



HOUSE FINANCE AND TAXATION  
REPRESENTATIVE HEADLAND, CHAIRMAN

Chairman Headland, members of the House Finance and Taxation Committee, my name is Matt Peyerl, Associate Director, Tax Administration, for the Office of State Tax Commissioner. I am here on behalf of the Tax Commissioner in support of House Bill 1082. This bill amends N.D.C.C. § 57-38-42 relating to the filing of information returns and certain passthrough entity income tax returns and N.D.C.C. § 57-38-60 relating to the paying and filing of employer's wage withholding returns.

FOUR CHANGES PROPOSED

- Require employers and payors to electronically file their annual return and W-2's and 1099's
- Require passthrough entities with 10 or more owners to electronically file income tax returns
- Increase the threshold for allowing an "annual" filing for wage withholding returns (instead of quarterly)
- Require electronic payment for quarterly wage withholding returns

Three of the four changes that would establish or expand electronic filing or paying requirements also include provisions allowing the Tax Commissioner to waive the requirement for good cause. All four changes would result in less paper being processed. The effective date included in Section 3 of the bill is applicable for tax periods beginning after December 31, 2021, but has a varying impact for each change, so the practical application of the effective date is described separately for each of the four changes.

PROPOSED CHANGES AND EXPLANATION OF THE BILL

**Proposal 1 - Section 1 - (Line 7 and page 4).** Current law includes the requirement a business to file electronically for 10 or more information returns (Form 1099's) or 10 or more W-2's. The current threshold of 10 was first applicable for the information returns filed in January 2020.

**Proposal 3 - Section 2 - (Page 1, Lines 20-21).** This change would raise the threshold that is used to determine an employer may file annual wage withholding returns instead of quarterly. Currently, an employer whose prior year income tax withheld from wages is \$500 or more must file and remit withholding on a quarterly basis. If the prior year withholding was less than \$500, an employer may file on an annual basis. This change would raise this threshold to \$1,000, resulting in an estimated 3,600 more employers able to file on an annual basis.

The effective date applicable for taxable years beginning after December 31, 2021, means the change would be applicable for quarterly returns covering periods of year 2022, for which the first quarter would otherwise be due April 30, 2022.

**Proposal 4 - Section 2 - (Page 2, Lines 7-12).** This change would establish the requirement any employer which does not qualify for annual filing (new threshold of \$1,000 described in Proposal 3) would be required to electronically file and pay the quarterly return. The estimated count of those impact is shown below:

Total employer accounts	37,876
Less: Already file / pay electronically	(25,935)
Less: Withholding less than \$1,000	<u>(9,998)</u>
Equals affected employers	1,943

The effective date applicable for taxable years beginning after December 31, 2021, means the change would be applicable for quarterly returns covering periods of year 2022, for which the first quarter would otherwise be due April 30, 2022.

**Section 3 – Effective date.** The four proposed changes would be effective for taxable years beginning after December 31, 2021. The practical application of this effective date for each of the four changes was previously described for each proposed change.

## CONCLUSION

The Tax Commissioner respectfully requests your favorable consideration of HB 1082. Thank you for your time and consideration.