

FTA E-File Mandate Survey
Income Tax Mandates

	CALIFORNIA FTB	MINNESOTA	OKLAHOMA
1. To whom?	Applies to tax preparers (or firms) who prepared more than 100 current year individual income tax returns in the prior year, and this year will prepare at least one return using tax preparation software.	Minnesota's mandate applies to preparers of individual income tax returns who prepared more than 100 returns in the prior year.	Our mandate applies to preparers who file over 50 full-year resident returns a year.
2. Enacted via statute or administrative Authority?	Specific statute. Visit www.ftb.ca.gov/professionals/efile/m_e_file.html	Minnesota's mandate for individual income tax preparers was enacted by statute. (See Minnesota Statutes § 289A.08 subd. 16.)	Specific statute.
3. a) Proportion of preparers affected?	Approx. one-third of preparers in CA are affected, plus out of state preparers who are part of an affected firm.	27% of tax preparers (according to 1999 statistics).	N/A
b) Volume?	5.5- 7.0 million returns.	85% of the total number of returns prepared by tax preparers (according to 1999 statistics).	N/A
c) New pick-ups (vs. last year)?	2.5 – 4 million returns. We went from 3.8 million e-file in TY2002 to 6.6 million this year with the mandate.	N/A	N/A
4. Returns excluded?	Amended, fiduciary, prior year, and other non-current individual returns are excluded.	Minnesota's mandate covers every return scenario filed. Minnesota waives the fee if IRS policy or technical reasons require the preparer to file the return on paper.	The mandate only applies to full-year resident returns.

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5. "Opt-out " provisions?	There is a provision in the law that allows reasonable cause opt-outs. The only cause specifically listed is a taxpayer's election to not e-file. If the taxpayer does not want to e-file the preparer doesn't have to e-file it. There is no penalty for this. The preparer is liable for a \$50 per return penalty for every return that is not e-filed where the cause of not e-filing is due to willful neglect and not reasonable cause.	The law permits taxpayers to opt-out of electronic filing. However, the law specifically requires the tax preparer to pay the five dollar processing fee anyway.	Taxpayers may check box if they don't want to e-file. No penalty.
6. Software problems?	No complaints other than the timeframe for getting in compliance was 4-5 months which some protested was too short. The law was passed in late August with an effective date of the following January so we had no choice on implementation timeframes.	The primary complaint received from taxpayers is that Minnesota should offer a free electronic filing option (of its own) to all taxpayers. The primary complaints from tax preparers are that they (generally over 60) prepare returns by hand without computer assistance or they do not possess a modem or Internet access (data security issues).	None known.
7. Competitive advantage for larger firms?	No.	Yes.	No opinion.
8. Lack of access issue?	Some have said they do not have internet/dial up access. We tell them to claim an opt out due to reasonable cause and list this as the reason. Most, however who are already using a PC and software are tech savvy enough that they have dial-up, etc., also.	N/A	None known.

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9. Reactions?	Obviously there's been some protest, but our approach from the beginning was to set a tone that we were working with preparers to help make the mandate work, not working against them. This really helped avoid more antagonism.	Tax preparers, in general, expected the mandate and raised little objection at the legislature. While the implementation of the five dollar fee suggested more complaints, the legislature received relatively few of these calls.	Initially some practitioners weren't happy, but after explaining the program, most felt fine. We haven't heard any adverse reaction from taxpayers.
10. Improvements/ Overcoming resistance?	The biggest aspect of our implementation has been communication and outreach. As you can see from the mandatory e-file web page at the link above, we've done a lot to educate and answer many of the questions the preparers had. We developed an e-file tutorial to help new e-filers convert their office and make the transition to e-file. We developed an external stakeholder team comprised of reps from various preparer associations and used it as a forum to address any issues they had.	Minnesota historically hosted annual tax preparer information meetings regarding electronic filing. However, budgets forced reductions in this area in recent years. So, Minnesota hosts fewer events. Therefore, we generally focus our attention on groups of preparers, such as certified public accountants and enrolled agents. Minnesota also targets populations of younger taxpayers by offering lesson plans to educational institutions (high school and college). Students receive training on how to prepare their own return using available on-line services.	Taxpayers have raised no issues. However, we met often with tax practitioners across the state to explain the program. Additionally, we wrote articles explaining the new mandate for tax practitioner newsletters and other publications.

