Mandating E-Filing

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Wisconsin Department of Revenue
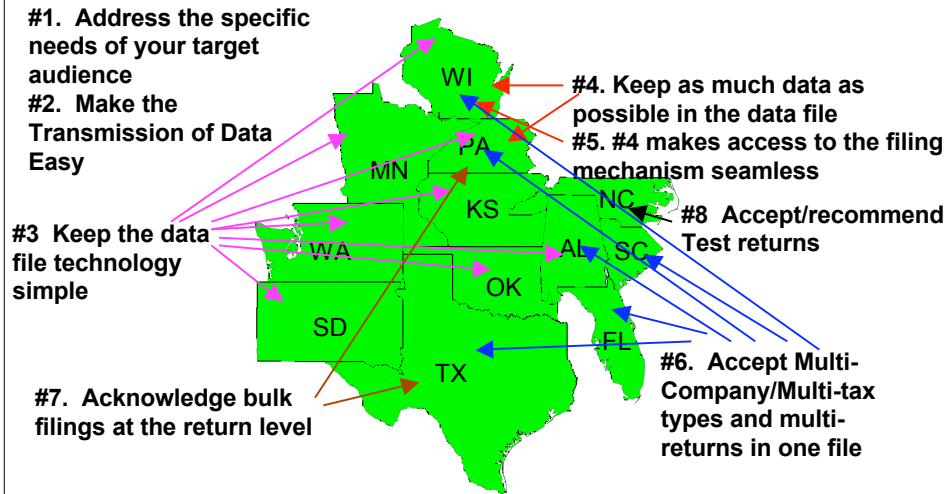
Dick Eppleman

Vertex

August 2005

FTA Technology Conference

Ink spot Test – What do you see?

This is what Vertex sees

#1. Address the specific needs of your target audience
#2. Make the Transmission of Data Easy

#3 Keep the data file technology simple

#7. Acknowledge bulk filings at the return level

WI

MN

PA

KS

WA

NC

AL   SC

OK

SD

TX

FL

#4. Keep as much data as possible in the data file
#5. #4 makes access to the filing mechanism seamless

#8 Accept/recommend Test returns

#6. Accept Multi-Company/Multi-tax types and multi-returns in one file

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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

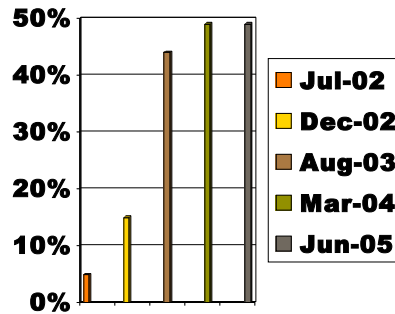▌ File Transfer Program - Vendors approved to participate:

▌ TrustFile
▌ SAXTAX
▌ Thomson/RIA
▌ Vertex, Inc.
▌ Exactor, Inc.
▌ Taxware

▌ Visit www.dor.state.wi.us

E-Filing Mandates - History

E-Filing Data

- July 2002   5%
- December 2002   15%
- August 2003   44%
- March 2004   49%
- June 2005   49%

E-Filing Mandates - Next Steps

Resume Mandate

- New letter process was to begin
- 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

E-Filing Mandates - Letter

State of Wisconsin ● DEPARTMENT OF REVENUE

Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

notification that **you are now required to file your sales and use tax returns electronically**. You have 90 days to accommodate this requirement or to request a hardship waiver.

Electronic filing and payment reduces processing problems for both taxpayers and WDOR. It enables WDOR to operate more efficiently and, in fact, to do more with fewer resources.

Electronic filing benefits include:
- e-filing methods do the arithmetic and eliminate errors
- an acknowledgement is issued to prove that the return was filed and received
- return adjustments decrease significantly resulting in fewer interest charges
- e-filed returns must be complete to submit which eliminates filing incomplete returns
- fewer processing delays result in fewer non-filing assessments

To assist you in complying with this requirement WDOR now offers three options for filing tax returns electronically. These are the Sales Internet Process (SIP), File Transmission and Sales TeleFile. You may find one option more beneficial than another depending on your circumstance, but all three options are more accurate and economical than paper returns for Taxpayers and the State. Each option is described below.

Sales Internet Process (SIP)

SIP is the WDOR free, Internet-based electronic filing application for sales and use tax. It performs calculations, provides a history of all your electronically filed returns, issues a receipt, and allows you to make your tax payment by Electronic Fund Transfer (EFT) if you are registered to do so. Checks or money orders may also be used to make payments.

To use SIP you will need a logon ID and password. To apply for this logon ID and to begin filing your tax returns go to www.salestax.dor.state.wi.us. More information about

transaction. We will send an email acknowledgement to confirm receipt of a successful file transmission.

We are working with individual software vendors to expand participation in this program. For more information on how the File Transmission process works and how it may benefit you, visit our official Website at www.dor.state.wi.us and click on Business to get to e-services. You will also see a list of vendors we have worked with and who are authorized to participate. We have also enclosed this list for your convenience.

Sales TeleFile

Businesses may want to consider using TeleFile to file their Wisconsin sales and use tax return using any touch-tone telephone. This program accepts any of three payment types: EFT, credit card or check or money order. Enclosed is a Sales TeleFile worksheet and payment voucher. If you choose to use TeleFile, please complete the worksheet and call Madison at (608)261-5340 or Milwaukee at (414)227-3895 to file.

While you can use TeleFile to file for all Counties you may find that it works best for those taxpayers with taxable sales in a smaller number of Counties.

E-Filing Waivers

We realize that electronic filing may not be possible for everyone. The Rule grants WDOR authority to waive the requirement to file electronically if it causes an *undue hardship* for you or your business. To apply for a waiver send your request in writing to the Secretary of Revenue, Wisconsin Department of Revenue, Mail Stop 5-77, PO Box 8946, Madison, WI 53708-8946. Clearly indicate the circumstances as to why the requirement causes an undue hardship. Your request will be considered.

General Information

Please note that paying by EFT requires a separate registration. We accept EFT for most tax type payments. It is easy to use and we are able to issue an acknowledgement that your payment was received, which is a service we cannot provide for checks and money orders. EFT also enables you to "warehouse" your payment in advance until the actual due date. Again, please visit our Website for further information.

If you have any questions about any of these requirements or options please contact us at (608) 261-6261. You can also email us at sales10@dor.state.wi.us or you can write to Inquiry and Technical Assistance, Wisconsin Department of Revenue, Mail Stop 5-77, PO Box 8946, Madison, WI 53708-8946.

Therefore, we especially want to thank you for your cooperation and future participation.

Sincerely yours,

NAME

2004 Sales Mandate Letter.doc

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

2005 Tax Season

Return Processing Statistics
Individual Income Tax

Fed/State Electronic Filing	1,537,800 returns	
• TeleFile	66,859 returns	
• FreeFile	91,016 returns	
Total e-file		
1,537,800		**60%**
Paper Returns		
1,025,200		40%
Total Returns (April 28, 2005)	2,563,000	

- Growth rate at 6% overall
- Preparer growth
- Examine Preparer Compliance
  Data from IRS and other sources
- 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?

Leveraging Automated Sales Tax Systems

- Principle #7: Acknowledge bulk filings at the return level
  - This helps quickly determine which return(s) may be at issue while allowing the others to be processed without delay.
- Principle #8: Accept/recommend Test returns
  - Allow filers to "self-help" and identify problems rather than going directly to the state's support staff especially during peak filing periods.

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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