

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** William C. Mims

2. **Bill Number** SB 667

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Electronic Confirmation of Business Tax
Returns and Payments

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require the Department to provide an electronic method for business taxpayers to verify receipt by the Department of the taxpayer's return and payment.

This bill does not specify an effective date.

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

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2003-04	\$0	GF
2004-05	\$182,800	GF
2005-06	\$45,700	GF
2006-07	\$0	GF
2007-08	\$0	GF
2008-09	\$0	GF
2009-10	\$0	GF

7. **Budget amendment necessary:** Yes.

Item(s): 284 and 286 Department of Taxation

8. **Fiscal implications:**

This bill would have no impact on General Fund revenues. Assuming that the amendment suggested by the Department is adopted, the administrative costs to implement this bill would be \$182,800 in FY 2005 and \$45,700 in FY 2006 for systems modifications.

The Department is upgrading its systems and anticipates completing the upgrade in the coming year. If this bill must be implemented before the upgrade is completed then both the existing and new system must be modified, and our ability to implement the new system will be jeopardized. Accordingly, we recommend that the effective date of this bill be deferred to July 1, 2005. If this bill must be implemented on July 1, 2004, then, the Department would incur administrative costs of \$281,302 in FY 2004 and \$127,648 in FY 2005 to modify both the existing and new systems.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

If the intent of this bill is to require the electronic confirmation of returns and payments for corporate income tax and withholding tax, the following amendment is suggested.

Page 1, Line 30, after business

Strike: under Articles 2 (§ 58.1-320 et seq.) and 10 (§ 58.1-400 et seq.)

Insert: for corporation income and estimated taxes under Articles 10 (§ 58.1-400 et seq.), 14 (§ 58.1-440 et seq.) and 20 (§ 58.1-500 et seq.) and withholding tax under Article 16 (§ 58.1-460 et seq.)

In order to reduce cost to implement this bill, the following amendment is suggested:

Page 1, Line 32, at the end of the line

Insert: 2. That the provisions of this act shall be effective July 1, 2005.

11. Other comments:

Currently, the Department allows businesses to file their sales and withholding taxes on-line, as well as making estimated payments of corporate income tax and filing extension requests. On-line filers receive immediate electronic confirmation. However, taxpayers who file by other means, such as on a paper return, can confirm the receipt and processing of a return or payment by calling a customer service representative, who must verify the caller's identity before releasing taxpayer information. The provisions of this bill would apply to taxpayers who file paper returns, or file by any means other than electronically, and then desire electronic confirmation.

For security reasons, the Department envisions implementing this bill with an on-line form for the taxpayer to fill in information about the return and/or payment. The Department will then respond with an email that simply states that the specified return or payment has or has not been received. No taxpayer information will be contained the email.

Assuming that the technical amendment is accepted, the taxes that would be eligible for electronic confirmation under this bill are corporation income tax returns and payments (including estimated tax payments), and withholding tax returns and payments. Individual income tax returns and payments would not be eligible for electronic confirmation.

The Department is nearing completion of a major upgrade to its systems. Delaying the effective date of this bill until July 1, 2005, will significantly reduce implementation costs since only the new system will require modification.

cc : Secretary of Finance
Date: 2/2/2004 JPJ