

HOUSE BILL REPORT

HB 1228

*As Reported By House Committee on:
Revenue*

Title: An act relating to the management of state government receivables.

Brief Description: Managing state government receivables.

Sponsor(s): Representatives Brumsickle, Wang, Holland and Paris; by request of Office of Financial Management.

Brief History:

Reported by House Committee on:
Revenue, February 22, 1991, DPA.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *Do pass as amended.* Signed by 9 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; and Rust.

Minority Report: *Do not pass.* Signed by 5 members: Representatives Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Morton; Silver; and Van Luven.

Staff: Robin Appleford (786-7093).

Background: State agencies have several tools for collecting debts owed to the state, commonly referred to as "receivables." Several agencies, including the Department of Revenue (DOR), the Department of Social and Health Services (DSHS), and Employment Security (ES) have the authority to assess interest on debts paid after they are due. DOR charges interest at the rate of 9 percent per year on late payment of taxes, while DSHS and ES charge interest of 1 percent per month on their receivables. These agencies often assess penalties in addition to the interest. State agencies may also inform credit reporting agencies of receivables that are past-due when such reporting is cost-effective and does not violate confidentiality.

Corporations collect sales taxes and other revenues belonging to the State. Corporations hold these revenues in a trust fund until they are to be remitted to the State. If

a corporation goes into bankruptcy and does not remit trust fund revenues, corporate officers may be held personally liable for only those trusts containing sales taxes.

Summary of Amended Bill: Any state agency may assess interest at the rate of 1 percent per month on receivables, starting from the date the receivables are due. State agencies may inform credit reporting agencies of debts owed to the State before such receivables are due.

HB 1228 applies only to debts that become due on or after the effective date of the bill.

Amended Bill Compared to Original Bill: The requirement that corporate officers are to be held liable for any revenues held in trust if they willfully fail to pay the revenues to the State is deleted.

Fiscal Note: Available.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The State will experience better collection of receivables and will conform to private sector practices if this bill is enacted. There should also be a provision requiring the State to pay interest on debts it owes.

Testimony Against: None.

Witnesses: Doug Connell, Department of Labor and Industries; Bob Jacobs and Dan Pensula, Office of Financial Management; and Dave Wood, People for Fair Taxes.