
Ways & Means Committee

HB 2080

Brief Description: Modifying tax refund and interest provisions.

Sponsors: Representatives Hasegawa and Moscoso.

Brief Summary of Bill

- Increases the interest rate on tax delinquencies from the federal short-term rate plus 2 percent to the rate for 24-month personal credit card plans as provided in the G.19 consumer credit report prepared by the Federal Reserve Board.
- Limits the period for tax refunds to three years.

Hearing Date: 5/5/11

Staff: Rick Peterson (786-7150).

Background:

The Department of Revenue is authorized to audit taxpayer records and make assessments if the taxpayer has failed to pay the entire amount of his or her tax obligation. The audit may cover the current year plus the past four calendar years. Interest charges are applied to any assessments of unpaid taxes. Penalties also apply as follows: 5 percent if taxes are not paid by the original due date, 15 percent if over one month late, and 25 percent if over two months late. Interest is not added to the amount of penalties assessed.

A taxpayer who pays taxes in excess of the amount due is entitled to a refund of the overpayment and interest on the amount of the overpayment. The interest rate is the same rate as charged on assessments. Refunds may be requested for the same period as the audit period.

The interest rate is the annualized average of the federal short-term rate plus two percentage points. This rate is calculated by taking an average of the federal short-term rate for the months of January, April, and July of the immediate preceding calendar year and October of the prior

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year. The rate for calendar year 2011 is 3 percent. The rate of interest is expected to be 3 percent for 2012 and 2013.

Summary of Bill:

The interest rate for unpaid excise taxes is changed to the rate for 24-month personal credit card plans as provided in the G.19 consumer credit report prepared by the Federal Reserve Board. The interest rate change starts with interest imposed after December 31, 2011.

The period for excise tax refunds is limited to three years. Any overpayment of taxes discovered in the audit of a period more than three years prior may offset any tax deficiency in the same year but will not be credited against any tax deficiency from a more recent period. The reduced refund period begins on the effective date of the bill.

Appropriation: None.

Fiscal Note: Available.

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