	WISCONSIN
1. To whom?	Individual income taxes practitioners are mandated to use electronic filing if they file 100 or more Wisconsin income tax returns for the 2003 tax year
2. Enacted via statute or administrative authority?	Administrative rule Tax Section 2.08 (Returns of Persons Other Than Corporations): "The Department may, at its discretion..."
3. a) Proportion of preparers affected?	Not sure; know that we have 2624 in-state approved EROs, and 2368 out of state EROs.
b) Volume?	2.9 M total returns; 1.1 M e-filed; 800K mandated. E-file volume is up to 55% of total (when including other EF methods) – last year was 45%.
c) New pick-ups (vs. last year)?	N/A
4. Returns excluded?	No non-resident or part-year, no amendeds.
5. "Opt-out " provisions?	We are proceeding slowly with this mandate because of consideration for small businesses and because there is no provision for penalizing non-compliance. We can grant waivers for hardship.
6. Software problems?	Not an issue.
7. Competitive advantage for larger firms?	Have to say, probably yes.
8. Lack of access issue?	Not really anymore. Taxpayers like it (we only have direct deposit for EF returns, so that's an advantage).

	WISCONSIN
9. Reactions?	Have heard a couple of “too many problems” comments, most likely attributable to the fact that at one point some practitioners said they were not receiving ACKS. This was most probably a vendor problem.
10. Improvements/ Overcoming resistance?	Problem with SW companies product not requiring taxpayers to update bank account data/addresses, so payments were delayed.Haven’t done as much promotion and contact as we would have liked.

FTA E-File Mandate Survey
Sales Tax

	ALABAMA	FLORIDA	MASSACHUSETTS
1. To Whom? Changes planned? Proportion covered?	Sales, Use, Rental or Leasing, Lodgings, Utility Gross Receipts, Utility Service Use, Mobile Telecommunications Service, Contractor's Gross Receipts, Pharmaceutical Providers, Alabama Nursing Home Privilege and State Administered Local Sale, Use, Rental or Leasing, and Lodgings Taxes. All taxpayers that report and pay the above referenced taxes are covered by the mandate.	Any taxpayer who has paid \$30,000+ of tax or fee in the prior state fiscal year. Any taxpayer who files a consolidated return. Any taxpayer who has two or more places of business for which the combined tax and/or fee payments equal or exceed \$30,000. 17.5% - 116,481 accounts out of approximately 666,332 total.	The mandate applies to all Business taxpayers that file/pay "trustee taxes" where the combined tax liability is equal to \$10,000 or more annually. (wage withholding, state and local room occupancy, sales/use, and sales/use on meals and telecommunications). Mandates for corporate excise, fiduciary and partnership returns will become effective 1/01/05. Of 215,000 Massachusetts business taxpayers, approximately 68,000 (32%) are covered by the mandate.
2. Voluntary? Proportion?	Less than 1%.	We began a voluntary program in 1993 with very little participation. Today, approximately 10,000, or 2% of active sales tax accounts, are voluntarily filing electronically. The numbers are growing monthly.	Prior to the mandate, very few businesses filed their trustee taxes electronically.
3. Enacted via statute or administrative authority?	General administrative authority granted the Commissioner. Section 40-23-7, <i>Code of Alabama 1975</i> .	Specific statute (s.213.755, F.S.) mandates electronic filing.	G.L. c. 62C, § 5, as amended by c. 300 of the Acts of 2002, § 8, approved August 30, 2002
4. Options offered?	Internet and Telephone Voice Response system. Taxpayers are usually only required to enter their gross sales and deductions.	E-file: DOR site, approved vendor software, taxpayer created software. E-payment: ACH-Debit using touchtone phone, vendor software, taxpayer software and ACH-Credit. Web filers are presented with their account profile, such as sales tax certificate number, business name, address, expected return type (long form or EZ), etc.	Web filing and a Telefile IVR system. Taxpayers must first register to use the system. Once approved, some additional information is required (bank routing/accounts, etc.) The taxpayer's account and historical information comes directly from our mainframe system.

