

HOUSE BILL REPORT

HB 1767

As Reported by House Committee On:
Finance

Title: An act relating to requiring the use of electronic methods for taxes administered by the department of revenue, including filing of taxes, payment of taxes, assessment of taxes, and other taxpayer information.

Brief Description: Requiring the use of electronic methods for taxes administered by the department of revenue, including filing of taxes, payment of taxes, assessment of taxes, and other taxpayer information.

Sponsors: Representatives Ericks and Hunter; by request of Department of Revenue.

Brief History:

Committee Activity:

Finance: 2/12/09, 3/2/09 [DP].

Brief Summary of Bill

- Requires the use of electronic methods for taxes administered by the Department of Revenue.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

Staff: Joseph Archuleta (786-7192)

Background:

The Department of Revenue (DOR) sends assessments, notices, and/or other information to persons by regular mail unless the taxpayer has authorized the DOR in writing to provide the assessment, notice, or information electronically.

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.

Payment of taxes to the DOR may be made by check transmitted via regular mail. However, a state statute requires taxpayers to use electronic funds transfer (EFT) if the amount of tax due is \$1.8 million or more in a calendar year. The DOR is permitted to require by rule the mandatory use of EFT for tax liabilities less than \$1.8 million per year. By rule, the DOR requires taxpayers who have taxes due of \$240,000 or more in a calendar year to pay by EFT.

Tax returns may be submitted by regular mail or electronically. The DOR is authorized to allow electronic filing of tax returns for any taxpayer.

If a taxpayer pays taxes by EFT, the DOR is required to pay tax refunds by EFT.

A direct pay permit allows a taxpayer engaged in retail purchases to pay sales and use taxes directly to the DOR instead of to the seller. Taxpayers subject to the mandatory use of EFT and taxpayers making purchases in excess of \$10 million per calendar year may apply to the DOR for a direct pay permit. As previously mentioned, the DOR by rule requires taxpayers with a tax liability exceeding \$240,000 per year to use EFT.

Summary of Bill:

The Department of Revenue (DOR) is required to send all assessments, notices, and other information electronically. The DOR is authorized to implement this requirement in phases and may waive the requirement for good cause shown. The waiver may be temporary or permanent.

All taxpayers are required to pay taxes and file tax returns electronically. The DOR may waive this requirement for good cause shown for any taxpayer. The waiver may be temporary or permanent.

It is clarified that the DOR does not have to provide a refund by EFT unless the DOR has the necessary account information to facilitate a refund by EFT.

The authorization to use a direct pay permit for taxpayers' reasonably anticipating a cumulative tax liability in excess of \$240,000 per year is formalized in statute.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill would achieve savings and efficiencies within the Department of Revenue (DOR). This bill has been constructed to allow the DOR to work with small businesses that may have limited access or capability with computers. This bill flips the default rule by requiring electronic filing, as opposed to paper filing, unless a taxpayer demonstrates a reasonable basis for not being able to electronically file. The goal is to improve the current 50 percent electronic filing to 75 percent filing. This would reduce full-time employees by approximately 12 in the first year and 15 in the second year. This is about \$2.3 million per biennium. The bill increases interest earnings since there is no delay in the receipt of payments.

(Opposed) Small businesses have concerns with respect to the electronic transfer of payments because some businesses want to retain their interest earnings, some small businesses do not trust government, or other businesses do not want the DOR to have access to their accounts. Amendments to the good cause language will be brought forward.

Persons Testifying: (In support) Representative Ericks, prime sponsor; and Drew Shirk, Department of Revenue.

(Opposed) Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.