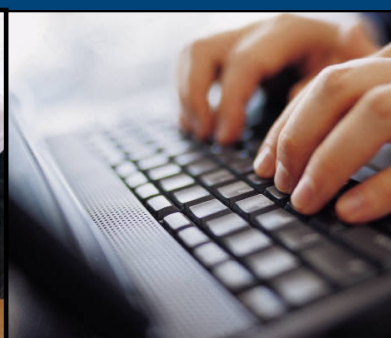




# MA EFile Mandates

Commissioner Amy A. Pitter  
MA Department of Revenue





# MA Tax Base at a Glance

- **Population** **6.6M**

- **Personal Income Taxpayers** **4.8M**

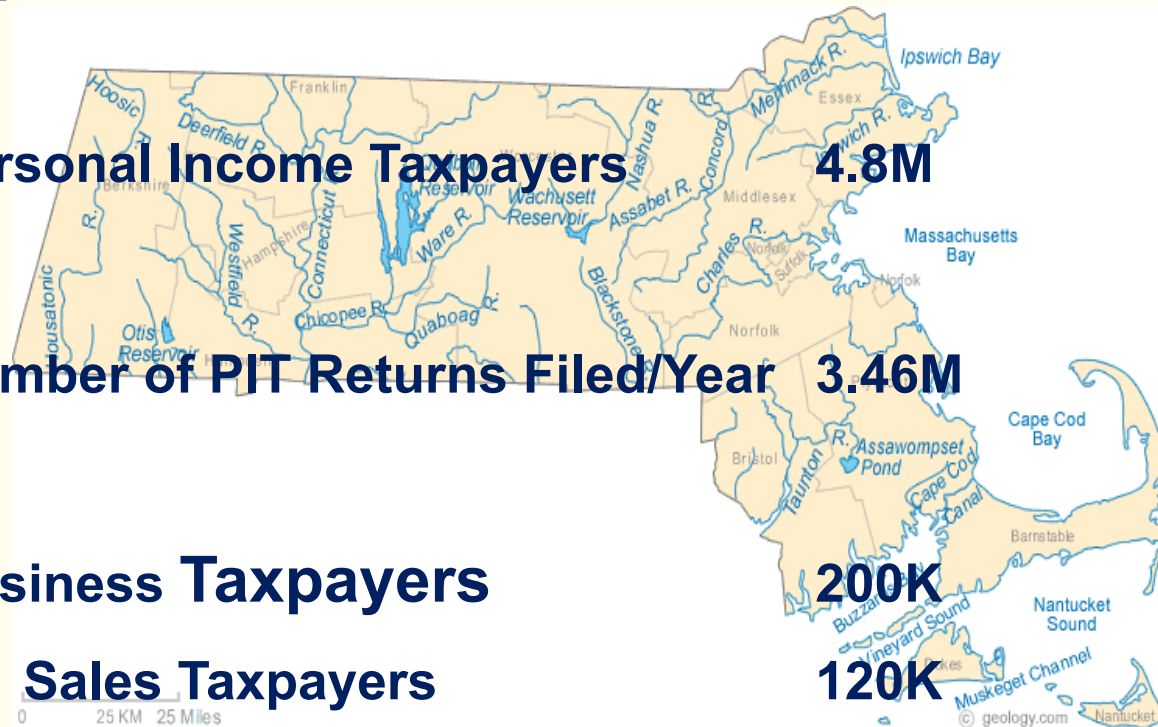
- **Number of PIT Returns Filed/Year** **3.46M**

- **Business Taxpayers**

- **Sales Taxpayers**

- **Employers**

- **Corporations**



**200K**

**120K**

**180-190K**

**150K**



## **Benefits of EFile**

- **Speed and accuracy of data capture; fewer exceptions**
- **Simplified compliance; faster refunds**
- **Reduced staffing, processing and printing costs**
- **Essential offset to staff losses, hiring freezes**
- **Faster, more accurate revenue estimates**
- **More timely/accurate responses to legislative requests**



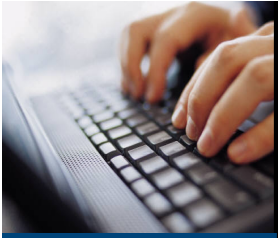
# History of MA EFile Mandates

- 2002**      **Granted legislative authority to require efileing**
- 2003**      **Issued administrative mandate:**
- **E-registration/file/pay for new businesses and existing ones with combined liabilities of \$100K + Efile by 3rd Party Bulk filers**
  - **Penalty of \$100/each paper return or paper check**
  - **Introduced free WebFile for Business (WFB) app**
- 2004**
- **Lowered business tax efile threshold to \$10K +**
  - **2D bar codes on software produced Income returns**
  - **Efile by income preparers filing 200 + returns**
  - **Epayment of Income extension payments of \$5K +**



