
Finance Committee

HB 3157

Brief Description: Modifying tax penalty provisions.

Sponsors: Representative McIntire.

Brief Summary of Bill

- Limits application of the 5 percent penalty on tax billings to situations where less than 75 percent of the taxes due were paid and the underpayment was at least \$1,000.
- Replaces the 5 percent penalty on tax billings on assessments of tax due from regular and managed audits with penalties for late payment of 10 percent if up to 30 days late, and 20 percent if over 30 days late.

Hearing Date: 2/6/04

Staff: Rick Peterson (786-7150).

Background:

Penalties are imposed on unpaid taxes in the following circumstances: taxes that are due with an excise tax return are not paid by the due date; a taxpayer is billed for unpaid taxes; a tax warrant is issued; the Department of Revenue (DOR) discovers an unregistered taxpayer; a taxpayer disregards written instructions on tax reporting; and a taxpayer attempts to evade tax.

In 2003 the Legislature replaced a 10 percent penalty on failing to pay assessments by the due date with a new penalty of 5 percent that applies to all tax billings. The Department of Revenue bills taxpayers for tax due from audit assessments and under payments or mistakes made on tax returns. If the tax is not paid by the due date, the penalty increases to 15 percent. If the penalty is not paid within a month of the due date, the penalty increases to 25 percent.

A managed audit is an audit conducted under an agreement between DOR and the taxpayer where the taxpayer reviews their records under the direction of DOR.

Summary of Bill:

The 5 percent penalty on tax billings applies only in situations where taxes due have been substantially underpaid. Substantial underpayment means that less than 75 percent of the taxes due were paid and the underpayment was at least \$1,000. The 5 percent penalty on tax billings also does not apply to managed audits.

Penalties apply to late payment of taxes due from regular audits and managed audit as follows: 10 percent if up to 30 days late, and 20 percent if over 30 days late.

Appropriation: None.

Fiscal Note: Requested on January 30, 2004.

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