

SPECIAL NOTICE

May 1, 2006

For further information contact:

Telephone Information Center
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

New Due Date for Monthly Tax Return – Modified Electronic Payment Requirements – Billing Penalty Modified

The 2006 Washington Legislature recently passed House Bill (HB) 2671 (Chapter 256, Laws of 2006), which provides excise tax relief to Washington businesses. These changes were requested by the Department of Revenue in response to input received from focus group meetings held with businesses throughout the state. The changes are meant to simplify your tax reporting.

Monthly Tax Return Due Date Moved Back to the 25th

What's new?

The due date for the monthly Combined Excise Tax Return and Oil Spill Tax Return will change to the **25th day of the month** following the period for which taxable activity is due.

What was the previous law?

From August 1, 2003, through July 31, 2006, the monthly due date was on the 20th of the following month. This change moves the monthly due date back to what it was prior to August 1, 2003.

When does the change take effect?

The new monthly due date takes effect **August 1, 2006**. This means that **your July 2006 tax return is due on August 25, 2006**.

All future monthly tax returns will be due on the 25th of the following month. Weekends and holidays move the due date to the following business day.

Automated Clearinghouse (ACH) Debit Payment Transfers

What's new?

Businesses that use the ACH debit method to initiate an electronic transfer of funds to pay their taxes **will now have until 11:59 p.m. Pacific time on the due date to initiate their electronic fund transfer on time**; however, the effective payment date must still be on or before the next banking day following the due date.

What was the previous law?

Previously, a business had to initiate the ACH debit payment transfer before 5:00 p.m. Pacific time on the due date for a timely transfer of funds.

When does the change take effect?

The time extension for ACH debit payment transfer takes effect **August 1, 2006**. This means that **businesses using the ACH debit method for electronic fund transfers in August have until 11:59 Pacific time on the due date of their July tax return to initiate their transfer on time** with an effective payment date on or before the next banking day following the due date.

All future electronic transfers made via the ACH debit method will have until 11:59 Pacific time on the due date of the tax return to initiate a timely transfer of funds.

Changes to Penalties on Assessments and Billings

What's new?

The five percent billing penalty has been modified to apply only to billings or assessments where the tax due was substantially underpaid.

“Substantially underpaid” means:

1. Less than 80 percent of the tax owed was paid; **and**
2. The underpayment is \$1,000 or more for the entire period covered by the Department’s examination.

What was the previous law?

Beginning July 1, 2003, a mandatory five percent billing penalty was added to all billings or assessments for underpaid taxes issued by the Department of Revenue. This included, but was not limited to:

- Tax assessments resulting from an audit,
- Notices of balance due issued because of underpayments or mistakes made on tax returns, and
- Compliance assessments.

When does the change take effect?

The modified five percent billing penalty takes effect **July 1, 2006**. It only applies to assessments originally issued on or after July 1, 2006.

The five percent billing penalty is imposed on top of any late penalties applied to tax returns contained within the billing

If you have questions about these topics, contact our Telephone Information Center at 1-800-647-7706.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.

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Important Information on
New Due Date for Monthly Tax Return – Modified Electronic
Payment Requirements – Billing Penalty Modified
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