Inside look at Washington’s first amnesty program

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Amnesty program elements

- Amnesty bill passed during special session on Dec. 11, 2011.
- Seven weeks and four days to launch!
- Provided temporary penalty and interest waiver on select state and local excise taxes.
- Available for registered, unregistered businesses and closed businesses.
- Required amnesty recipients to remain current on taxes due during the amnesty program. Had to waive their right to seek a refund or challenge the taxes on any amount granted amnesty.
Application statistics

Applications received 10,974
Number of duplicates 1,676
Applications approved 5,420
Businesses granted amnesty 5,095
Businesses granted amnesty that did not owe any additional amount 570
Applications denied* 3,631

Top reasons for denial:
• Filed a late return during amnesty 34 percent
• Requested amnesty for invalid period 24 percent
• Never submitted amnesty payment 23 percent
Revenue statistics

• **Our initial estimate was $28.3 million**

• **Total revenue generated $345.8 million**
  - State general fund - $284.0 million
  - State public utility tax - $0.5 million
  - Cities and counties - $61.3 million

• **Penalties and interest waived $91.0 million**

• **New state general fund revenue $29.9 million**
Financial statistics

Amnesty dollars received by in-state/out-of-state businesses

- $93,438,433 (In-state)
- $252,377,717 (Out-of-state)
Financial Statistics

Amnesty dollars collected by business size

- Less than $1 million GBI: $27,668,791 (8%)
- $1 million - $4.99 million in GBI: $23,060,261 (7%)
- $5 million - $9.99 million in GBI: $10,492,154 (3%)
- $10 million to $49.99 million in GBI: $39,075,320 (11%)
- $50 million - $99.9 million in GBI: $22,975,781 (62%)
- $100 million or more in GBI: $32,513,843 (9%)

Department of Revenue
Washington State
Financial statistics

Amnesty dollars received from taxpayers by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Dollars Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Wholesale</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Retail</td>
<td>$15,000,000</td>
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<tr>
<td>Transportation</td>
<td>$10,000,000</td>
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<tr>
<td>Information</td>
<td>$150,000,000</td>
</tr>
<tr>
<td>Finance/insurance</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>Real Estate/Leasing</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Prof./Tech Services</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Admin Support</td>
<td>$5,000,000</td>
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<tr>
<td>Health Care</td>
<td>$10,000,000</td>
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<tr>
<td>Entertainment</td>
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<tr>
<td>Accom. &amp; Food Service</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>All other</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>
Impacts of amnesty on revenue collections

Dollars (In Millions)

- Estimates
- Actual

FY05: $396
FY06: $484
FY07: $420
FY08: $473
FY09: $471
FY10: $496
FY11: $550
FY12: $540
FY13: $540
FY14: $578
FY15: $657

Department of Revenue
Washington State
Lessons learned

• Require taxpayers to stay current for a longer time – up to one year.

• Draw clearer lines of distinction between unregistered accounts identified by tax discovery and unregistered accounts that came forward voluntarily.

• Disallow a business under audit to be considered under amnesty.

• Consider imposing consequences for taxpayers that don’t come forward.

• Do not disqualify taxpayers from amnesty if they are granted a penalty waiver.
Promoting voluntary compliance

Washington Dept. of Revenue’s Vision
To achieve the highest level of voluntary compliance and customer service through collaboration and innovation.

Approaches

• Clear, administrable legislation
• Industry education and outreach
• Audits (assigned and managed)
• Coordinated tax discovery efforts
• Voluntary Disclosure program
• Promote prosecution
Questions?