

DATE: May 1, 2002
TO: Andrew Nowlan
Committee on Ways and Means
FROM: Patrick Fuller, Assembly Assistant Chief Clerk
RE: Clearinghouse Rules Referral

The following Clearinghouse Rule has been referred to your committee.

CLEARINGHOUSE RULE 01-143

AN ORDER to repeal Tax 2.08 (1) (a) 16. and 11.01 (1) (c), (d), (e) and (h); to renumber Tax 2.08 (1) (a) 6. to 11., 13., 14. and 17. to 28. and (b) 6. and 11.01 (1) (f), (i), (j) and (k); to renumber and amend Tax 2.08 (1) (a) 12. and 15. and (b) 5. and (3) and 11.01 (1) (g); to amend Tax 2.08 (1) (a) 2., 3. and 5. and (b) 3. and 11.01 (1) (b); to repeal and recreate Tax 11.01 (2); and to create Tax 2.08 (1) (a) 6., 7., 22. and 24. and (b) 5. and 6. and (3) (a) 1. to 3., (b), (c), (d) and (e) and 11.01 (1) (title), relating to returns of persons other than corporations that relate to income, and sales and use tax returns.

Submitted by **Department of Revenue.**

Report received from Agency on **April 22, 2002.**

To committee on **Ways and Means.**

Referred on **Wednesday, May 1, 2002.**

Last day for action - **Friday, May 31, 2002.**

Under section 227.19 (4) of the Wisconsin Statutes, your committee has 30 days to take action or get an extension. The day **after** the official referral date is day one of your review period. Therefore, the 30th day should fall four weeks and two days after the referral date. For example, for Clearinghouse Rules referred on a Monday, a Wednesday would be your 30th day. For Clearinghouse Rules referred on a Tuesday, a Thursday would be your 30th day. For Clearinghouse Rules referred on a Wednesday, a Friday would be your 30th day. For Clearinghouse Rules referred on a Thursday or Friday, your 30th day would fall on a weekend. Therefore, your time would expire on the next working day (Monday) as provided for in s. 990.001 of the Wisconsin Statutes. Also, if the 30th day falls on a legal holiday, time would expire on the next working day.

Section 227.19 **requires** you to notify each member of your committee that you have received this Clearinghouse Rule. Although some committee chairs do so, you are not required to send a copy of the text of the rule to each member at this time. Your notice could state that members should contact you if they wish to receive a hard copy of the rule. **(Please note that the text of Clearinghouse Rules beginning with the prefix "01" is now available online in the Clearinghouse Rules infobase in FOLIO.)** Please put a copy of your official notification memo in the rule jacket.

Three copies of the Clearinghouse Rule and its accompanying documents are contained in the jacket. If you wish to have your Legislative Council attorney review the Clearinghouse Rule, send him/her a copy. I only need one copy remaining in the jacket when you report it out of committee at the end of the review period.

The identical process is happening simultaneously in the Senate. Keep track of their action on the rule.

For assistance with the Clearinghouse Rule process, please consult Ken Stigler (6-2406) or your Legislative Council attorney. If you wish to learn more on this subject, read section 227.19 of the Wisconsin Statutes or part 2 of the *Administrative Rules Procedures Manual* written by the Revisor of Statutes Bureau and the Wisconsin Legislative Council staff.



Michael (Mickey)

Lehman

State Representative

58th Assembly District

Committee Chair: Ways and Means

Memorandum

To: Members, Assembly Ways and Means Committee

From: Rep. Mickey Lehman

Date: May 2nd, 2002

Re: CR 01-143

This memo is to notify the members that Clearinghouse Rule 01-143 has been referred to the Ways and Means Committee. CR 01-143 relates to returns of persons other than corporations that relate to income, and sales and use tax returns. The Committee has until May 31st to review this rule. If you would like a copy of the rule please contact Andrew in my office at 267-2367.