# History of MA EFile Mandates

- 2005**
  - Corporations with \$100K + in income, and certain partnerships, must efile/epay using commercial software or epay thru WFB; EPay Corporate Extensions of \$5K +
  - Lowered Income preparers' efile threshold to 100 returns
- 2007** Health Care Reform Individual Mandate
  - Electronic submission of Forms 1099-HC by employers and health insurers
- 2009**
  - Efile with no paper option for Corporate Combined Groups and Pass-Through Entity Withholding
  - Lowered efile mandate for W-2/1099 Forms from 250 employees to 50
- 2011**
  - Lowered business tax threshold to \$5K +

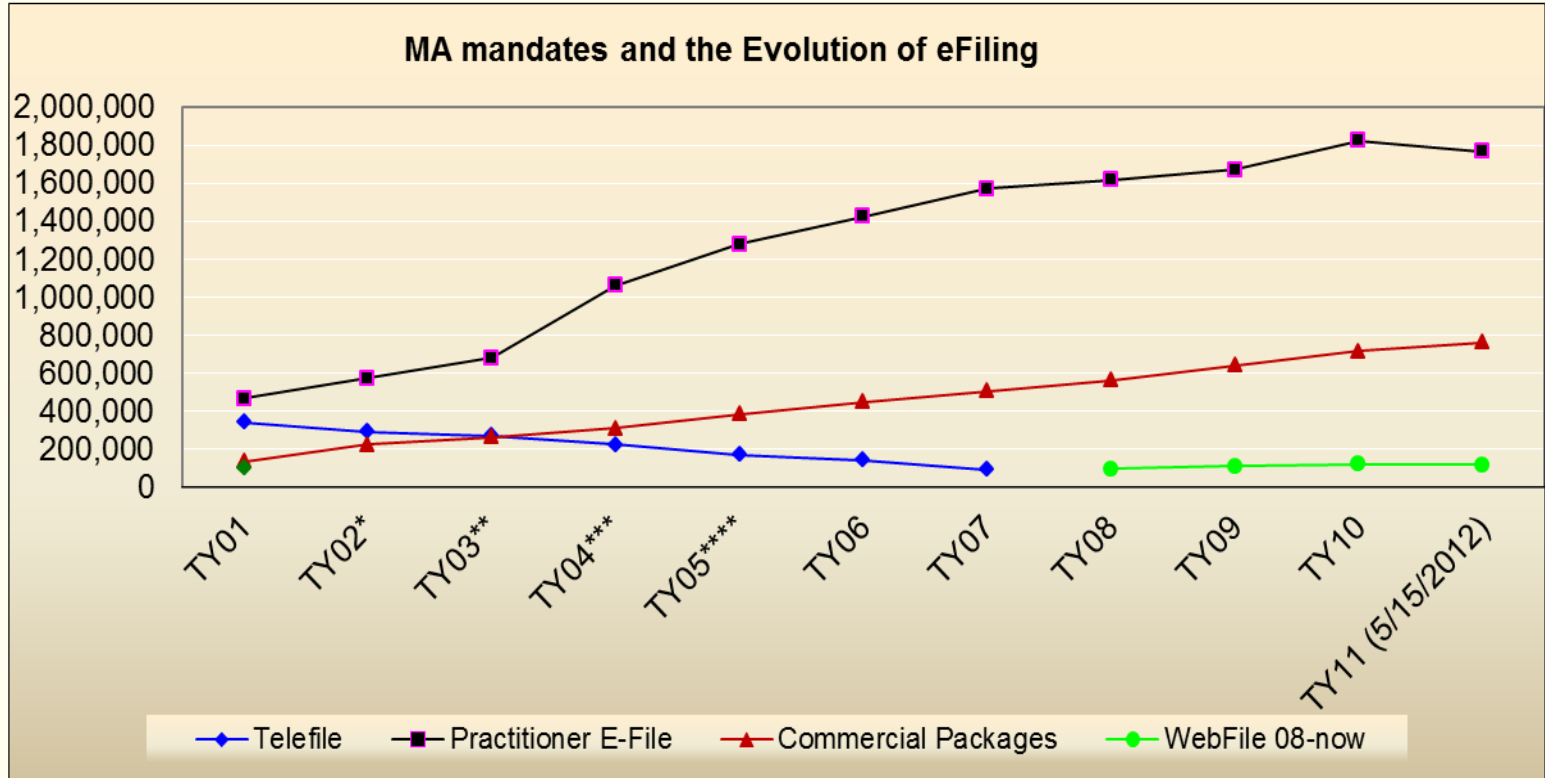


## **MA Benefit from IRS Mandate**

- 2011** Had 96% compliance with Practitioner efile mandate but received 155K more returns efiled by preparers, thanks to IRS mandate of 100 or more returns
- 2012** Lowered Income tax preparers' efile threshold to 10 returns, in line with IRS mandate



# EFile Statistics – Income Tax



\***TIR 02-22** Amendment to M.G.L. c.62C, § 5 authorizes the Commissioner of Revenue to specify the method of filing tax returns and other documents.

