

# HB 2516

## Bill Analysis

January 27, 2000

**Brief Description:** Regarding disclosure of information to persons against whom successor tax liability is asserted.

**Bill Sponsors:** Representatives Stensen, Cox, Cooper and Thomas; by request of Department of Revenue.

### Brief Summary of Bill

- The department of revenue may disclose return or tax information to a successor.

**Staff:** Linda Brooks, 786-7153.

### Background:

A taxpayer must remit any outstanding tax liability to the department of revenue within ten days of quitting business. If this tax is not paid by the taxpayer, a successor to the taxpayer becomes liable for the outstanding tax.

A successor is a person who receives a major part of the materials, supplies, merchandise, inventory, fixtures, or equipment from a taxpayer who quits or goes out-of-business. However, receipt of materials or other items as a result of bankruptcy or other legal proceedings does not create successorship. Successorship is also not created if a person only acquires intangible assets such as copyrights or trademarks from another taxpayer.

Another type of successor is a person who has insured or guaranteed the performance of a contract. In the event that a contractor defaults, the person who insured or guaranteed the work becomes the contractor's successor for tax liability purposes.

The department of revenue is generally prohibited from disclosing taxpayer information. There are some exceptions to the prohibition. The department may disclose information at the request of a taxpayer, as part of court proceedings, and under some other narrowly-defined circumstances. However, no exception exists for disclosing information to successors. Although a successor inherits responsibility for paying another taxpayer's tax liabilities, the department cannot share the taxpayer's tax return or other tax information with the successor.

**Summary of Bill:**

The department of revenue may disclose return or tax information pertaining to a taxpayer's specific business to a successor, if the successor has become responsible for that taxpayer's tax liability.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** July 1, 2000.