
Finance Committee

HB 2305

Brief Description: Extending the business and occupation tax return filing due date for self-employed filers.

Sponsors: Representatives Van Werven, Eslick, Haler, Chapman, Kraft and Stokesbary.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Extends the business and occupation tax filing deadline for self-employed annual filers.
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Hearing Date: 1/25/18

Staff: Tracey O'Brien (786-7152).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than \$28,000 per year, or less than \$46,667 if at least 50 percent of its taxable income is from services or activities not classified elsewhere.

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, including B&O taxes, along with reports and returns, are due monthly within 25 days after the end of the month in which taxable activities occur. The DOR may relieve a taxpayer or class of taxpayers from the monthly remittance and reporting requirements and allow longer reporting periods. The DOR allows quarterly and annual filing as well. Filing frequency is assigned based on a business's estimated yearly business income.

Independent Contractors.

Businesses that hire an independent contractor must have them complete the Internal Revenue Service (IRS) Form W-9 and provide their taxpayer identification number (TIN). A TIN may be either a social security number or an employer identification number. If a business pays someone who is not an employee, such as an independent contractor, \$600 or more during a tax year, the business must complete an IRS Form 1099-MISC. A copy of the Form 1099-MISC must be provided to the independent contractor by January 31 of the year following payment. In addition, the business must send a copy of the Form 1099-MISC to the IRS. There are exceptions to the Form 1099-MISC requirement, including payments made to a corporation, payments for merchandise, and payments to tax-exempt organizations.

Summary of Bill:

B&O tax payments made by self-employed annual filers are due on or before the last day of the third month immediately following the period covered by the return.

Appropriation: None.

Fiscal Note: Requested on January 24, 2018.

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