



PROPOSED RULE MAKING

CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Department of Revenue

- Preproposal Statement of Inquiry was filed as WSR 04-11-118; or
- Expedited Rule Making--Proposed notice was filed as WSR ; or
- Proposal is exempt under RCW 34.05.310(4).

- Original Notice
- Supplemental Notice to WSR _____
- Continuance of WSR _____

Title of rule and other identifying information:

WAC 458-20-196 Credit losses, bad debts, recoveries.

WAC 458-20-198 Conditional and installment sales, method of reporting.

Hearing location(s):

Capitol Plaza Building
4th Floor – L&P Large Conference Room
1025 Union Avenue SE
Olympia, Washington

Date: November 9, 2004 Time: 1:30 PM

Submit written comments to:

Nathan Schreiner
Department of Revenue
Post Office Box 47453
Olympia, Washington 98504-7453
e-mail NathanS@dor.wa.gov
fax : (360) 586-5543 by: November 9, 2004

Assistance for persons with disabilities: Contact Sandy Davis no later than 10 days before the hearing date. TTY 1-800-451-7985 or (360) 725-7499

Date of intended adoption: November 16, 2004
(Note: This is NOT the effective date)

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

WAC 458-20-196 (Rule 196) provides information about the tax treatment of bad debts and credit losses under the business and occupation (B&O), public utility, retail sales, and use taxes. Chapter 168, Laws of 2003 and Chapter 153, Laws of 2004 amended the bad debt provisions for several Washington taxes. The Department is proposing to amend Rule 196 to incorporate these changes, provide additional clarification regarding bad debt computations, and add examples to demonstrate the application of the law. The proposed rule also explains that an assignee of an installment sale is entitled to claim a sales tax bad debt credit or refund to the extent a credit or refund would have been available to the original seller. The Department anticipates canceling ETA 574.08.198 (Financial institutions incurring bad debts on contract assignments) when a revised Rule 196 becomes effective.

WAC 458-20-198 (Rule 198) explains the tax-reporting responsibilities of persons making installment sales of tangible personal property under the business and occupation (B&O), retail sales, and use taxes. The Department is proposing to amend Rule 198 to explain that interest income earned on installment sales contracts is subject to service and other activities B&O tax and to refer the reader to Rule 196 for an explanation of how to claim a bad debt deduction/credit when a buyer defaults on an installment obligation.

Reasons supporting proposal: To update the rule to reflect legislative changes, clarify the application of tax and/or tax credits, and incorporate information from an interpretive statement.

Statutory authority for adoption:
RCW 82.32.300, 82.01.060(1), and 34.05.230

Statute being implemented: RCW 82.04.4284, 82.04.090, 82.08.037, 82.08.090, 82.08.100, 82.12.037, 82.12.070, and 82.16.050(5) to the extent they apply to bad debts and installment sales.

Is rule necessary because of a:

- Federal Law? Yes No
 - Federal Court Decision? Yes No
 - State Court Decision? Yes No
- If yes, CITATION:

CODE REVISER USE ONLY

Filed: September 29, 2004

Time: 1:57 PM

WSR: 04-20-033

The above information was input by DOR.

Date

Name Alan R. Lynn

Signature

Title Rules Coordinator

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

None

Name of proponent: (person or organization) Department of Revenue

- Private
 Public
 Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Nathan Schreiner	1025 Union Ave. SE. Ste #544, Olympia ,Wa	(360) 570-6136
Implementation.... Alan R. Lynn	1025 Union Ave. SE. Ste #544, Olympia ,Wa	(360) 570-6125
Enforcement..... Janis P Bianchi	1025 Union Ave. SE. Ste #544, Olympia ,Wa	(360) 570-6147

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No. Explain why no statement was prepared.

The rule does not impose any new performance requirement or administrative burden on any small business not required by statute.

Is a cost-benefit analysis required under RCW 34.05.328?

Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

No: Please explain: The proposed rules are not a significant legislative rules as defined by RCW 34.05.328.