

# SENATE BILL REPORT

## 2SHB 1059

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As Passed Senate, April 11, 2019

**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:** House Committee on Appropriations (originally sponsored by Representatives Van Werven, Kraft, Kilduff, Chambers, Eslick, Vick and Leavitt).

**Brief History:** Passed House: 3/11/19, 98-0.

**Committee Activity:** Ways & Means: 3/19/19, 3/28/19 [DP].

**Floor Activity:**

Passed Senate: 4/11/19, 47-0.

### Brief Summary of Bill

- Extends the business and occupation tax filing deadline for annual filers to April 15th.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Bailey, Billig, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers, Schoesler and Van De Wege.

**Staff:** Alia Kennedy (786-7405)

**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.

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*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. DOR may relieve a taxpayer or class of taxpayers from the monthly remittance and reporting requirements and allow longer reporting periods. DOR allows quarterly and annual filing as well. Filing frequency is assigned based on a business's estimated annual income.

Independent Contractors. Businesses that hire an independent contractor must have them complete the 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 31st 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 Bill:** Payment of B&O taxes, along with reports and returns, are due from annual filers on or before April 15th, immediately following the period covered by the return.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:** PRO: This is a modest proposal for small businesses. Small businesses often do not get the necessary paperwork in time to file by the current deadline and are forced to ask for an extension. A lot of bang for your buck here. This bill has essentially no fiscal impact but would help 126,000 taxpayers. Moving the annual filers deadline to April 15th would help relieve some of the administrative burden on small businesses and prevent those businesses from becoming subject to late filing penalties.

**Persons Testifying:** PRO: Mark Johnson, Washington Retail; Clay Hill, Association of Washington Business.

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