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5. How are taxpayers informed of options?	A confidential tax info packet is mailed to all tax account holders required to file the above taxes notifying them of the e-filing mandate and the Access Code and Sign-On ID codes needed to access the E-file System.	On or before November 1st, the Department notifies every taxpayer required to file a sales tax return by electronic means in the upcoming calendar year, and includes with such notification all of the following: 1. An Enrollment and Authorization for e-Services Program (Form DR-600) or instructions on how to access and complete enrollment on the Department's Internet site; 2. A Florida e-Services Programs Calendar of Due Dates (Form DR-659); and 3. An explanation of the options from which the taxpayer must choose to file tax returns by electronic means.	We issue mailings, listserve, Technical Information releases and provide information on our website.
6. Distribution by method?	Internet - 86%; Telephone - 14%.	42% use the Internet file-and-pay site. 58% use EDI, which includes vendor software or taxpayer developed software (X12)	As of 04/14/2004: 609,746; Returns received through Telefile: 5743 (1%); Returns received through WebFile: 604,003 (99%)
7. Reactions?	Some initial reluctance by taxpayers has turned to positive reaction. Most practitioners were receptive with isolated pockets of resistance.	Before we offered a free file-and-pay web site, reaction was not favorable by both taxpayers and tax preparers. Now that we offer a choice, they are more apt to comply with the mandate, or voluntarily participate.	We have received very positive reactions from both taxpayers and professional tax preparers.

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8. Software problems?	No software is required to file over the Internet or over the phone. Most issues have been browser-related with security settings too low or an outdated browser version being used.	Taxpayers or practitioners who choose to utilize a commercial software product may choose from a list of approved vendors. Most vendors provide support for their products, so difficulties have not been encountered. Difficulties come to taxpayers required to file electronically who wait until the last minute to try to comply and cannot obtain the assistance/support they need.	Software is web based and provided by MA (WebFile).
9. Lack of access issue?	Those taxpayers that do not have access to a computer or the Internet are required to file their returns utilizing the telephone filing method. Others are granted a waiver to allow them to file on paper.	The Department has been authorized to waive the electronic filing requirement under certain conditions. Taxpayers will not be required to purchase equipment or incur a financial hardship to comply. If taxpayers have a valid business reason for not filing returns electronically, they must submit a Request for Waiver from Electronic Filing to the Department. A waiver, if approved, applies only to their electronic return-filing requirement. They are still required to pay their tax electronically (via telephone payment system similar to EFTPS). About 2% of required/obligated taxpayers have requested and been granted waivers from electronic filing.	This has not been a significant issue.

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10. Improvements/Overcoming resistance?	Business associations held seminars. Call centers were established and Taxpayer Service Centers were equipped for e-filing. Public libraries agreed to make Internet access available and "how to" and "FAQ" pamphlets were mailed.	We developed a free Internet filing application to encourage compliance and voluntary participation. Security concerns are also a big issue. Although we provide a secure site, some taxpayers are still reluctant to pass information, especially their bank account, over the web. Our education specialists around the state conduct taxpayer seminars that include information on electronic filing.	MA conducted a number of seminars/workshops to help taxpayers become familiar with the requirements and the system. Additionally, we have customer service and electronic filing staff available for to answer questions and provide assistance.

	MINNESOTA	MISSOURI	OKLAHOMA
1. To Whom? Changes planned? Proportion covered?	The mandate for sales tax originated with a strategy developed for the MinnesotaCare tax. That is, the only filing method offered for MinnesotaCare tax was by telephone or Internet, and no paper forms were created. Technically, the mandate covers 100% of taxpayers. However, about 2% of taxpayers submit paper returns.	Quarter-monthly sales tax accounts are required to remit electronically (these are weekly payers, so they make 48 payments annually). 120,000 total accounts, 1200 mandated, so 1% are covered. Monthly and annual reports are still paper.	All sales tax permit holders whose average monthly remittance is equal to or greater than \$2,500.
2. Voluntary? Proportion?	This does not apply to Minnesota.	Not many; accounts were notified in 2003, but we adopted a "go-slow" position re: enforcement. Letters were issued to all businesses with quarter monthly filing frequency advising of the HB 600 mandated for electronic filing and payment and that all businesses should be in compliance by January 1, 2004. At this point 700 of the 1200 pay electronically. Expect the last 500 starting June 1, 2004 when we will notify again by letter (see #5) and will stop sending paper payment vouchers.	The program was mandated at inception.
3. Enacted via statute or administrative authority?	The mandate was accomplished under the general administrative authority granted to the commissioner. (Tax forms are "prescribed by the commissioner." The commissioner "prescribed electronic filing" as the tax form.)	House Bill 600, 2003 session.	Specific statute.

