
Finance Committee

SSB 6385

Brief Description: Providing excise tax relief by modifying due dates and eliminating an assessment penalty.

Sponsors: Senators Prentice, Doumit, Rasmussen, Fairley, Zarelli, Rockefeller, Brandland, Fraser, Pflug and Sheldon; by request of Governor Gregoire.

Brief Summary of Bill

- Requires payment of state excise taxes by the 25th day of the month instead of the 20th.
- Provides a waiver of the 5 percent penalty for any billing of unpaid state excise taxes if the business has timely filed for 12 months, the amount of underpaid tax is less than 20 percent of the tax due, and the assessment is not for more than a 12 month period.
- Modifies electronic funds transfer procedures for payment of state excise taxes.

Hearing Date:

Staff: Bob Longman (786-7139).

Background:

The Department of Revenue (DOR) collects the state's major excise taxes, such as the retail sales tax and the business and occupation (B&O) tax. For large businesses, excise taxes must be paid monthly. In 2003, the Legislature changed the due date for monthly tax returns from the 25th to the 20th day of following month. The DOR is authorized by statute to allow smaller businesses to report taxes quarterly or annually. Quarterly and annual returns are due by the end of the month following the end of the reporting period.

Penalties are imposed if taxes are not paid on time. In 2003, the Legislature increased penalties for late excise taxes. In addition, a new penalty of 5 percent was applied to any billing or assessment of unpaid tax by the DOR. If taxes remain unpaid, the penalties increase over time.

In 1990, the Legislature required taxpayers with an annual tax liability of more than \$240,000 to make payment of their excise tax returns using electronic funds transfer (EFT). In 1999, the Legislature allowed any taxpayer to make payment using electronic funds (ETF). An EFT payment must be completed so that the state receives the collectible funds on or before the next banking day after the due date. There are two methods of paying taxes by EFT: Automated Clearinghouse (ACH) debit and ACH credit.

Summary of Bill:

Taxpayers filing monthly excise tax returns are required to report and pay taxes by the 25th of the month rather than the 20th. This change applies to tax returns due after July 31, 2006.

A waiver of the 5 percent assessment penalty is provided for businesses if the business has timely filed for the 12 months preceding the deficiency, the amount of underpaid tax is less than 20 percent of the tax due, and the assessment is not for more than a 12 month period. This change applies to tax assessments originally issued after June 30, 2006.

If a taxpayer uses the ACH debit procedure for an EFT, the payment will be deemed to have been received on the due date if the taxpayer initiates the transfer on or before 11:59 p.m. Pacific time on the due date with a payment effective date on or before the next banking day after the due date. A legislative findings section recites the DOR's understanding of the ACH procedure. These EFT provisions apply to payments due after July 31, 2006.

Appropriation: None.

Fiscal Note: Requested on February 14, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except sections 1 through 4, relating to due dates, which take effect August 1, 2006, and sections 5 through 7, relating to penalties, which take effect July 1, 2006.