiver of penalties and interest for state excise taxes which might be imposed against a firm whose principal owner is on active duty in the military and is participating in an armed conflict outside of the county. However, the original bill required the Department of Revenue to determine eligibility for the waiver prior to sending a notice to a taxpayer.

The Senate language specifies that the Department of Revenue is required to provide information concerning the waiver on all notices of penalties or interest sent to all taxpayers during periods of armed conflicts. In order to claim the waiver or cancellation of excise tax penalties or interest under this provision, an eligible taxpayer is required to submit to the Department a copy of the orders which require the individual to be deployed outside of the country.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) A similar waiver of penalties is provided under the property tax; the same treatment should be allowed under state excise taxes. Persons participating in armed military conflicts outside of the U. S. are making great sacrifices for the nation; a waiver of tax penalties and interest is the least we can do to show our appreciation.

One business owner who would have benefitted under this legislation noted that he was called to active duty and left the operation of his business to his accountant. However, the accountant was also called up to active duty and could no longer attend to making the state excise tax payments on a timely basis.

(Opposed) None.

Persons Testifying: Representative Herrera, prime sponsor; and John M. Perry, Data Sphere.

Persons Signed In To Testify But Not Testifying: None.