\*\* **TIR 03-11** Further expands electronic filing requirements for certain filers. All paper forms and schedules (resident and non-resident) must contain 2D barcoding and fixed position text. All MA tax preparation software must be approved by the Department.

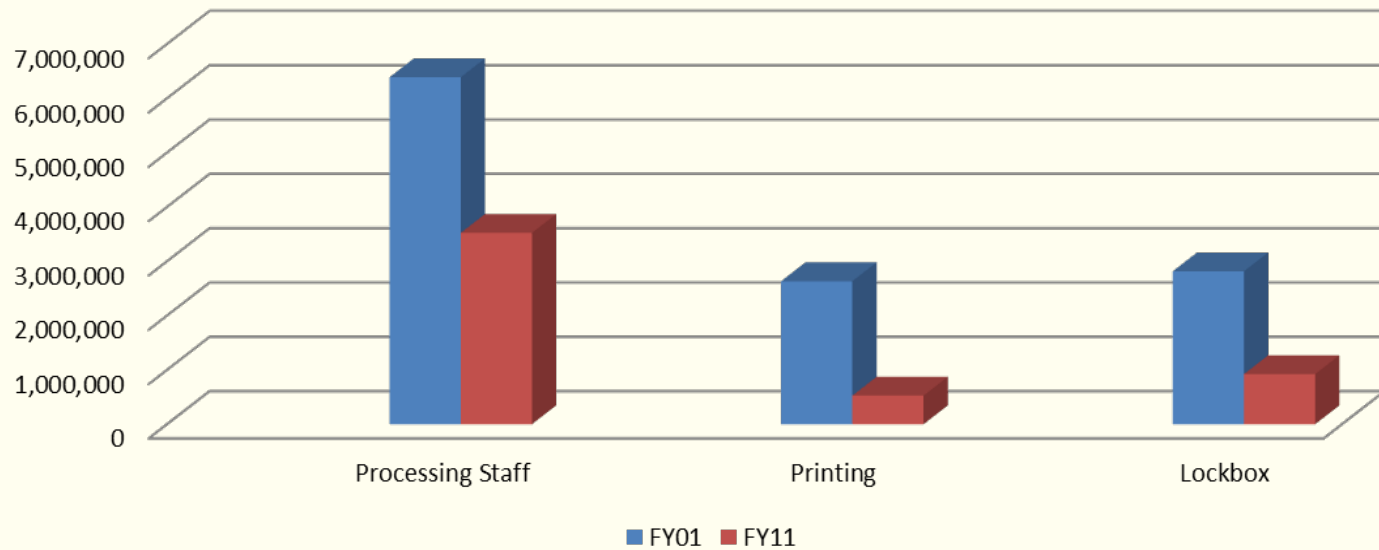
\*\*\* **TIR 04-30** Income tax return preparers who complete 200 or more returns (including eFiled) are required to use electronic means to file all PIT returns and must, without possibility of override, set 2D barcodes to print on forms specified by the Department.

\*\*\*\* **TIR 04-30** Income tax return preparers who complete 100 or more returns (including eFiled) are required to use electronic means to file all PIT returns.



