

HOUSE BILL REPORT

HB 2969

As Reported by House Committee On: Finance

Title: An act relating to extending the business and occupation tax return filing due date for annual filers.

Brief Description: Extending the business and occupation tax return filing due date for annual filers.

Sponsors: Representatives Van Werven and Muri.

Brief History:

Committee Activity:

Finance: 2/5/18 [DPS].

Brief Summary of Substitute Bill

- Extends the business and occupation tax filing deadline for annual filers.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Staff: Tracey O'Brien (786-7152).

Background:

Business and Occupation Tax.

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Businesses must pay the B&O tax even though they may not have any profits or may be operating at a loss.

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.

A taxpayer may have more than one B&O tax rate, depending on the types of activities conducted. Major B&O tax rates are 0.471 percent for retailing; 0.484 percent for manufacturing, wholesaling, and extracting; and 1.5 percent for services and for activities not classified elsewhere. Several preferential rates also apply to specific business activities.

A business does not have to file an annual B&O tax return if the business does not owe other taxes or fees to the Department of Revenue (DOR) and has annual gross proceeds of sales, gross income, or value of products for all B&O tax classifications of less than \$28,000 per year, or less than \$46,667 if at least 50 percent of its taxable income is from services or activities not classified elsewhere.

Payment of taxes, including B&O taxes, along with reports and returns, are due monthly within 25 days after the end of the month in which taxable activities occur. The DOR may relieve a taxpayer or class of taxpayers from the monthly remittance and reporting requirements and allow longer reporting periods. The DOR allows quarterly and annual filing as well. Filing frequency is assigned based on a business's estimated yearly business income.

Independent Contractors.

Businesses that hire an independent contractor must have them complete the Internal Revenue Service (IRS) Form W-9 and provide their taxpayer identification number (TIN). A TIN may be either a Social Security number or an employer identification number. If a business pays someone who is not an employee, such as an independent contractor, \$600 or more during a tax year, the business must complete an IRS Form 1099-MISC. A copy of the Form 1099-MISC must be provided to the independent contractor by January 31 of the year following payment. In addition, the business must send a copy of the Form 1099-MISC to the IRS. There are exceptions to the Form 1099-MISC requirement, including payments made to a corporation, payments for merchandise, and payments to tax-exempt organizations.

Summary of Substitute Bill:

Payment of B&O taxes, along with reports and returns, are due from annual filers on or before the first day of the third month immediately following the period covered by the return.

Substitute Bill Compared to Original Bill:

The due date is moved from the end of the third month to the first day of the third month.

Appropriation: None.

Fiscal Note: Requested on February 3, 2018.

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

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.