

2013 HOUSE FINANCE AND TAXATION

HB 1097

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1097
January 15, 2013
Job #17229

Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to electronic filing of sales and use tax returns and electronic payment of sales and use taxes.

Minutes:

Attached testimony #1

Chairman Belter: Opened hearing on HB 1097.

Myles Vosberg, Director of the Tax Administration Division of the Office of State Tax Commissioner: See attached testimony #1.

Chairman Belter: Of those businesses that are not doing it electronically, is there any particular reason why they are not doing it and are they aware that this legislation has been introduced? Have you gotten any feedback on this?

Myles Vosberg: We are not receiving any feedback. We haven't really been promoting this legislation so some of these taxpayers aren't going to be aware of this. We encourage electronic filing on a regular basis in our newsletters and other methods. When new permit holders register we promote the web file. Regarding any particular reason why they are not using it, I cannot answer that.

Representative Klein: What's the approximate cost for these companies to move to this system?

Myles Vosberg: There really isn't a cost because it doesn't require a program. It's online and on the web. The user just needs to go online and register for the system and then the system is available to them. That gives them the ability to file and pay electronically. This also gives them the ability to look at past returns that they've filed. There really is no upfront cost on this.

Representative Klein: Have you been promoting it with these companies to do it or what's the reason they are not doing it?

Myles Vosberg: I don't really know why they aren't all using it. We are getting about 2/3 of the returns from these filers now and I'm not sure why with the other 1/3.

Representative Zaiser: Do you think that perhaps the reason these people are reluctant to go to electronic filing are not doing so because they have mom and pop businesses and they probably don't have the knowledge or don't know how to run the program and electronically file it. Could that be a possibility?

Myles Vosberg: What we're attempting to do is just have the larger permit holders required to file here. We are talking businesses that have \$333,000 taxable sales and purchases.

Representative Marie Strinden: Are you still sending the paper forms out when it's time to file the sales tax? If you are, are they choosing to file their forms on paper then?

Myles Vosberg: We don't send the paper returns out if they've registered to file electronically. They will no longer receive a paper return.

Representative Marie Strinden: If this were to go into effect would there be any mail that would go along with it like a postcard to remind them to file on line or would it be completely on them to go online?

Myles Vosberg: We do send an email. Part of the registration process is for the filer to give us an email address. There is a reminder that goes out about a month before the due date.

Representative Froseth: What is the penalty? There might be a lot of businesses that don't have the technology to file electronically. Is the tax department going to be lenient with those that show good cause why they can't and waive these penalties?

Myles Vosberg: The penalty for not filing or filing late is 5% of the tax due minimum of \$5.00. There is additional interest until the return is paid. There is a provision in here that does allow us to waive so if someone doesn't have a computer system or they don't have access we can waive this requirement to file electronically and we would do so.

Representative Hatlestad: Those people that are filing electronically, what percentage of them pay electronically?

Myles Vosberg: Interestingly enough, if you look at just the dollar amount a larger percent of the dollars get paid electronically than get paid by a check. However if you look at the number of transactions I think it's only about 1/3 of the payment transactions are electronic and 2/3 would be checks coming in.

Representative Hatlestad: If you're going to request they all file electronically why would you not also then require an electronic payment?

Myles Vosberg: I wouldn't be opposed to that but I think the biggest efficiency for us is the number of errors it cuts down on the returns. The payment is fairly an easy process so if someone chooses to file electronically now they have an option of having a debit electronically coming out of their account; they can issue a credit through their bank and tell

the bank to send their payment. If they choose to pay by check a voucher gets printed out and is part of the process and then they write their check and send it to us. The errors that we experience that are the most time consuming for us to deal with are on the returns themselves rather than the payment.

Representative Owens: We're talking about a penalty associated with not filing. It strikes that some people may feel that if they go online and fill out this form they may be concerned with having the proof that they filed. Once they complete the form can they print out the fact that they filed electronically?

Myles Vosberg: When they file electronically they get a confirmation number. The time that it is submitted is recorded in the system so we know exactly when they filed.

Chairman Belter: Any further testimony in support of 1097? Any opposition of 1097? Any neutral testimony on 1097? If not we will close the hearing on HB 1097.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1097
January 16, 2013
17271

Conference Committee

Committee Clerk Signature

Mary Bruner

Explanation or reason for introduction of bill/resolution:

A Bill relating to electronic filing of sales and use tax returns and electronic payment of sales and use taxes.

Minutes:

Chairman Belter: Opened hearing on HB 1097.

Representative Dockter: Made a motion for a DO PASS.

Representative Marie Strinden: SECONDED.

