
HOUSE BILL 2867

State of Washington

66th Legislature

2020 Regular Session

By Representative Blake

Read first time 01/27/20. Referred to Committee on Finance.

1 AN ACT Relating to the calculation of interest associated with
2 annual tax reporting periods without making any changes to the
3 interest rate; amending RCW 82.32.050 and 82.32.060; creating a new
4 section; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 82.32.050 and 2008 c 181 s 501 are each amended to
7 read as follows:

8 (1) If upon examination of any returns or from other information
9 obtained by the department it appears that a tax or penalty has been
10 paid less than that properly due, the department shall assess against
11 the taxpayer such additional amount found to be due and shall add
12 thereto interest on the tax only. The department shall notify the
13 taxpayer by mail, or electronically as provided in RCW 82.32.135, of
14 the additional amount and the additional amount shall become due and
15 shall be paid within thirty days from the date of the notice, or
16 within such further time as the department may provide.

17 (a) For tax liabilities arising before January 1, 1992, interest
18 shall be computed at the rate of nine percent per annum from the last
19 day of the year in which the deficiency is incurred until the earlier
20 of December 31, 1998, or the date of payment. After December 31,
21 1998, the rate of interest shall be variable and computed as provided

1 in subsection (2) of this section. The rate so computed shall be
2 adjusted on the first day of January of each year for use in
3 computing interest for that calendar year.

4 (b) For tax liabilities arising after December 31, 1991, the rate
5 of interest shall be variable and computed as provided in subsection
6 (2) of this section from the last day of the year in which the
7 deficiency is incurred until the date of payment. The rate so
8 computed shall be adjusted on the first day of January of each year
9 for use in computing interest for that calendar year.

10 (c) (~~(Interest)~~) (i) Except as otherwise provided in (c)(ii) of
11 this subsection (1), interest imposed after December 31, 1998, shall
12 be computed from the last day of the month following each calendar
13 year included in a notice, and the last day of the month following
14 the final month included in a notice if not the end of a calendar
15 year, until the due date of the notice.

16 (ii) For interest associated with annual tax reporting periods
17 having a due date as prescribed in RCW 82.32.045(3), interest must be
18 computed from the last day of April immediately following each such
19 annual reporting period included in the notice, until the due date of
20 the notice.

21 (iii) If payment in full is not made by the due date of the
22 notice, additional interest shall be computed under this subsection
23 (1)(c) until the date of payment. The rate of interest shall be
24 variable and computed as provided in subsection (2) of this section.
25 The rate so computed shall be adjusted on the first day of January of
26 each year for use in computing interest for that calendar year.

27 (2) For the purposes of this section, the rate of interest to be
28 charged to the taxpayer shall be an average of the federal short-term
29 rate as defined in 26 U.S.C. Sec. 1274(d) plus two percentage points.
30 The rate set for each new year shall be computed by taking an
31 arithmetical average to the nearest percentage point of the federal
32 short-term rate, compounded annually. That average shall be
33 calculated using the rates from four months: January, April, and July
34 of the calendar year immediately preceding the new year, and October
35 of the previous preceding year.

36 (3) During a state of emergency declared under RCW 43.06.010(12),
37 the department, on its own motion or at the request of any taxpayer
38 affected by the emergency, may extend the due date of any assessment
39 or correction of an assessment for additional taxes, penalties, or
40 interest as the department deems proper.

1 (4) No assessment or correction of an assessment for additional
2 taxes, penalties, or interest due may be made by the department more
3 than four years after the close of the tax year, except (a) against a
4 taxpayer who has not registered as required by this chapter, (b) upon
5 a showing of fraud or of misrepresentation of a material fact by the
6 taxpayer, or (c) where a taxpayer has executed a written waiver of
7 such limitation. The execution of a written waiver shall also extend
8 the period for making a refund or credit as provided in RCW
9 82.32.060(2).

10 (5) For the purposes of this section, "return" means any document
11 a person is required by the state of Washington to file to satisfy or
12 establish a tax or fee obligation that is administered or collected
13 by the department of revenue and that has a statutorily defined due
14 date.

15 **Sec. 2.** RCW 82.32.060 and 2009 c 176 s 4 are each amended to
16 read as follows:

17 (1) If, upon receipt of an application by a taxpayer for a refund
18 or for an audit of the taxpayer's records, or upon an examination of
19 the returns or records of any taxpayer, it is determined by the
20 department that within the statutory period for assessment of taxes,
21 penalties, or interest prescribed by RCW 82.32.050 any amount of tax,
22 penalty, or interest has been paid in excess of that properly due,
23 the excess amount paid within, or attributable to, such period must
24 be credited to the taxpayer's account or must be refunded to the
25 taxpayer, at the taxpayer's option. Except as provided in subsection
26 (2) of this section, no refund or credit may be made for taxes,
27 penalties, or interest paid more than four years prior to the
28 beginning of the calendar year in which the refund application is
29 made or examination of records is completed.

