

REVENUE: Impact Statement Issued
FISCAL: Minimal Expenditure Impact

Action: Do Pass
Vote: 8-0-0
Yeas: Bailey, Bentz, Brewer, Gelser, Read, Wand, Barnhart, Berger
Nays: 0
Exc.: 0
Prepared By: Chris Allanach, Economist
Meeting Dates: 2/7; 2/16

WHAT THE BILL DOES: Grants rule making authority to the Department of Revenue to require paid tax preparers and corporations to file electronic returns if they are required to do so for their federal returns. Allows the department to establish exceptions to these rules. Applies to tax years beginning on or after January 1, 2011. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Impact on cost of tax preparer software
- Validation and accuracy of electronic tax returns
- Cost of processing tax returns

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: The number of personal income tax returns that have been filed electronically has increased from 164,132 in 1998 to 1,137,757 in 2008. The share of returns filed electronically has grown from 10 percent to 63 percent over this time period. Beginning January 1, 2011, tax professionals who prepare at least 100 individual tax returns during the tax year are required to file them electronically; beginning on January 1, 2012, that threshold is reduced to eleven. Since 2009, corporations that file at least 250 forms (including income, excise, employment tax returns, and other forms such as 1099s, and W-2s) during the calendar year and have total assets of at least \$10 million are required to file the federal forms electronically.