

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Nicholas J. Freitas

3. **Committee** House Finance

4. **Title** Unemployment insurance tax reports and payments; filing

2. **Bill Number** HB 538

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require the Department of Taxation ("the Department") to include on the its tax portal the ability for taxpayers to file unemployment insurance tax reports and pay unemployment insurance taxes through the same means used for other business tax filings. The bill would also require the Department and VEC to require taxpayers to use the same username and password for accessing the systems of both agencies.

The effective date is not specified.

6. **Budget amendment necessary:** Yes.

Item 275, Department of Taxation

Item 123, Virginia Employment Commission

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

8. **Fiscal implications:**

Administrative Costs

This bill would require both the Department and the Virginia Employment Commission ("VEC") to make changes to their systems, resulting in administrative costs to both agencies. While the Department has hosted applications on its system to allow VEC data to be submitted, the filing transactions actually occur on the VEC website. The Department does not currently maintain the online forms, filing, or payment functionality for VEC.

Because the bill would require VEC to direct its taxpayers to the Department's website, it appears that VEC would no longer process its own tax returns and payments. This would expand the Department's involvement with VEC information and require significant development costs by both agencies for their websites and internal systems to receive and transmit the information. VEC estimates that it would incur costs of about \$1 million. If the intent is for the Department to handle all of VEC's filings, the Department's costs would be at least \$1 million.

Additionally, the VEC has been developing its system to take over the functionality currently provided by the Department. The VEC estimates that it has spent about \$200,000 on this project that would have to be abandoned if this bill is enacted.

The bill would also require that taxpayers be able to use the same username and password for both the Department's taxes and VEC's taxes. While this is currently an option for the VEC applications hosted on the Department's website, both agencies offer extensive additional capabilities on their own websites. Additional costs may be incurred to address the security implications of using the same username and password for each agency's websites.

Revenue Impact

This bill would have no impact on state or local revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
Virginia Unemployment Commission

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The VEC website offers several methods for filing and paying electronically, as well as instructions for filing on paper. For several years, VEC has linked to the Department of Taxation's iFile and Web Upload functions. Recently, VEC has upgraded its systems, which includes online functions similar to those offered by the Department. VEC is planning to utilize its own electronic filing systems in the future.

Proposal

This bill would require the Department to expand online filing and payment functions for taxes administered by the VEC and prohibit VEC from using its own systems to accept electronic filings and payments. The bill would also require the Department and VEC to require taxpayers to use the same username and password for accessing the systems of both agencies.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/24/2018 JJ
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