

# HOUSE RESEARCH

## Bill Summary

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### Overview

Makes changes to tax compliance. Makes an appropriation for tax compliance initiatives and requires the Department of Revenue to maintain toll-free taxpayers assistance telephone service. Also makes changes consistent with recommendations in a recent evaluation of tax compliance prepared by the Legislative Auditor, by requiring

- the commissioner of revenue to enter into an agreement with the IRS for IRS processing of electronically filed state returns,
- electronic filing of employer withholding returns, and
- a study of the provision of sales and use tax forms and telephone assistance to limited-English speakers.

### Section

- 1 Toll-free taxpayer assistance telephone service.** Requires the commissioner of revenue to maintain toll-free taxpayer assistance telephone service for calls from within Minnesota.
- 2 Income tax return processing agreement with IRS.** Directs the commissioner to enter into an agreement with the Internal Revenue Service (IRS) under which the IRS would

## Section

process electronically filed state returns together with federal returns. Minnesota is one of only four states that has an income tax and does not participate in the IRS' "Fed-State" program for processing state and federal returns.

- 3 **Electronic filing of withholding tax returns.** Requires employers who are required to withhold Minnesota individual income taxes for more than 100 of their employees to submit their Minnesota W-2 filings to the commissioner by electronic means. Effective for wages paid in tax year 2007. Provides for the 100 employee threshold to decrease to 25 for tax year 2008, and to 10 for tax year 2009 and following years.
- 4 **Sales and use tax; services to taxpayers with limited English proficiency.** Directs the commissioner of revenue to study and implement procedures and services to help individuals with limited English language proficiency to comply with the sales and use tax. Requires the commissioner to study the benefits of translating various publications into Spanish and other languages, and to study how to direct incoming phone calls from limited English speakers. Requires the study and plan to implement its findings to be presented to the House and Senate tax committees by February 1, 2008.
- 5 **Appropriation; tax compliance initiatives.** Appropriates \$4.33 million in fiscal year 2008 and \$5.907 million in fiscal year 2009 to the Department of Revenue for tax compliance initiatives. As proposed in the Governor's budget, this money would be used to hire an estimated 53 new auditors in FY 2008, and an additional 15 auditors in FY 2009. Requires the Department to report to the legislature on various performance indicators by March 1, 2008 and by January 15, 2009. States that the appropriations in this section are expected to result in an additional \$51.2 million in revenues in the 2008-2009 biennium.