WISCONSIN STATE LEGISLATURE

REPRESENTATIVE MICHAEL "Mickey" LEHMAN
STATE CAPITOL, 103 WEST
P. O. BOX 8952
MADISON, WI 53708

Telephone: (608) 267-2367
Fax: (608) 282-3658

FACSIMILE COVER SHEET

DATE: 5/9/02

NUMBER OF PAGES ATTACHED, INCLUDING COVER PAGE 2

IF PAGES ARE NOT ALL RECEIVED OR ARE ILLEGIBLE, PLEASE CALL:
REPRESENTATIVE LEHMAN'S OFFICE (608) 267-2367.

PLEASE DELIVER TO:

Sherrie Gates-Hendrix

FAX NUMBER OF ADDRESSEE: 6-5718

FROM: Andrew - Rep. M. Lehman

MESSAGE: Sherrie, a response to our office
would be very much appreciated.
Thanks!

Andrew

**Glenn
Grothman**
STATE REPRESENTATIVE
59TH ASSEMBLY DISTRICT

Office:
Room 15 North, State Capitol • Post Office Box 8952
Madison, Wisconsin 53708-8952 • (608) 264-8486
Toll-Free: (888) 534-0059 • Rep.Grothman@legis.state.wi.us
<http://www.legis.state.wi.us/assembly/asm59/news/index.html>

Home:
111 South 6th Avenue
West Bend, Wisconsin 53095
(262) 338-8061

May 2, 2002

Representative Micheal Lehman, Chairman
Assembly Ways and Means Committee
State Capitol
Madison, WI 53708

Dear Mickey:

It has come to my attention that that Clearinghouse Rule 01-143 relating to returns of persons other than corporations that relate to income, sales and use tax returns has been referred to your committee.

This proposed rule will create a tremendous burden to many small businesses and individuals who use tax preparers. As you may be aware, the cost of preparing a return electronically is much higher and in some cases may cost more than twice as much. This increased cost will be passed on to the approximately 50% of those who file returns because 50% of the individuals who file returns use paid tax preparers. In addition, a mandate of this type will significantly increase the time necessary to process a client's return.

It is my hope that you hold a public hearing on CR 01-143 and request modifications to remove this undue hardship to businesses and individuals.

Please do not hesitate to contact me with any questions you may have regarding this matter.

Sincerely,



Glenn Grothman
State Representative
59th Assembly District

GG/mjd



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

Rep. M. Lehman

Scott McCallum
Governor

Richard G. Chandler
Secretary of Revenue

May 14, 2002

Vernon Eulert E.A.
Eulert Accounting
3617 Hwy 33 West
West Bend, WI 53095

Dear Mr. Eulert:

Thank you for your comments regarding Clearinghouse Rule 01-143 and the Department of Revenue's proposal to require tax practitioners to file tax returns electronically if the practitioners file a large number of returns. I appreciate your input on this rule; the department values its positive working relationship with tax practitioners and we are working hard to implement technology changes in ways that benefit both DOR as well as all tax filers and practitioners.

As you noted in your letter, the department would like to have tax practitioners file their clients' returns electronically if the practitioner files 200 or more returns in 2003 and 100 or more returns in 2004 and thereafter. We anticipate that this requirement would affect approximately 2,000 practitioners in tax year 2002 (153,000 income tax returns) and approximately 1,500 more, for a total of 3,500 practitioners in tax years 2003 and beyond (250,000 income tax returns annually). The other 43,700 practitioners who file Wisconsin returns will not be affected by Rule 01-143.

I understand your apprehension regarding a requirement of this nature, and I hope I can address your concerns. The rule as proposed would allow several options for those who do not wish to utilize electronic filing:

- Any practitioner can ask for a waiver from the electronic filing requirement if the requirement results in a hardship to the practitioner. Certainly the potential extra expense you mention if software is not purchased by June 15th would be considered a hardship and I would be willing to waive the requirement in such an instance.
- If a client wishes to file a paper copy of a tax return, the practitioner would not be required to file electronically for that client.
- There is no penalty for failure to comply with the mandate.

You also expressed some concerns about the cost of electronic filing for tax returns. DOR staff members have researched the software and associated charges for electronic filing and have found a wide range of charges both for the cost of the software as well as additional fees for electronic transmission. A number of packages are available at quite reasonable rates (under \$1,000) and include unlimited transmission of both state and federal tax returns, while other less costly packages charge small fees (\$1-\$5) for transmission of each return.

