

# HOUSE BILL REPORT

## SHB 1401

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*As Amended by the Senate*

**Title:** An act relating to taxpayer rights and responsibilities.

**Brief Description:** Enacting the Washington taxpayers' rights and responsibilities act.

**Sponsor(s):** By Committee on Revenue. (Originally sponsored by Representatives Wang, Wynne, Ballard, D. Sommers, Winsley, Cooper, Vance, Mielke, Van Luven, Moyer, Miller, Brumsickle, Bowman, Horn, Paris, May, Betrozoff, Inslee, R. Meyers, Pruitt, Zellinsky, Bray, Franklin, Ogden, Phillips, Valle, H. Myers, Rasmussen, Fraser, Sprenkle, Heavey, Scott, Tate, Dellwo, Silver, Jacobsen, Hine, Brekke and Peery; by request of Department of Revenue.)

**Brief History:**

Reported by House Committee on:  
Revenue, January 31, 1991, DPS.  
Passed House February 12, 1991, 97-0;  
Amended by Senate.

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**HOUSE COMMITTEE ON  
REVENUE**

**Majority Report:** *That Substitute House Bill No. 1401 be substituted therefore, and the substitute bill do pass.*  
Signed by 15 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Morton; Phillips; Rust; Silver; and Van Luven.

**Staff:** Melissa Pailthorp (786-7118).

**Background:** Many states recently enacted "Taxpayers' Bill of Rights" legislation. These measures specify the duties and obligations of the revenue department in conducting audits and collecting delinquent taxes. The measures also outline the rights of taxpayers in appealing assessments and seeking tax relief. Many of these measures are modeled after the federal taxpayers' bill of rights.

In Washington, the tax statutes mention certain rights, such as the right to appeal unfair tax assessments and obtain

refunds. However, there is no one statute that clearly outlines the specific rights and responsibilities of taxpayers.

#### **HB 2424**

HB 2424, which passed the full House and Senate Ways & Means committee during the 1990 Session, directed the Department of Revenue (DOR) to study the rights and responsibilities of taxpayers that are currently enumerated in statute, administrative law, and department practice. DOR was to include in its report discussion of the following items:

- 1) The need for a taxpayer ombudsman for the state;
- 2) The efficacy of the power to abate tax payments under specified circumstances;
- 3) The need for clarification of the tax code to make it more understandable to the citizens;
- 4) The publications available that explain taxpayer rights and responsibilities;
- 5) The legal rights to sue and attendant responsibilities;
- 6) Consistency throughout DOR in tax collection methods;
- 7) Ways to improve voluntary compliance and uniform enforcement; and
- 8) Other issues DOR considers relevant.

***Summary of Substitute Bill:*** Changes are made to clarify and better enumerate taxpayer rights and responsibilities.

#### **Taxpayer rights**

Taxpayer rights that are more clearly specified include the right to:

- 1) Be treated equitably, and with dignity and respect;
- 2) Rely on written advice from DOR, and to receive clear and current tax instructions, forms, etc.;
- 3) Receive notice of assessments;
- 4) Receive due process in reviews and appeals;
- 5) Receive relief and redress when tax laws are found unconstitutional;

- 6) Receive protection from public inquiry regarding financial and business information.

#### **Taxpayer responsibilities**

Taxpayer responsibilities that are more clearly specified include responsibilities to:

- 1) Register with the Department of Revenue;
- 2) Know tax reporting obligations;
- 3) Keep complete and accurate records of their business activities;
- 4) File accurate returns and pay taxes in a timely manner;
- 5) Provide supporting documents when claiming refunds due; and
- 6) Respond to communications from DOR in a timely manner.

#### **Taxpayer rights advocate**

DOR is directed to appoint a taxpayer rights advocate to increase taxpayer understanding, and to ensure that taxpayers use the policies, processes, and procedures available to them in resolving their problems.

#### **Taxpayer services program**

DOR is to maintain a taxpayer services program to provide information and education to the public through direct communication, tax workshops, and publications.

**EFFECT OF SENATE AMENDMENT(S):** Several general statements of taxpayer rights are deleted. The right to redress and relief where tax laws or rules are found to be unconstitutional is changed such that the laws and rules must be found to be unconstitutional by the final decision of a court of record. Various technical changes are made.

***Fiscal Note:*** Requested January 26, 1991.

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

***Testimony For:*** This bill is needed to codify the taxpayer rights and responsibilities that were identified in the Department of Revenue's interim study. The business community has reviewed and supports this bill.

*Testimony Against:* None.

*Witnesses:* Dennis Okamoto, Director, Department of Revenue.

***VOTE ON FINAL PASSAGE:***

Yeas 97; Excused 1

Excused: Representative Nelson.