30 (2)(a) The execution of a written waiver under RCW 82.32.050 or
31 82.32.100 will extend the time for making a refund or credit of any
32 taxes paid during, or attributable to, the years covered by the
33 waiver if, prior to the expiration of the waiver period, an
34 application for refund of such taxes is made by the taxpayer or the
35 department discovers a refund or credit is due.

36 (b) A refund or credit must be allowed for an excess payment
37 resulting from the failure to claim a bad debt deduction, credit, or
38 refund under RCW 82.04.4284, 82.08.037, 82.12.037, 82.14B.150, or
39 82.16.050(5) for debts that became bad debts under 26 U.S.C. Sec.

1 166, as amended or renumbered as of January 1, 2003, less than four
2 years prior to the beginning of the calendar year in which the refund
3 application is made or examination of records is completed.

4 (3) Any such refunds must be made by means of vouchers approved
5 by the department and by the issuance of state warrants drawn upon
6 and payable from such funds as the legislature may provide. However,
7 taxpayers who are required to pay taxes by electronic funds transfer
8 under RCW 82.32.080 must have any refunds paid by electronic funds
9 transfer if the department has the necessary account information to
10 facilitate a refund by electronic funds transfer.

11 (4) Any judgment for which a recovery is granted by any court of
12 competent jurisdiction, not appealed from, for tax, penalties, and
13 interest which were paid by the taxpayer, and costs, in a suit by any
14 taxpayer must be paid in the same manner, as provided in subsection
15 (3) of this section, upon the filing with the department of a
16 certified copy of the order or judgment of the court.

17 (a) Interest at the rate of three percent per annum must be
18 allowed by the department and by any court on the amount of any
19 refund, credit, or other recovery allowed to a taxpayer for taxes,
20 penalties, or interest paid by the taxpayer before January 1, 1992.
21 This rate of interest applies for all interest allowed through
22 December 31, 1998. Interest allowed after December 31, 1998, must be
23 computed at the rate as computed under RCW 82.32.050(2). The rate so
24 computed must be adjusted on the first day of January of each year
25 for use in computing interest for that calendar year.

26 (b) For refunds or credits of amounts paid or other recovery
27 allowed to a taxpayer after December 31, 1991, the rate of interest
28 must be the rate as computed for assessments under RCW 82.32.050(2)
29 less one percent. This rate of interest applies for all interest
30 allowed through December 31, 1998. Interest allowed after December
31 31, 1998, must be computed at the rate as computed under RCW
32 82.32.050(2). The rate so computed must be adjusted on the first day
33 of January of each year for use in computing interest for that
34 calendar year.

35 (5) Interest allowed on a credit notice or refund issued after
36 December 31, 2003, must be computed as follows:

37 (a) If all overpayments for each calendar year and all reporting
38 periods ending with the final month included in a notice or refund
39 were made on or before the due date of the final return for each

1 calendar year or the final reporting period included in the notice or
2 refund:

3 (i) Interest must be computed from January 31st following each
4 calendar year included in a notice or refund; (~~(or)~~)

5 (ii) Interest must be computed from the last day of the month
6 following the final month included in a notice or refund; or

7 (iii) For interest associated with annual tax reporting periods
8 having a due date as prescribed in RCW 82.32.045(3), interest must be
9 computed from the last day of April following each such annual
10 reporting period included in a notice or refund.

11 (b) If the taxpayer has not made all overpayments for each
12 calendar year and all reporting periods ending with the final month
13 included in a notice or refund on or before the dates specified by
14 RCW 82.32.045 for the final return for each calendar year or the
15 final month included in the notice or refund, interest must be
16 computed from the last day of the month following the date on which
17 payment in full of the liabilities was made for each calendar year
18 included in a notice or refund, and the last day of the month
19 following the date on which payment in full of the liabilities was
20 made if the final month included in a notice or refund is not the end
21 of a calendar year.

22 (c) Interest included in a credit notice must accrue up to the
23 date the taxpayer could reasonably be expected to use the credit
24 notice, as defined by the department's rules. If a credit notice is
25 converted to a refund, interest must be recomputed to the date the
26 refund is issued, but not to exceed the amount of interest that would
27 have been allowed with the credit notice.

28 NEW SECTION. Sec. 3. This act is necessary for the immediate
29 preservation of the public peace, health, or safety, or support of
30 the state government and its existing public institutions, and takes
31 effect immediately.

32 NEW SECTION. Sec. 4. This act applies both prospectively and
33 retroactively to January 1, 2020.

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