# Efile Savings

## FY01 vs FY11 Budgetary Spending

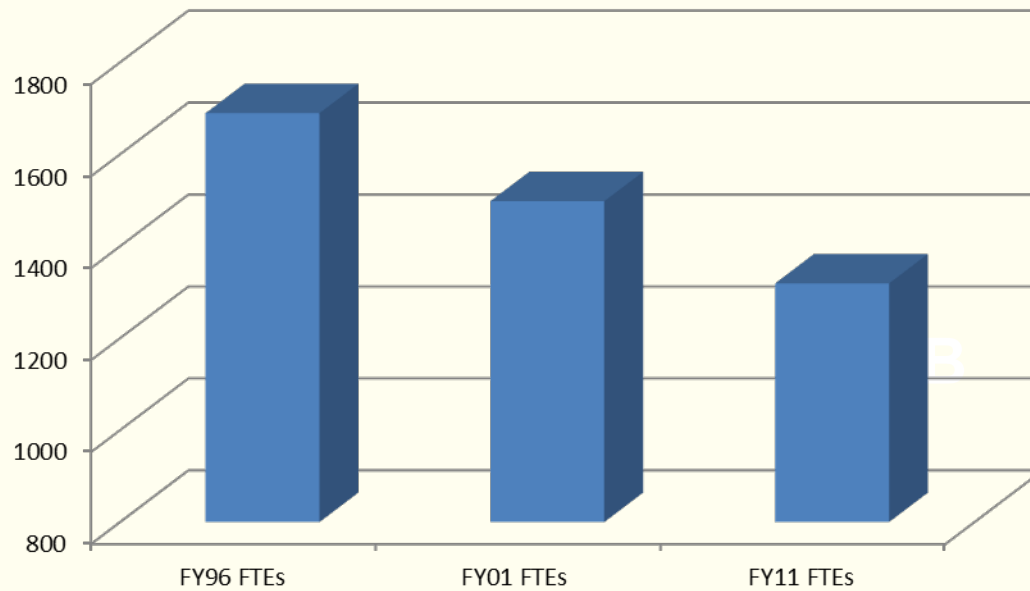


Description	FY01	FY11	% Variance FY01 vs FY11	\$ Variance FY01 vs FY11
<b>Processing Staff (Full-time and Seasonal)</b>	\$ 6,385,936	\$ 3,520,980	-44.86%	\$ (2,864,956)
<b>Printing Costs</b>	\$ 2,632,050	\$ 525,163	-80.05%	\$ (2,106,888)
<b>Lockbox Costs</b>	\$ 2,813,598	\$ 921,396	-67.25%	\$ (1,892,202)
<b>Grand Total</b>	\$ 11,831,584	\$ 4,967,539	-58.01%	\$ (6,864,045)



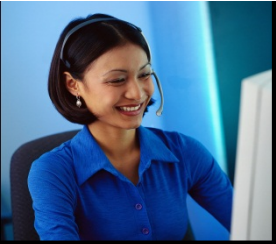


# EFile Helps Offset Staff Losses



TAX ADMIN FTE COUNTS OVER 15 YEARS – FY96 VS FY11 (w/Local Services)

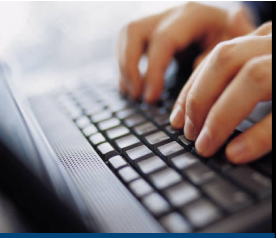
FY96 FTEs	FY01 FTEs	FY11 FTEs	15 Yr Change	% Decrease
1689.22	1497.66	1319	-370.22	22%



## **Resistance to Efile Mandates**

**Taxpayers have told us they “don’ t like”:**

- **Being told how to “conduct my business”**
- **Submitting personal info via internet**
- **Cost of purchasing computers/software packages**
- **Government mandates in general; ACH Debit in particular!**
- **Efile penalties**
- **Lack of broadband in Western MA**



# Overcoming Resistance to EFile

- **Provide TeleFile alternatives for the computer averse**
- **Develop free options – WebFile for Income and WebFile for Business**
- **Offer Mapped Data Upload option**
- **Provide access to online filing options thru local office kiosks**



