

# Mandating E-Filing

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## E-Filing Mandates- Background

- Wisconsin's experience in implementing its e-filing mandate created an environment where we have attempted to serve all segments of our customer base by providing compliance options:
- Return Requirements - Tax Rule 11.01(2)(b)  
"The Department *may require...*"  
"The secretary of revenue *may waive...*"
- Payment Requirements - Tax Rule 1.12(4)(a)  
Payments of \$10,000 or more per year requires using EFT
- No provision for non-compliance penalty

## **E-Filing Mandates - History**

- Sales Internet Process introduced in October 1999  
growth slow... 5% of returns used SIP by July 2002
- Mandate Rule approved by Legislature in August 2002  
first letters sent in August 2003
- Taxpayers Responded  
Began with 65,400 letters  
12,000 waivers requested  
8,000 simply ignored us - 30% non-compliance

## **E-Filing Mandates - History**

- Agency discussions on defining the problems and responding began in January 2003  
Listened to why Taxpayers were requesting waivers
  - no personal computer
  - already use software to prepare their return so SIP increased their workload
- Began developing alternatives to SIP  
File Transfer Project Team began efforts in February 2003  
Sales TeleFile Project Team began efforts in April 2004

## **E-Filing Mandates - History**

- Deployed three alternative methods to comply with mandate:

File Transfer - Using XML for the standard file structure, returns and payments are submitted through 3rd party vendor or directly by Taxpayer to server at DOR. Implemented in October 2003

Sales TeleFile - Using existing hardware this option was created for Taxpayer's without computer access. Can pay by EFT or with check but in a separate transaction. Implemented in February 2004

SIP - DOR developed on-line filing application continues to serve our Customers

## **E-Filing Mandates - Partnership**

- File Transfer Program - Vendors approved to participate:

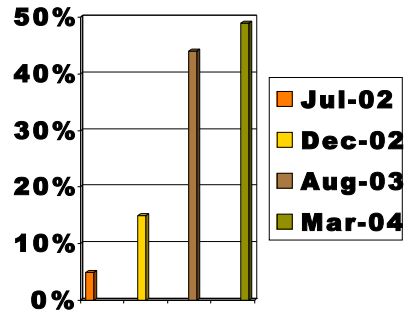
- TrustFile
- SEXTAX
- Thomson/RIA
- Vertex, Inc.

- visit [www.dor.state.wi.us](http://www.dor.state.wi.us)

## E-Filing Mandates - History

### E-Filing Data

■ July 2002	5%
■ December 2002	15%
■ August 2003	44%
■ March 2004	49%



## E-Filing Mandates - Next Steps

### Resume Mandate

- New letter campaign has begun
- Customer Service staff decides when and how many letters to mail.
- Begin with Early Monthly filers presently not in compliance.
- Then monthly, followed by quarterly and finished with annual filers.
- Waivers easily obtained with “reasons” tracked.
- Maintain balance to retain mandate
- Position Taxpayers and DOR for Streamline requirements.

## E-Filing Mandates - Letter



[ReturnFile@tax.wisconsin.gov](mailto:ReturnFile@tax.wisconsin.gov) or [ReturnFile@tax.wisconsin.gov](mailto:ReturnFile@tax.wisconsin.gov)

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## E-Filing Mandates - Other Tax Types

- Motor Fuel (first mandate requiring EDI)
- Individual Income Tax
- Tax 2.08(3)(b) Tax Preparer / Tax Firm Mandate
  - For taxable year 2002, 200 or more returns
  - For taxable year 2003 and thereafter, 100 or more returns
  - "may require" and "may waive"
- Approved ERO's
  - In Wisconsin 2,624
  - Out of State 2,368

## E-Filing Mandates

### 2004 Tax Season

#### Return Processing Statistics Individual Income Tax

Fed/State Electronic Filing	1,022,231 returns
Taxpayer Electronic Filing	245,021 returns
TeleFile	79,436 returns
FreeFile	80,747 returns
<b>Total e-file</b>	
<b>1,427,435</b>	<b>50.01%</b>
Paper Returns	
1,426,471	49.99%
Total Returns (May 1,2004)	2,853,906

- Growth rate at 6% overall
- Preparer growth rate 6.6%
- Examine Preparer Compliance  
Data from IRS and other sources
- Per IRS in Wisconsin we are at a 59.6% market penetration rate which is third highest in US
- We are looking at the difference  
Non and Part Year Residents  
TPOS  
Other areas?
- Demographic Analysis  
Who isn't filing electronically?

## Leveraging Automated Sales Tax Systems

- Principle #1: Provide e-Filing options that address the specific needs of your target audience
  - File Transfers (XML File Uploads)
  - Tele-file (shrinking market)
  - Website (one-time data entry, self validating, immediate feedback)
- Principle #2: Make the transmission of the data easy
  - Website Communication

## **Leveraging Automated Sales Tax Systems**

- Principle #3: Keep the data file technology simple
  - Today: XML and Comma Separated Value (CSV) Files
  - Tomorrow: XML
- Principle #4: Keep as much data as possible in the data file
  - everything necessary to file and process the return is in the data file including the registration #, filing period, relevant tax data, and payment information

## **Leveraging Automated Sales Tax Systems**

- Principle #5: Make access to the filing mechanism seamless
  - Validate the taxpayer through the elements in the file rather than requiring the taxpayer to go through a manual process before they can transmit.
- Principle #6: Accept Multi-company, multi-tax types and multi-returns in one file
  - Is there a reason not to?

## **E-Filing Mandates - Payments**

- Tax 1.12(4) Requirement or Election to Use EFT
- Withholding
  - \$10,000 or more paid in prior year
- Corporation / Franchise
  - net tax less refundable credits in prior year \$40,000 or more
- Excise Taxes in General
  - \$40,000 in prior year
- The department shall notify the Taxpayer when EFT payments are required. Then a 90 day registration period begins. EFT requires prior registration in Wisconsin. However, for 2004 individual taxes we may accept EFT transactions without advanced registration.

## **E-Filing Mandates - Benefits**

Maximize Paperless Filing  
Maximize Customer Satisfaction  
Minimize Costs  
Reduce Processing Exceptions  
Reduce Cycle Time  
Eliminate Choice to Not Participate

## E-Filing Mandates

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