

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5151-01
Bill No.: SB 1138
Subject: Revenue Department; Taxation and Revenue
Type: Original
Date: March 6, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund*	UNKNOWN	UNKNOWN	UNKNOWN

* Could exceed \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state notification would need to be sent to the impacted taxpayers if/when the director requires electronic filing of withholding tax returns.

This legislation could reduce the FTE need for pre-edit of returns. It also could reduce the cost of printing and mailing returns, the cost of depositing paper checks, and the cost of manually keying returns. The actual amount of possible reduction is unknown at this time.

Forms costs could be reduced, depending on how many returns are mandated to file electronically.

For FY 2006, there were 789,002 forms printed by vendors for a cost of \$195,352.06 (not including postage). There were 1,363,700 forms printed by state printing in 2005 for a cost of \$62,724.51.

The increase in electronically filed returns would also increase the number of registrants for Automated Clearing House transactions requiring a taxpayer to complete, and DOR to process, a trading partner agreement. However, the need for additional FTE in this area could be supplemented by the reduction of FTE needs in other areas.

ASSUMPTION (continued)

Oversight will assume the fiscal impact for the electronic filing of the motor fuel tax return, the employer withholding returns and the sales tax returns will be ranged from \$0 to a positive unknown, since the language is permissive to the Director of DOR. Oversight will assume an unknown positive fiscal impact (potentially over \$100,000) to the General Revenue fund for requiring tax practitioners to file electronically.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Savings</u> - Department of Revenue Forms, Postage, Personal Service, etc. from requirement of taxpayers to file returns electronically	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND *	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

* **Could exceed \$100,000**

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses may be required to file various tax returns to the state electronically. Also, small business tax practitioners or preparers may be required to submit tax returns electronically on behalf of their clients.

DESCRIPTION

This proposal allows the Director of the Department of Revenue to require that motor fuel tax returns be submitted electronically in an approved format after notifying effected entities in writing at least six months prior to the effective date. The Director of the Department of Revenue may require employer withholding returns and payments be submitted in electronic format provided employers are notified a minimum of six months prior to the effective date of such requirements.

From January 1, 2006, to January 1, 2007, any person acting as a practitioner or preparer and who completed and filed more than two hundred individual income tax returns in the previous calendar year is required to transmit such returns electronically in a format approved by the director. From January 1, 2007, to January 1, 2008, any such person who completed and filed more than one hundred individual income tax returns in the previous calendar year is required to transmit such returns electronically in a format approved by the director. On or after January 1, 2008, any such person acting who completed and filed more than fifty individual income tax returns in the previous calendar year is required to transmit such returns electronically in a format approved by the director.

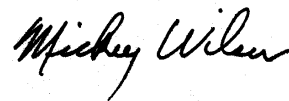
If a taxpayer has been granted an extension of time for filing his or her federal income tax return electronically, the Missouri individual income tax return shall have the same due date, as long as such return is also filed electronically.

The director may require sales tax returns and payments be submitted in electronic format provided sellers are notified a minimum of six months prior to the effective date of such requirements and that the sellers are required to file returns at least monthly.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue



Mickey Wilson, CPA

L.R. No. 5151-01
Bill No. SB 1138
Page 5 of 5
March 6, 2006

Director
March 6, 2006