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4. Options offered?	Telephone and Internet filing. However, taxpayers who file consolidated returns (or did so in the past) must file using the Internet option.	Web file (akin to E-Check – enter Taxpayer ID, period, routing and account number – also ACH Credit method. Telefile is offered to zero returns for sales and withholding.	We offer web based filing for all sales permit holders and a telephone based filing option for permit holders who qualify to file using a short form. Taxpayers are not required to enter all of their data at start up and only that which changes month to month.
5. How are taxpayers informed of options?	Existing registrants at the time of the change were notified by letter. New registrants are notified at the time of registration. Sales and use tax employees offer optional educational services to new businesses to assist them.	Letter to taxpayers, and the web page. Have had no meetings on 2nd-wave rollout and none planned.	Targeted mailing, general mailing, on-site visits by compliance officers, media releases and presentations by staff at trade and professional meetings. Internal employee education is probably the most important link in this process.
6. Distribution by method?	For sales tax, roughly 18% of filers use the telephone (IVR), 80% use the Internet, and 2% submit paper by fax. For withholding tax, roughly 10% of filers use the IVR and 90% use the Internet. For MinnesotaCare tax, 100% of filers use the Internet.	Not sure, but most activity and money is ACH Credit, as these are large payers.	65-70% of filers still use paper, although this represents less than 20% of revenue from sales tax. Of the 30-35% using electronic filing, web-based filing is used by about 98%, the remaining use the telephone option. Telephone filing has not been widely accepted or used.
7. Reactions?	Initially, the idea of filing using the Internet scared both preparers and taxpayers. The option of using the IVR calmed most of those fears. Over time, many preparers shifted their work over to the Internet, as they discovered the time savings available using that method.	Not much pushback due to familiarity with EFT process, but a few complaints.	Initially there was some opposition to the mandate but this faded once each group used the application.
8. Software problems?	Minnesota provides its own eFILE Minnesota System, which requires no software purchase. The system is available by IVR or on the Internet.	A few issues from banks that needed help.	They are not required to obtain any software to use the system. The system does require at least a somewhat current version of the web browser and Windows 98 or the Mac equivalent and access to the Internet.

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9. Lack of access issue?	N/A	No.	This has been a small problem. In these rare cases, we issue the permit holder an exception which allows them to file using paper.
10. Improvements/Overcoming resistance?	Each tax division handles its own education and information programs for its preparer and taxpayer communities. Telephone and e-mail support lines are available in the application. As preparers and taxpayers use the system, the level of support required decreases. Minnesota is in its third year of the mandate, and the level of support is generally low. The biggest problem continues to relate to password security, where the preparer or taxpayer lose their password (or do not communicate changes to one another).	Not really much to do.	We surveyed all affected permit holders and are making changes to our system where needed. We visit continually with associations, trade groups and make presentations where permitted. We use our field compliance offices to visit personally with taxpayers and assist them where possible. We try to keep our legislative body informed of all issues. Internally we formed an electronic filing committee to respond to problems and insure continuity across the agency.

	TENNESSEE	TEXAS	WISCONSIN
1. To Whom? Changes planned? Proportion covered?	The e-file mandate applies to sales and use taxpayers averaging \$10,000 or more per return and motor fuel taxpayers. The mandate covers approximately 5% of sales and use taxpayers and 100% of motor fuel taxpayers.	Taxpayers paying in excess of \$100,000 during a year for Sales, Crude Oil, Natural Gas, International Fuels Tax Agreement (IFTA), and Fuels tax are required to electronically report that tax. We are considering lowering the threshold to \$50,000. The electronic reporting requirement applies to approximately 3% of the total number of taxpayers and approximately 15% of the total number of returns filed during a year are filed electronically.	We have “early monthly” filers – 20th of month, “end of month” filers – 30th or 31st – then quarterly and annual. Only first two were mandated. We initially rolled it out, and then stopped, in part due to the need to offer alternatives to (data-entry) web filing; we have waited until these are in place to again resume the mandate (approximately June 2004). However we will let our Customer Service personnel drive the effort so as to ensure that we are in position to respond to what will be a new group of <u>taxpayers with questions</u> .
2. Voluntary? Proportion?	Yes. Prior to the mandate, approximately 3% of the department’s sales and use taxpayers had initiated electronic filing.	Prior to the mandatory requirement less than 1% of the taxpayers, and approximately 5% of the total number returns were filed electronically.	Of 160,000 Sales accounts, 25% of the returns (between 5 and 10% of accounts) were being filed voluntarily. Since the “soft rollout” of the mandate (as of Jan 2004), 45% and 15% of accounts are being filed.
3. Enacted via statute or administrative authority?	Tenn. Code Ann. Section 67-1-703(b) mandated that taxpayers owing \$10,000 or more in connection with any tax return must remit payments in funds readily available. Public Chapter 241, Acts of 2003 mandated that such taxpayers must file the associated returns electronically.	Legislative mandate.	Administrative rule Tax Section 11.01.