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The department is actively monitoring the electronic filing software market and I would be happy to share more detail with you if you would like to review our research. The e-file software market is quite fluid at this point. As more states begin to require electronic filing, software companies are changing their pricing structure to respond to the increasing demand. I expect that costs for the software and transmission packages will continue to become even more competitive in the next several years.

Moving from paper processing of the millions of tax returns filed each year to a more efficient electronic filing system is of vital importance to the Department of Revenue as we move further into the information technology age with greater expectations for the service we provide to taxpayers. Providing refunds to taxpayers within 5 days of the time an electronic return is filed is a great benefit both to taxpayers and the department. Those who file paper returns often must wait 12 weeks to receive their refunds, a situation that is frustrating not only for taxpayers but for the department as well.

I hope you can support the department's efforts to increase the number of tax practitioner electronic returns. We are certainly willing to make allowances for any hardships an e-file requirement might have on you or any other practitioner and we hope to work together to provide better and quicker service for the taxpayers of Wisconsin.

Please feel free to contact me with any additional comments or questions you may have.

Thank you again for your input into our administrative rule process.

Sincerely,



Richard G. Chandler
Secretary of Revenue

cc: Representative Glenn Grothman
Senator Mary Panzer

bcc: Senator Mark Meyer
Representative Michael Lehman
Bill Ford, Legislative Council
Ron Sklansky, Legislative Council
Russ Whitesel, Legislative Council

Sharyn J. Eulert
Vernon C. Eulert

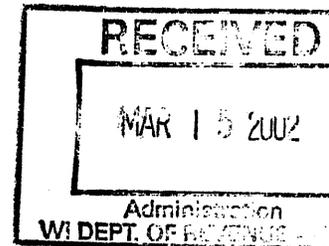
3617 Hwy 33 West
West Bend, WI 53095



Phone: 262-338-0820
Fax: 262-338-4690
eulertactg@aol.com

March 13, 2002

Mr. Mark Wipperfurth
Department of Revenue
Mail Stop 6-40
2135 Rimrock Road
P. O. Box 8933
Madison, WI 53708-8933



Re: Notice of Hearing
Revenue (CR01-137)

Dear Mr. Wipperfurth:

I would like to issue the following comments regarding the above proposed rules. Due to tax season I have not been able to analyze the complete notice, however, I am very disturbed about 2.08(3) (b).

It appears the department wants the ability to dictate that all tax preparation firms must file electronically. This is a business decision that should be made by each firm, not by the department. I believe this is what the department is trying to do to transfer their budget cuts to the taxpayers and preparers of this state.

The fiscal estimate is completely in error. It states that there is no fiscal impact. This sure is not correct. Approximately 50% of the tax returns are filed by paid preparers. That would amount to 1.45 million tax returns. The average charge for filing a return is \$30.00. This charge includes the additional software charges, the pay per return charges, telephone long distance charges, the additional time needed to submit the return and the time needed to handle all of the error messages received. Some firms claim to offer this service free, however, when you examine their fee structure they have at least this amount buried in their prices. The \$30.00 fee is a breakeven fee. Some firms charge as much as \$75.00 to file electronically. If all preparers are required to file electronically this would put additional tax preparation fees of at least \$43.5 million on the residents of the State of Wisconsin. So the fiscal impact is additional charges to the small business and individuals of the state of at least \$43,500,000.00. I think this is completely ridiculous. I would assume if this is passed the department will immediately cut their budget by this additional amount.

Enrolled to practice before the Internal Revenue Service

I also take issue with your timing of telling preparers by October 1 that they must use this method by the next January 1. Most software firms require that you renew your software by no later than June 15th with full payment by then. Any changes to the contract after that time requires additional higher cost charges.

According to the Department of Revenues current statistics 45% of the returns received are being filed electronically, so, I cannot understand why the department wants to take this unprecedented action. I hope at least this part of this rule is never passed.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Vernon Eulert E. A.', with a long horizontal flourish extending to the right.