# Unintended Consequences

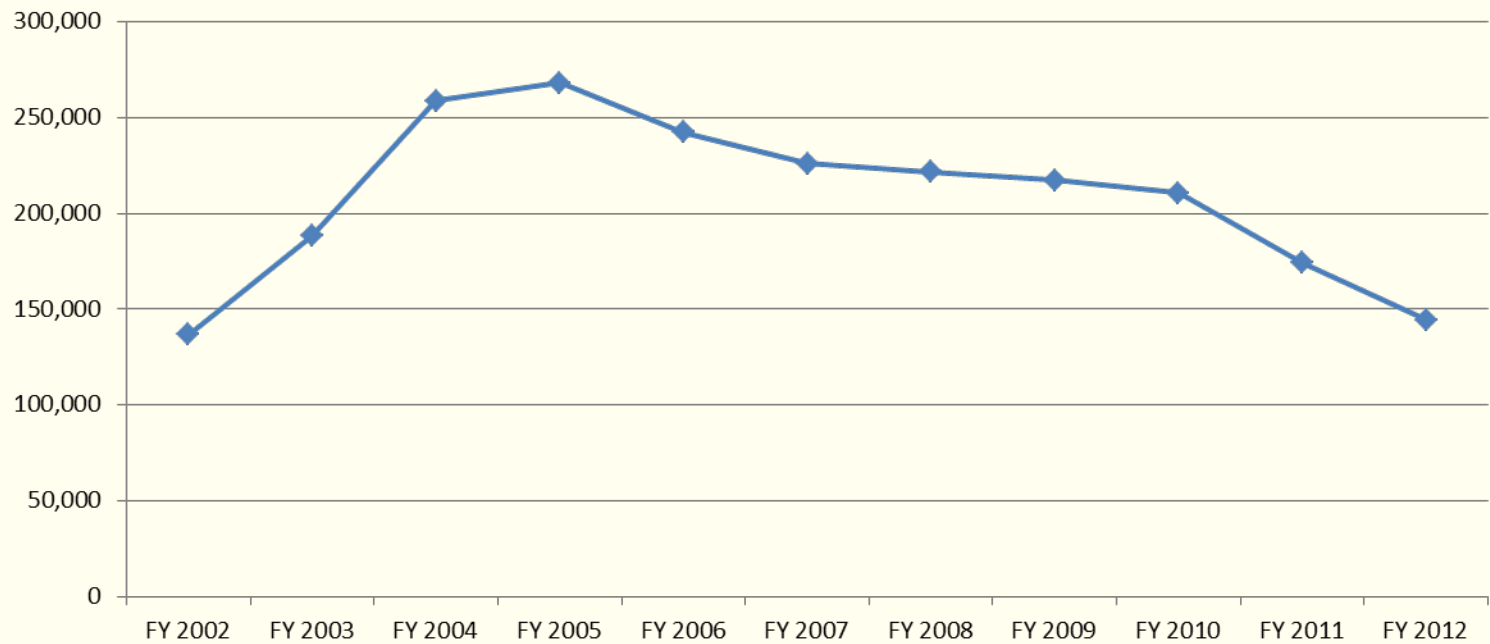
## For Taxpayers:

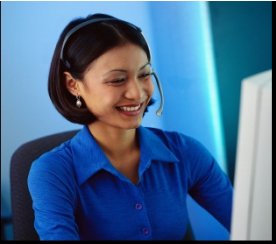
- **System Navigation was a challenge**
- **Overwhelmed with calls at rollout**
- **Still, a decade later:**
  - **Lockouts due to User Name and Password errors**
  - **Distrust of e-transmission of personal data**
- **Develop automated password reset tools**
- **Provide online video tutorials for taxpayers**



# Unintended Consequences

TRUSTEE CALLS BY YEAR





# Unintended Consequences

## For DOR Staff:

- **Staff resistance to shift from being tax experts to answering technical questions about browsers, etc.**
- **Provide online guidance to address most common technical questions**
- **Manage change in roles as taxpayers turn to online tools and software for tax compliance**



## Efile Supporters

### 2003 Letter from WFB User:

*“Just completed my first return using WebFile. It was the simplest quarter in ten years. My returns were prepared and paid in less than ten minutes. On behalf of small businesses operating in MA, thank you for developing this streamlined method for processing what was a tedious task.”*

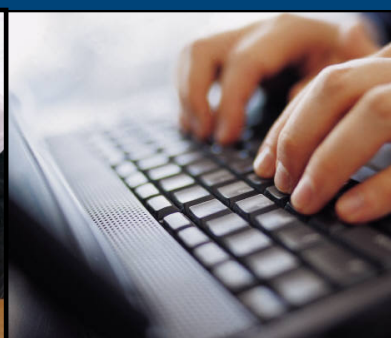
### 2009 Blog Post when users had to convert from WFB to new site to report Unemployment Insurance:

*“I’ve made my UI deposits through the DOR website every quarter for five years now. It was as simple and painless as remitting taxes can ever be. ..I don’t suppose there’s a ghost of a chance that they’ll simply revert to the DOR form that has worked fine for all these years?”*



# MA Mandates

## Lessons Learned

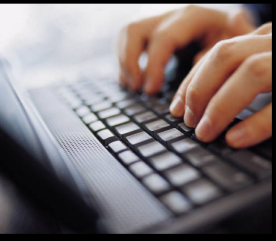






## **Provide Early Warning**

- **Inform legislators before administrative mandate rollouts**
- **Advertise efile changes in state and industry group mailings to taxpayers**
- **Utilize Web alerts to keep users informed**
- **Announce all phases of rollout in advance**
- **Once In, Always In**
- **Be reasonable with Penalty imposition**



# **Involve Stakeholders**

- **Outreach to practitioners and industry group representatives**
- **Design online systems to accommodate both taxpayer and practitioner needs**
- **Meet regularly with Payroll Service Providers**
- **Conference calls with third party software vendors – income tax and 1099-HC reporting**
- **Outreach to MA cities and towns**