Representative Kelsh: I had some questions about what retailers are required to file monthly and which ones are required to file quarterly. I know there are a number of businesses that have over \$330,000 in sales that are required quarterly so I just want some clarification on that. This bill applies to monthly filers.

Representative Drovdal: When I was in business 15 years ago it was based on the sales that merchant would have. If the sales were over \$250,000 annually then you were required to file monthly and if they were under that then you would have to file quarterly. It's all based on the size and sales of a business.

Representative Kelsh: I talked to a business owner, my wife, and I asked her if she has over \$330,000 in sales annually and she is required to file quarterly. All these other businesses that she is on a round table with file monthly.

Vice Chairman Headland: Does she file electronically today?

Representative Kelsh: She does but it's quarterly.

Representative Dockter: The tax department is supposed to notify the business once they've met that threshold to go to a monthly from a quarterly. I own a payroll business and we get notices from the tax department for companies when they meet that threshold in order to file monthly. It's the tax department that flags it because they have it in their system and then they require them to do it monthly.

Representative Kelsh: I'm fine with the bill as it stands.

Chairman Belter: I had an experience on our farm where we were required to withhold state income tax for agricultural employees and on most farms they don't hire that many employees. It was a real hassle for a farm to handle that so I brought a bill forward and the commissioner at the time was Heitkamp and they supported the bill. It was a burden for the farmers to require a withholding but the tax department didn't like it either because there was so much paperwork involved for the small amount they were collecting. If there's no further discussion will the clerk read the roll for a Do Pass on HB 1097?

**Roll call vote taken: 14 Yes 0 No 0 Absent: DO PASS.
Representative Dockter will carry the bill.**

Date: 1-16-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1097

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By R. Dockter Seconded By R. Strinden

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment R. Dockter

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1097: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1097 was placed on the Eleventh order on the calendar.

2013 SENATE FINANCE AND TAXATION

HB 1097

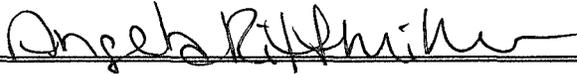
2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB 1097
3/6/2013
Job Number 19469

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-39.2-12 of the North Dakota Century Code, relating to electronic filing of sales and use tax returns and electronic payment of sales and use taxes; and to provide an effective date.

Minutes:

Testimony Attached

Chairman Cook opened the hearing on HB 1097.

Myles Vosberg, Tax Department - See attached testimony 1 in favor of HB 1097.

Chairman Cook - These retailers get compensated do they not?

Myles Vosberg - Correct, all retailers get compensated.

Chairman Cook - What if we tied compensation to electronic filing?

Myles Vosberg - We thought about that at one time before we went to compensation for everyone. So right now all sales tax permit holders are getting 1.5% up to \$93.75 and there is a bill that has been introduced that will raise it to \$110.00.

Vice Chairman Campbell asked if eventually everyone would be electronically filing.

Myles Vosberg said that is a possibility, they are encouraging and trying to get more electronic filing. (6:19)

Senator Burckhard - Whenever I see stuff that says reduction in staff, resources needed, or more efficiency, do you think that would ever lend itself to not replacing an employee that retires or that kind of efficiency or just they will have better use of their time?

Myles Vosberg - We have plenty of work to do and we have other compliance issues that we can work on where we would put those resources to. It would be less in processing.

Chairman Cook closed the hearing on HB 1097.

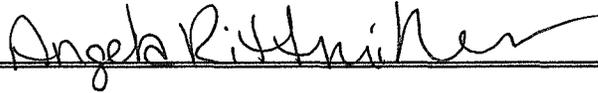
2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1097
3/25/2013
Job Number 20420

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-39.2-12 of the North Dakota Century Code, relating to electronic filing of sales and use tax returns and electronic payment of sales and use taxes; and to provide an effective date.

Minutes:

Chairman Cook opened discussion on HB 1097.

Senator Triplett - I'll move a **Do Pass**.

Seconded by **Vice Chairman Campbell**.

Senator Dotzenrod - There was no opposition to this.

Chairman Cook - Not yet, I'm sure we will step on the toes of a retailer out there who is not going to be happy that they have to file electronically.

Vice Chairman Campbell - Its \$333,000 or more right, so the small ones still don't have to.

Senator Miller - The Tax Commissioner can still waive the requirement for electronic filing.

Chairman Cook - Good point.

Roll Call Vote 7-0-0

Carried by **Senator Miller**.

