

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** L. Kaye Kory

3. **Committee** Senate Finance

4. **Title** Electronic Filing of Certain Returns

2. **Bill Number** HB 1045

House of Origin:

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

Second House:

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

5. **Summary/Purpose:**

This bill would increase electronic filing by reducing the E-file threshold for tax preparers from 100 to 50 for individual income tax returns, gradually reducing the electronic W-2 filing threshold for employers from 250 employees to 50 employees over two years, and requiring certain dealers filing consolidated sales tax returns to file electronically. This bill would provide a hardship waiver for those tax preparers and taxpayers who can demonstrate to the Tax Commissioner that filing electronically would result in an unreasonable burden or undue hardship.

The requirements regarding individual income tax returns and annual employee wage statements would be applicable beginning with returns or statements for taxable year 2010 filed in 2011. The requirement regarding consolidated sales tax returns would be applicable beginning with the July 2010 return due on August 20, 2010.

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

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

8. **Fiscal implications:**

Administrative Costs

The introduced Executive Budget incorporates the administrative savings associated with this bill. This bill would result in an administrative cost savings for the Department of Taxation of \$95,000 in Fiscal Year 2012 and \$205,000 for each fiscal year thereafter.

Revenue Impact

This bill would have no revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Currently, tax preparers who prepared at least 100 individual income tax returns for a taxable year must file all individual income tax returns using electronic means or software that produces a two dimensional (2D) barcode reflecting information contained in the returns. In addition, employers with 250 or more W-2s must file their annual withholding report via magnetic media.

Merchants required to register with TAX as dealers for purposes of the state and local Retail Sales and Use Tax are required to file monthly returns and remit the tax collected in the previous month on or before the twentieth day of each month. Large retailers that have stores in more than one locality are required to file a consolidated retail sales and use tax return. In addition, retailers who have a monthly sales tax liability in excess of \$20,000 are required to pay the tax electronically, but the return can be mailed. TAX generally must process these returns and distribute the funds to localities within two weeks of the due date for the return and payment.

Proposal

Under the requirements imposed by this bill, preparers of individual income tax returns would be required to file returns electronically if they prepared 50 or more returns in the preceding year. Existing law allows individual taxpayers to opt out of electronic filing for their own returns, and the preparer can seek a waiver from the filing requirement by demonstrating that electronic filing would cause an undue hardship. The new requirement would apply to returns for Taxable Year 2010 filed in 2011.

In addition, employers who furnish more than 150 W-2 statements for calendar year 2010 and 50 W-2 statements for any calendar year beginning on or after January 1, 2011 would be required to file them electronically. Existing law allows the employer to seek a hardship waiver from the filing requirement by demonstrating that electronic filing would cause an unreasonable burden. The new requirement would apply to statements for calendar year 2010 filed in 2011.

Finally, large retailers who file consolidated retail sales and use tax returns for stores in more than one locality would be required to file the consolidated return electronically. The new requirement would apply to the July 2010 return due on August 20, 2010. In addition, this requirement would only apply to those retailers who are required to pay their taxes electronically because they have a monthly sales tax liability in excess of \$20,000.

Similar Bills

Senate Bill 357 is identical to this bill.

cc : Secretary of Finance

Date: 2/12/2010 JKM
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