

# SENATE BILL REPORT

## SB 6412

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As of January 26, 2016

**Title:** An act relating to modifying the penalty for taxpayers that do not submit an annual survey or report.

**Brief Description:** Modifying the penalty for taxpayers that do not submit an annual survey or report.

**Sponsors:** Senators Hewitt and Schoesler.

**Brief History:**

**Committee Activity:** Ways & Means: 1/25/16.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Juliana Roe (786-7438)

**Background:** Every person who claims a tax preference that requires either an annual survey or annual report must complete and submit the survey or report by a specified due date, or by the date of any extension granted. If the person fails to submit a complete survey or report by the due date, 100 percent of the tax preference claimed becomes immediately due and payable. In addition, interest is applied retroactively to the date on which the tax preference was claimed and accrues until the tax for which the tax preference was claimed is repaid.

**Summary of Bill:** The penalty for failing to submit a complete annual survey or annual report is reduced to 10 percent of the amount of the tax preference claimed from 100 percent.

**Appropriation:** None.

**Fiscal Note:** Requested on January 19, 2016.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2016.

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*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.*

**Staff Summary of Public Testimony:** PRO: This bill simplifies and provides clarification for businesses that use tax incentives. A 100 percent penalty is too severe and doesn't make sense. Reducing the penalty to 10 percent is a step in the right direction.

An Oregon-based company was attracted to Washington because of the tax incentives available. It built a facility in Pasco with the use of a tax incentive. The company inadvertently missed the electronic filing requirement for submitting the required survey. When it discovered this oversight, staff was directed to work with the Department of Revenue (DOR) to complete the survey. The company was then audited and assessed a penalty of 100 percent of the tax incentive plus interest, as required by statute. The penalty for failing to file the survey is more severe than the penalty for a taxpayer who commits tax fraud or intentionally disregards the law. The penalty should be aligned with the wrongdoing. The incentive worked - it attracted this business to Washington State. But, the penalty is unfairly severe and DOR's hands are tied unless this bill is passed.

**Persons Testifying:** PRO: Mark Johnson, Washington Retail Association; Eric Lohnes, Association of Washington Business; Paul Leavy, Reser's Fine Foods, Inc. - CFO/Treasurer.

**Persons Signed In To Testify But Not Testifying:** PRO: Chimene Gowen, Reser's Fine Foods, Inc. Dir. Accounting and Tax.