

Cite as Det. No. 20-0040, 39 WTD 188 (2020)

BEFORE THE ADMINISTRATIVE REVIEW AND HEARINGS DIVISION
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition for Correction of)	<u>D E T E R M I N A T I O N</u>
Reporting Frequency of)	
)	No. 20-0040
)	
...)	Registration No. ...
)	

Rule 22801; RCW 82.32.045: TAXES – WHEN DUE AND PAYABLE – REPORTING FREQUENCY. Under the Department’s general rule, when a taxpayer has exceeded the annual tax liability threshold, it will be assigned to report its tax liability on a monthly basis, unless it establishes that it is subject to a specific situation justifying a change to a less frequent reporting frequency.

Headnotes are provided as a convenience for the reader and are not in any way a part of the decision or in any way to be used in construing or interpreting this Determination.

McCormick, T.R.O. – A business that was previously assigned to report its taxes on a quarterly basis asks the Department to reconsider its recent decision requiring [the business] to now report its taxes on a monthly basis, asserting that the change in reporting frequency would present a costly burden. We deny the petition.¹

ISSUES

Under RCW 82.32.045 and WAC 458-20-22801, is a business that was recently assigned a monthly reporting frequency eligible to have its reporting frequency changed back to quarterly?

FINDINGS OF FACT

Taxpayer provides language education services. Historically, Taxpayer has been required to report its taxes on a quarterly basis.

On August 2, 2019, the Department’s Taxpayer Account Administration (TAA) holistically examined Taxpayer’s account, issuing Letter ID . . . , a frequency change notification (Notification), to Taxpayer on the same day. The Notification informed Taxpayer that, due to reporting an annual tax liability in excess of \$4,800, it was now assigned to report its taxes on a monthly basis, beginning October 1, 2019.

¹ Identifying details regarding the taxpayer and the assessment have been redacted pursuant to RCW 82.32.410.

On August 7, 2019, Taxpayer petitioned for administrative review of the change in its assigned reporting frequency. Taxpayer asserted that having to report its taxes on a monthly basis would be a costly burden for Taxpayer. Taxpayer alleged that the increased reporting frequency would subject Taxpayer to a 400 percent increase in its reporting expenses. Taxpayer also asserted that although its reported revenue has increased over the past few years, its business margins have been lower “due to price increases required to cover the additional expenses we have experienced.” Petition at 2. Taxpayer maintained that it is current in paying its taxes and requested to have its reporting frequency changed back to a quarterly basis.

A review of the Department’s records indicates that Taxpayer first registered with the Department on September 23, 2013. Taxpayer’s reported annual tax liability for each full year that it has been in business is as follows: for the year 2014, it reported \$. . . ; for the year 2015, it reported \$. . . ; for the year 2016, it reported \$. . . ; for the year 2017, it reported \$. . . ; for the year 2018, it reported \$. . . ; and for the year 2019, it reported \$

ANALYSIS

All excise taxes are due within 25 days after the end of the month in which the taxable activities occur. RCW 82.32.045(1). The Department may relieve a taxpayer from this monthly obligation and allow less frequent reporting up to a one-year (annual) reporting period. RCW 82.32.045(2); WAC 458-20-22801(2) (Rule 22801(2)).

Rule 22801(2) sets forth the general rule establishing the reporting frequency for various taxpayers based upon their tax liability amounts, as follows:

(a) General rule. Unless otherwise provided by the department, a taxpayer must report and pay taxes due according to the following schedule:

IF ANNUAL ESTIMATED TAX LIABILITY IS:	REPORTING FREQUENCY
Over \$4800.00 per year	Monthly returns:
Between \$1050.00 & \$4800.00 per year	Quarterly returns:
Less than \$1050.00 per year	Annual returns:

If a taxpayer’s actual or estimated annual tax liability is over \$4,800, then it will be assigned a monthly reporting frequency under the general rule. However, Rule 22801(2) also establishes the criteria that the Department will consider in determining whether a taxpayer may be relieved from a monthly reporting obligation, as follows:

(b) When requested by a taxpayer or group of taxpayers, the department may approve more frequent or less frequent reporting if, in the opinion of the department, the change assists the department in the efficient and effective administration of the tax laws of this state.

Rule 22801(2)(b). Under Rule 22801(2)(d), examples of qualifying reasons to relieve a taxpayer from monthly reporting include:

- The taxpayer has an increase or decrease in its estimated annual tax liability beyond the thresholds in Rule 22801(2)(a);
- The taxpayer has a seasonal or temporary business, which includes substantial periods of no taxable business activity;
- The taxpayer has repeatedly failed to comply with its tax reporting and/or payment obligations;
- The type of tax taxpayer reports is required to be filed on a specific frequency.

Here, Taxpayer has reported an annual tax liability above the \$4,800 threshold for every full year that it has been in business. Under the general rule established in Rule 22801(2)(a), Taxpayer is required to report its excise tax returns on a monthly basis. However, if the Department determines that a change in Taxpayer's reporting frequency will assist the Department in the efficient and effective administration of the tax laws, then the Department may relieve Taxpayer of its obligation to report its taxes monthly and may allow it to report less frequently. *See* Rule 22801(2)(b). Because Rule 22801(2)(a) is the general rule, Taxpayer must be able to establish that it is subject to a specific situation akin to the qualifying examples set forth in Rule 22801(2)(d), justifying such a change.

Taxpayer has failed to assert any specific situation similar to those specified in Rule 22801(2)(d). Taxpayer has asserted that having to report its taxes on a monthly basis would subject it to a costly burden. However, any alleged increase in reporting expenses would be the same burden required of any other taxpayer assigned a monthly reporting frequency. Because the burden Taxpayer asserts is the same burden borne by all monthly tax filers, Taxpayer has failed to establish any situation which would justify the Department deviating from its general rule.

Taxpayer also asserts that even though its reported revenue has increased over the past few years, its business margins have decreased. Taxpayer's assertion is again unpersuasive in that Taxpayer has exceeded the tax liability threshold for every full year that it has been in business. Taxpayer should have been assigned a monthly reporting frequency even earlier than the revenue increase it experienced. Again, Taxpayer has failed to establish any basis for the Department to deviate from its general rule requiring Taxpayer to report and pay its tax liability on a monthly basis.

DECISION AND DISPOSITION

Taxpayer's petition is denied.

Dated this 6th day of February 2020.