	TENNESSEE	TEXAS	WISCONSIN
4. Options offered?	Internet filing through website and approved software. We also offer a telefile option for "no money" sales tax returns.	EDI or Web based (WebFile) program.	In October 2002 we only had Sales webfile. We realized we needed taxpayer alternatives, and began working with vendors on a file transmission alternative (using XML) in November 2003, and implemented Sales Telefile in Feb 2004. The system is not completely optimum because Sales Internet Process (SIP) and EFT require separate registrations.
5. How are taxpers informed of options?	Taxpayers are notified of their e-file options through press releases, notices issued by the department, postings to the department's web site, info presented in seminars, responses to taxpayer correspondence and other means of taxpayer education.	Taxpayers required to electronically report their taxes are sent letters notifying them of their electronic reporting requirements and the methods we accept. We encourage electronic reporting with WebFile logos on envelopes and the paper tax return. Articles are periodically placed in our sales tax updates and stuffers promoting WebFile are periodically sent with the returns. We also present electronic reporting information at taxpayer related seminars and conferences.	Letters; Web, eventually will call them directly. No meetings are now planned except in conjunction with regular income tax sessions (can hit CPA firms that do both).
6. Distribution by method?	EDI - 10%, website - 10%. 100% of motor fuel returns are filed electronically.	80% - Webfile; 20% - EDI	Is really all SIP (Web) for now. Have gotten maybe 200 Telefile (into production 2/16/2004) returns and 200 file transfers; this will grow.
7. Reactions?	Positive. E-file returns increase each month.	Many tax practitioners indicated to us that our electronic reporting process saves time and money. Some individuals object because they do not have a PC or trust the Internet.	Many complained. Small taxpayers - "I don't have a PC, I don't want to go to the Library". Big taxpayers - "you're just transferring your work to us; we have to re-key from our tax compliance software."

	TENNESSEE	TEXAS	WISCONSIN
8. Software problems?	We are not aware of any difficulties.	The overwhelming number of taxpayers download our EDI software from the Internet or we mail a copy of the EDI program on a CD. We have not received complaints relating to this process.	Taxpayers shouldn't have much of problem now; haven't heard recently but probably will in June.
9. Lack of access issue?	In response to a questionnaire mailed to all of our sales and use taxpayers, the department determined that approximately 27% of those taxpayers do not have routine access to computers.	No.	We stopped mailing sales mandate letters for one year while we accommodated our customers' requests. This is why we did Telefile. Also, if taxpayer does not wish to use EFT they can print a paper voucher and pay that way.
10. Improvements/Overcoming resistance?	To make electronic filing more accessible for these taxpayers, the department has installed computers in the main office and each regional office for taxpayers to use in filing electronically. We offer walk-in assistance to taxpayers that want or need to file electronically. Our Electronic Commerce Unit works daily to assist taxpayers address issues and resolve problems.	Our Electronic Reporting Section provides extensive customer support to individuals who encounter problems. We continue to modify and enhance our electronic reporting programs to resolve problems and to simplify the process.	We point out to taxpayers the "worklist" rate on paper returns (20-30%), vs. EF 2-3%. We developed alternative filing options for taxpayers and talked to the software companies to get their ideas and buy-in, and made them partners in the process. We will obviously get more feedback from the public starting in June 2004. It is also extremely helpful to be able to implement this at the Secretary's discretion.