

SENATE BILL REPORT

ESHB 2540

As of February 29, 2016

Title: An act relating to modifying the penalty for taxpayers that do not submit an annual survey or report.

Brief Description: Modifying the penalty for taxpayers that do not submit an annual survey or report.

Sponsors: House Committee on Finance (originally sponsored by Representatives Nealey, Tharinger, Harris, Walsh, Ryu, Griffey, Hayes, Manweller, Pike, Smith, Stokesbary, MacEwen, Van De Wege, Johnson, Magendanz, Wilson, McBride, Hargrove, Schmick, Pollet and Van Werven).

Brief History: Passed House: 2/16/16, 98-0.

Committee Activity: Ways & Means: 2/29/16.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Juliana Roe (786-7438)

Background: Every person who claims a tax preference that requires either an annual survey or annual report must complete and submit the survey or report by a specified due date, or by the date of any extension granted. If the person fails to submit a complete survey or report by the due date, 100 percent of the tax preference claimed becomes immediately due and payable. In addition, interest is applied retroactively to the date on which the tax preference was claimed and accrues until the tax for which the tax preference was claimed is repaid.

Summary of Bill: The penalty for failing to submit a complete annual survey or annual report is reduced to 35 percent for the first time a taxpayer is assessed a penalty for failing to submit an annual survey or annual report. An additional 15 percent penalty is assessed for failing to submit an annual survey or annual report for the same tax preference. Any taxpayer who has filed an appeal regarding taxes, penalties, and interest for failure to file an annual survey or annual report, prior to January 1, 2016, and the appeal is pending before the Department of Revenue (DOR) or the Washington State Board of Tax Appeals (BTA) as of the effective date of this bill, the penalty is 35 percent of the amount of the tax preference claimed for any calendar year in which the annual survey or annual report was not submitted for the same tax preference. No interest or additional penalties apply.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The due date for submitting the annual survey or annual report is moved from April 30 to May 31. The due date for the DOR descriptive statistics report is December 31.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2016.

Staff Summary of Public Testimony: PRO: It came to the attention of legislators that a constituent filled out the wrong line of his company's survey or report, and was assessed a fine of 100 percent of the tax preference. DOR had no ability to reduce the fine. The Legislature should look beyond the fiscal impact and look at the fairness of a 100 percent penalty, which is severe. This bill is a good compromise. This version reduced the fiscal note.

Persons Testifying: PRO: Representative Nealey, Prime Sponsor; Eric Lohnes, Association of Washington Business; Paul Leavy, Reser's Fine Foods Inc..

Persons Signed In To Testify But Not Testifying: No one.