

SENATE BILL REPORT

SB 5424

As Reported By Senate Committee On:
Ways & Means, February 10, 2003

Title: An act relating to modifying excise tax interest provisions.

Brief Description: Modifying excise tax interest provisions.

Sponsors: Senators Rossi and Fairley; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/3/03, 2/10/03 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Parlette, Poulsen, Regala, Sheahan and B. Sheldon.

Staff: Catherine Suter (786-7442)

Background: The Department of Revenue (DOR) calculates interest for both underpayments (owed to the state) and overpayments (refunds to taxpayers).

The interest rate used is the average federal short-term rate for the previous October-to-October year, plus two percentage points.

For underpayments, the interest is calculated on the late amount, beginning with the last day of the calendar year in which the tax was first late. In the case of refunds, interest is calculated on the amount owed, beginning with the time that the overpayment was initially made.

Summary of Bill: The months that DOR uses in calculating the interest rate on underpayments change from a year ending in October to a year ending in July.

Interest allowed on a credit notice or refund issued after July 1, 2002, is computed from the first day of the month following the due date of the last reporting period or the first day of the month following full payment for the reporting period, whichever is later.

Language regarding interest on refunds and assessments in federal contracting activities rendered obsolete by court decision is removed.

Appropriation: None.

Fiscal Note: Requested on January 28, 2003.

Effective Date: The bill takes effect on January 1, 2004.

Testimony For: This would allow the Department of Revenue to align its interest computation procedures and to reprogram its computers once, not twice, a year. Therefore, there would be administrative time and cost savings, in addition to increased revenue. The final item, removing certain language, is purely a clean-up measure.

Testimony Against: None.

Testified: Julie Sextion, Department of Revenue (pro).