

Mandates to Electronic File

MSATA

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Tax Practitioner/Preparer Mandate for Individual Income

- Administrative Rule changed in 2002
- 200 or more returns filed in 2002
- 100 or more returns filed in 2003 and later

Not Required to E-File if:

- Applied and were granted a waiver for undue hardship
- Taxpayer didn't want return e-filed
- No electronic filing option available

Mandate Letters

- 8,000 letters to practitioners mailed September 2002
- 10,480 letters to practitioners mailed June 2003
- 260 requested waivers

Results

- 35% increase in practitioner prepared electronically filed returns

Follow Up

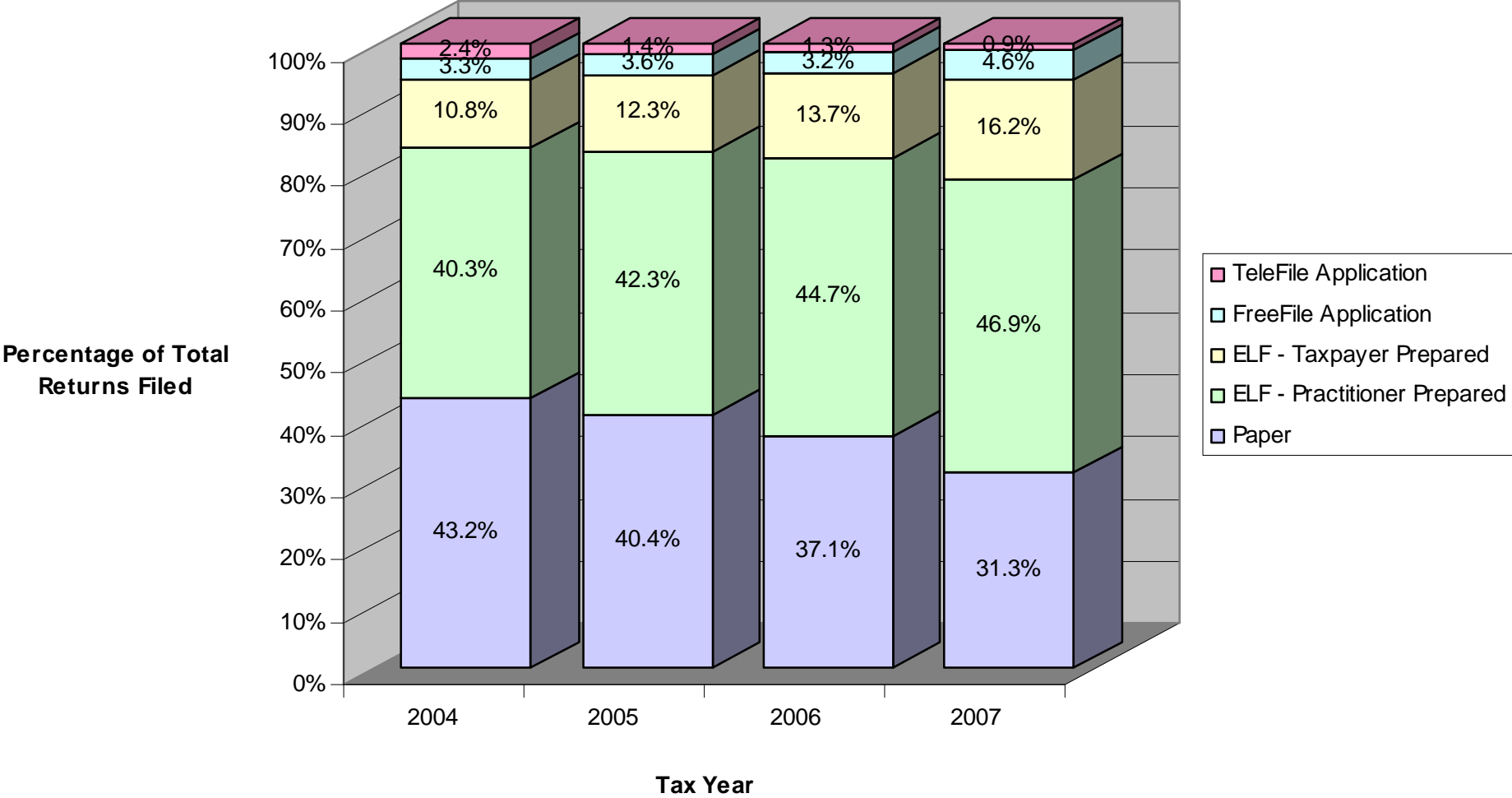
- 2005, approximately 600 letters mailed to practitioners to see if compliant
- Majority were compliant
- 60 practitioners were brought into compliance

