

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5382-01
Bill No.: SB 1275
Subject: Revenue Dept; Taxation and Revenue - General; Taxation and Revenue - Income;
 Taxation and Revenue - Sales and Use
Type: Original
Date: March 31, 2008

Bill Summary: Would allow the Director of Revenue to require certain tax returns be filed electronically.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue *	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue Fund *	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

* could exceed \$100,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on Other 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 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to the Division of Budget and Planning. This proposal would allow the Director of Revenue to require electronic filing of returns for income, motor fuel, sales, and withholding taxes. The Department of Revenue should provide the estimate of possible savings or increased costs as a result of this proposal.

Officials from the **Department of Revenue** (DOR) assume this proposal would have no fiscal impact on their organization.

In response to a similar proposal in a prior session (SB 1138, LR 5151-01, 2006) DOR assumed that notification would need to be sent to the impacted taxpayers if/when the director requires electronic filing of withholding tax returns. DOR stated that the proposal could reduce the FTE needed for pre-edit of returns, and could also reduce the cost of printing and mailing returns, the cost of depositing paper checks, and the cost of manually keying returns.

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 at a cost of \$195,352 (not including postage). There were 1,363,700 forms printed by state printing in 2005 for a cost of \$62,725.

DOR stated that the increase in electronically filed returns would 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 offset by the reduction of FTE needs in other areas.

Oversight will estimate the impact of this proposal as \$0 or a positive unknown since the language would permit DOR to implement electronic processing for certain returns.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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GENERAL REVENUE FUND

Savings - Department of Revenue
 Forms, Postage, Personal Service, etc.
 from implementation of electronic filing
 requirement. *

<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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**ESTIMATED NET EFFECT TO THE
 GENERAL REVENUE FUND ***

<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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* Could exceed \$100,000.

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposal could impact small businesses involved in tax return preparation, as well as small businesses which could be required to file certain tax returns electronically.

FISCAL DESCRIPTION

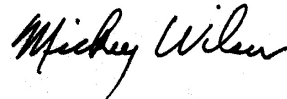
This proposal would allow the Department of Revenue to implement electronic filing requirements for certain tax returns and tax return preparers.

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

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SOURCES OF INFORMATION

Office of Administration
Division of Budget and planning
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 31, 2008