

**Department of Taxation
2001 Fiscal Impact Statement**

1. Patron: Miller, K.

2. Bill Number: SB 852

3. Committee: House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

4. Title: Employer Withholding Tax: Electronic
Filing of Annual Reports

5. Summary/Purpose:

This bill would require employers with 250 or more annual employee wage statements ("W-2 forms") to file their annual withholding report via magnetic media.

This bill would be effective for annual reports filed on and after January 1, 2002.

This is a Department of Taxation bill.

6. Fiscal Impact Estimates are: Preliminary. (See line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The department would incur minimal administrative costs for systems development and maintenance to implement this bill. This bill would have no impact on General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

In order to conform this bill to House Bill 1774, the following technical amendment is requested:

Page 1, Line 34: At the beginning of the line

Strike: less

Insert: fewer

11. Other comments:

Current Law

Currently, all employers are required to file an annual withholding return to report the amount withheld from their employees' compensation. Employers must attach copies of W-2 forms to this annual return.

The department currently has a contract for data processing services in order to capture the information from paper W-2 forms. A few employers provide this information to the department via magnetic media.

Proposed Changes

This bill would require employers with 250 or more W-2 forms to file their annual withholding report via magnetic media.

The Internal Revenue Service ("IRS") requires employers with 250 or more W-2 forms to file their annual report by magnetic media. There are approximately 1,200 Virginia employers that are currently required to file W-2 forms by magnetic media with the IRS, but file paper returns with the department.

In addition, the Virginia Employment Commission has been requiring employers with 250 or more employees to file quarterly unemployment tax reports electronically since 1994. (Chapter 249 (House Bill 2377) of the 1993 Acts of Assembly.)

Other Legislation

House Bill 1774 is identical to this bill except that the optional provision for filing electronic W-2 forms applies to employers with "fewer than 250 written statements" while this bill allows the option to an employer with "less than 250 written statements". The department has recommended an amendment to conform this bill to House Bill 1774.

c: Secretary of Finance