Preparer Size	Number of Preparers	ELF Returns	Paper Returns	All Returns	E-filer Rate
1000+	271	624,836	80,257	705,093	88.6%
500 to 999	313	185,591	35,524	221,115	83.9%
100 to 499	920	173,517	58,745	232,262	74.7%
50 to 99	348	12,397	12,535	24,932	49.7%
25 to 49	450	7,042	8,919	15,961	44.1%
6 to 24	1503	6,224	10,717	16,941	36.7%
1 to 5	11664	5,327	13,221	18,548	28.7%
Total	15,469	1,014,934	219,918	1,234,852	82.2%

Findings

- Majority are following mandate
- Except:
 - 7 practitioners who filed over 1,000 returns and less than 50% of them were electronic
 - 11 practitioners who filed over 500 return with none electronic

Individual Income Tax Returns by Filing Method



Business Tax Mandates

- Sales/Use Tax Returns (ST-12)
 - Early monthly and monthly filers mailed mandate letters
 - Approx. 48% of returns are e-filed

Business Tax – cont.

- Employers Annual Reconciliation of WI Withholding (WT-7)
 - “Big 3” payroll providers (Ceridian, Paychex & ADP) mailed mandate letters
 - Approx. 21% of returns are e-filed

Business Tax – cont.

- Electronic Funds Transfer (EFT)
 - Corporate income/franchise tax
 - Sales tax
 - Income tax withholding
 - All pass-through withholding
- No mandates letters mailed

- Corporation - 22% e-filed
- Income tax withholding – 44% e-filed
- Pass-through withholding – 50% e-filed

Recommendations

- Publicize mandate to all practitioners, businesses and individuals
- Specifically communicate w/practitioners, businesses and individuals not abiding by mandate (in person, by phone, by email)
- Mail new mandate letters to practitioners, businesses and individuals who meet mandate requirements
- Continue follow up on these letters yearly

Amend Mandate Law/Rules to require more e-filing

- Practitioners that file 50 or more individual income tax returns
- Corporation tax returns
- Partnership tax returns
- Business taxes, including local expo, premier resort, rental vehicle, etc.
- Lower tolerances for business tax and EFT

Recommendations – cont.

- Propose a penalty for not abiding by the mandate
- Offer incentives to e-file
- Positively reinforce practitioners and businesses that have high e-file rates
- Offer a number of options to e-file all tax forms
- Simplify processes

Recommendations – cont.

- Be ready for MeF Form 1040 in August 2009
- MeF will allow:
 - More individual income tax forms (Form 1NPR & Form 1X)
 - E-File open most of year
 - Prior year tax returns as years go on
 - Already allows e-filing of Corporation and Partnership returns

Recommendations – cont.

- Communicate benefits of e-filing and what mandates are
- Communicate to everyone
 - Practitioners
 - Legislators
 - Software vendors
 - Internal staff
 - Individual filers

Reduce or eliminate the mailing of certain tax booklets

- For 2008 tax year, WI is:
 - Reducing # of Individual income tax booklets (only DOR paper forms filed)
 - No Corporation booklets
 - No Partnership booklets
 - No WT-6 withholding vouchers 7/31/08

Recommendations – cont.

- Dedicate resources
 - Getting mandate letters out and doing the follow up
 - Promoting e-filing
 - E-File training materials for individuals, practitioners and internal staff