Vernon Eulert E. A.

CC: Repr Glenn Grothman
Sen Mary Panzer



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Scott McCallum
Governor

Richard G. Chandler
Secretary of Revenue

May 17, 2002

The Honorable Michael Lehman, Chairman
Assembly Ways and Means Committee
103 West, State Capitol
Madison, WI 53702

Dear Representative Lehman:

I appreciate the opportunity to respond to several issues identified by Representative Grothman in his May 2, 2002 letter to you. The letter concerns **Clearinghouse Rule 01-143** relating to the Department of Revenue's proposal to require tax practitioners to file tax returns electronically if the practitioner files a large number of returns, and to require certain sales and use tax returns to be filed electronically.

The department proposes to have tax practitioners file their clients' income tax returns electronically if the practitioner files 200 or more returns in 2003 and 100 or more returns in 2004 and thereafter. We anticipate that this requirement would affect approximately 2,000 practitioners the first year (153,000 income tax returns) and approximately 1500 more for a total of 3,500 practitioners in the second year and beyond (250,000 income tax returns annually). The other 43,700 practitioners who file Wisconsin returns will not be affected by this rule.

Representative Grothman has raised concerns about the cost of electronic filing for tax returns. My staff has researched the software and associated charges for electronic filing and has found a wide range of charges both for the cost of the software as well as additional fees for electronic transmission.

A number of packages are available at reasonable rates (under \$1,000) and include unlimited transmission of both state and federal tax returns, while other less costly packages charge minimal fees (\$1-\$5) for transmission of each return. The department currently offers the Sales Internet Process for filing sales & use tax returns at no cost.

The department is actively monitoring the electronic filing software market and I would be happy to share more detail with you if you would like to review our research. The e-file software market is quite fluid at this point. As more states begin to require electronic filing, software companies are changing their pricing structure to respond to the increasing demand. We expect that costs for the software and the transmission packages will continue to become even more competitive in the next several years.

Representative Grothman's second concern relates to the claim that electronic filing would "...significantly increase the time necessary to process a client's return." However, the department has received numerous contacts from practitioners indicating the cost savings of electronic submission instead of paper. These include: eliminating the need for photocopies, less filing and maintaining paper documents, reduced mailing costs, time saved in the correction of errors and time saved by not having to assemble returns.

The Honorable Michael Lehman, Chairman
Assembly Ways and Means Committee
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Although a practitioner must take the additional step of verifying that a return was received by the tax agency, that verification also results in a benefit to the practitioner in knowing a return was received and is ready for processing.

Clearinghouse Rule 01-143 as proposed would allow several options for those who do not wish to utilize electronic filing:

- Any practitioner can ask for a waiver from the electronic filing requirement if the requirement results in a hardship to the practitioner. For example, the department was notified that in some cases, contracts between tax practitioners and software vendors must be renewed in mid-June in order to obtain optimal prices. Certainly the issue of the extra expense if software is not purchased early enough would be considered a hardship and I would be willing to waive the requirement in such an instance.
- If a client wishes to file a paper copy of a tax return, the practitioner would not be required to file electronically for that client.
- There is no penalty for failure to comply with the mandate.

To meet taxpayer service expectations, it is of vital importance to the Department of Revenue to move from the paper processing of millions of tax returns to a more efficient electronic filing system. To provide income tax refunds within five days of the time an electronic return is filed is a great benefit. Individuals who file paper income tax returns often must wait 12 weeks to receive their refunds, which is frustrating for both the taxpayers and the department.

I hope you will support the department's efforts to increase the number of electronic returns from practitioners and sales & use tax filers. We are willing to make allowances for any hardships an e-file requirement might have on any practitioner or filer. The department values its positive working relationship with tax practitioners and is working toward implementing technology changes in ways that benefit DOR as well as all tax filers and practitioners.

The department's goal is to work together to provide better and faster service. Please feel free to contact me if you have additional comments or questions.

Sincerely,



Richard G. Chandler
Secretary of Revenue

RGC:bs:blj