

DEPARTMENT OF TAXATION 2003 Fiscal Impact Statement

1. **Patron** Wardrup

2. **Bill Number** HB 1658

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Tax Administration: Filing Income Tax
Returns

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow individual income returns to be filed with either the Department of Taxation or the local Commissioner of the Revenue. Currently, individual income tax returns must be filed with the appropriate Commissioner of Revenue. This bill would also allow the Department of Taxation to solicit the direct filing of income tax returns with the Department.

This bill would be effective for taxable years beginning on and after January 1, 2004.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0	GF
2003-04	\$0	0	GF
2004-05	\$200,370	7	GF

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

This bill would have no effect on General Fund revenues.

The Department would incur additional administrative costs of \$200,370 in Fiscal Year 2005 and \$397,717 in Fiscal Year 2006 for 7 new full time employees that would be needed to handle increased phone and correspondence activity that was previously handled by Commissioners of the Revenue and additional tax return screeners to handle the increased amount of income tax returns filed directly with the Department.

9. Specific agency or political subdivisions affected:

Department of Taxation
Local Governments

10. Technical amendment necessary: None.**11. Other comments:**Current Law

Currently, individual income taxpayers are required to file their income tax returns with their local Commissioner of the Revenue, unless the locality opts to have its resident file directly with the Department of Taxation. Once a return is filed with the Commissioner of the Revenue, the return is entered directly into the Department of Taxation computer system through a remote connection with the Commissioner's office. The Commissioner of Revenue then screens the return for any errors and forwards the return to the Department of Taxation. Because of the Commissioner's ability to enter the return information into the Department of Taxation computer system, taxpayers do not experience a delay in the processing of their refunds as a result of this local filing process.

While returns can be filed directly with the Department through electronic means such as Tele-file and iFile, the Department is prohibited from soliciting direct filed returns.

Proposal

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cc : Secretary of Finance

Date: 01/22/03 CT

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