

SENATE BILL REPORT

HB 2516

As Reported By Senate Committee On:
Ways & Means, February 23, 2000

Title: An act relating to the disclosure of information to persons against whom successor tax liability is asserted.

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

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

Brief History:

Committee Activity: Ways & Means: 2/22/2000, 2/23/2000 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Loveland, Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kohl-Welles, Long, McDonald, Rasmussen, Roach, Rossi, B. Sheldon, Snyder, Spanel, Thibaudeau, West, Winsley, Wojahn and Zarelli.

Staff: Terry Wilson (786-7433)

Background: A taxpayer must remit any outstanding tax liability to the Department of Revenue within 10 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: The bill takes effect on July 1, 2000.

Testimony For: Since the Department of Revenue can't release tax information, successors to tax liability have no way of knowing why they owe tax unless they go through the time and expense of court proceedings.

Testimony Against: None.

Testified: PRO: Representative Mike Stensen, prime sponsor; Tim Sekerak, DOR.