Date: 3-26-13
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1097**

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Triplett Seconded By Senator Campbell

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Miller

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1097: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1097 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

HB 1097

/

**TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER
BEFORE THE
HOUSE FINANCE AND TAXATION COMMITTEE**

HOUSE BILL 1097

January 15, 2013

Chairman Belter, members of the House Finance and Taxation Committee, I am Myles Vosberg, Director of the Tax Administration Division of the Office of State Tax Commissioner and I am here today in support of House Bill 1097.

EXPLANATION OF THE BILL

Under current law, sales tax permit holders that report \$333,000 of taxable sales and purchases for the previous calendar year are required to file monthly sales and use tax returns. The purpose of House Bill 1097 is to require these same sales and use tax permit holders to file their monthly sales and use tax returns electronically.

Reducing paper and doing business electronically has become more and more common over the years and in some types of transactions has become the standard. The Tax Commissioner's Office has developed electronic filing systems for most of the tax types that we administer and we encourage taxpayers to utilize these systems, which generally help reduce errors and improve efficiency.

Electronic returns reduce printing and postage costs and eliminate questions regarding if returns were filed timely by taxpayers. An additional benefit is the reduction in staff resources needed for processing, which allows Department staff to put more time into other compliance processes that cannot be automated. The Commissioner's WebFile system greatly increases the accuracy of sales tax returns filed. In addition to making all return calculations, the real time features of WebFile assures that required fields of information are completed and, in certain cases, prompts the return filer regarding questionable entries during the filing process. All these features help improve the accuracy of returns, which saves time for both the taxpayer and the Tax Commissioner's Office.

Based on our current level of large sales tax permit holders, between 5,500 and 5,600 permit holders will be required to file electronically under HB1097. Slightly over two-thirds of these permit holders are already registered to use our WebFile system and are filing their

sales tax returns electronically. Just over half of all sales tax returns (monthly, quarterly, semi-annual, and annual) returns, are filed electronically through our WebFile system.

Although the Tax Commissioner's Office also has the ability to receive electronic payments and encourages electronic payment by taxpayers, the requested change for electronic filing by the larger sales tax permit holders is for submitting returns only and does not include electronic payment.

CONCLUSION

The Tax Commissioner is requesting the ability to require electronic sales tax returns from the largest sales tax permit holders. Electronic returns will help our office become more efficient and will help reduce the number of sales tax returns filed in error. We ask the committee for a do pass recommendation on HB1097. Thank you for your consideration.

**TESTIMONY OF THE OFFICE OF STATE TAX COMMISSIONER
BEFORE THE
SENATE FINANCE AND TAXATION COMMITTEE**

HOUSE BILL 1097

March 6, 2013

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Myles Vosberg, Director of the Tax Administration Division of the Office of State Tax Commissioner and I am here today in support of House Bill 1097.

EXPLANATION OF THE BILL

Under current law, sales tax permit holders that report \$333,000 of taxable sales and purchases for the previous calendar year are required to file monthly sales and use tax returns. The purpose of House Bill 1097 is to require these same sales and use tax permit holders to file their monthly sales and use tax returns electronically.

Reducing paper and doing business electronically has become more and more common over the years and in some types of transactions has become the standard. The Tax Commissioner's Office has developed electronic filing systems for most of the tax types that we administer and we encourage taxpayers to utilize these systems, which generally help reduce errors and improve efficiency.

Electronic returns reduce printing and postage costs and eliminate questions regarding if returns were filed timely by taxpayers. An additional benefit is the reduction in staff resources needed for processing, which allows Department staff to put more time into other compliance processes that cannot be automated. The Commissioner's WebFile system greatly increases the accuracy of sales tax returns filed. In addition to making all return calculations, the real time features of WebFile assures that required fields of information are completed and, in certain cases, prompts the return filer regarding questionable entries during the filing process. All these features help improve the accuracy of returns, which saves time for both the taxpayer and the Tax Commissioner's Office.

Based on our current level of large sales tax permit holders, between 5,500 and 5,600 permit holders will be required to file electronically under HB1097. Slightly over two-thirds of these permit holders are already registered to use our WebFile system and are filing their

sales tax returns electronically. Just over half of all sales tax returns (monthly, quarterly, semi-annual, and annual) returns, are filed electronically through our WebFile system.

Although the Tax Commissioner's Office also has the ability to receive electronic payments and encourages electronic payment by taxpayers, the requested change for electronic filing by the larger sales tax permit holders is for submitting returns only and does not include electronic payment.

CONCLUSION

The Tax Commissioner is requesting the ability to require electronic sales tax returns from the largest sales tax permit holders. Electronic returns will help our office become more efficient and will help reduce the number of sales tax returns filed in error. We ask the committee for a do pass recommendation on HB1097. Thank you for your consideration.