

House Revenue Committee

HB 2071

**Executive Summary:**

Authorizes the Department of Revenue to require that tax practitioners or corporations that are required to file federal tax returns electronically must also file state tax returns electronically.

Federal tax regulations require some corporations or tax practitioners to file tax returns electronically rather than on paper. The federal requirements are:

- For tax years beginning January 1, 2011 - for preparers who anticipate filing 100 or more Forms 1040, 1040A, 1040EZ and 1041 during the year
- For tax years beginning January 1, 2012 - for preparers who anticipate filing 11 or more 1040, 1040A, 1040EZ and 1041 during the year
- For tax years beginning after 2008 - corporations that file 250 or more returns during the calendar year and that have total assets of \$10 million ("returns" includes forms and schedules for federal income tax, excise tax, employment tax, and other information forms or schedules such as Forms W-2, 1099, etc.)

Electronic filing has a number of advantages, including:

- Lower error rates
- Reduced costs to process and store tax returns
- The ability to capture and use information more efficiently

Current law allows electronic filing of state tax returns but the Department of Revenue cannot require electronic filing. This is the case even though electronic filing may be required for federal tax purposes. Vendors that create the software used for electronic filing have indicated that if a state mandate is in place, they will support it. However, creating an electronic filing option may take a lower priority if there is no mandate.

HB 2071 authorizes the Department of Revenue to adopt rules that require tax returns to be filed electronically if the corresponding federal tax return must be filed electronically. The bill also authorizes the department to provide exemptions from the mandate in case of hardship or undue burden. The requirement applies to tax years beginning on or after January 1, 2011.