

# MICROFILM DIVIDER

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ROLL NUMBER

DESCRIPTION

1108

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Operator's Signature

10/2/03  
Date

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2003 HOUSE FINANCE AND TAXATION

HB 1108

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1108

House Finance and Taxation Committee

Conference Committee

Hearing Date January 8, 2003

Tape Number	Side A	Side B	Meter #
1	X		13.6
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. WESLEY BELTER** Opened the Finance & Taxation Committee hearing.

**JILL WEIGEL, INCOME TAX SUPERVISOR, OFFICE OF STATE TAX**

**COMMISSIONER.** Explained what the bill proposed. See written testimony.

**REP. BELTER** Asked whether there were a number of firms who asked for a waiver not to file electronically.

**JILL WEIGEL** Stated there may be a number of instances. She stated if there is good cause, they would accommodate them.

**REP. WINRICH** Asked if an employer has the capability of doing their own payroll within their own shop, are they allowed to file electronically?

**JILL WEIGEL** They are always allowed to file electronically. What we are trying to insist, is when we have the situation where we have a lot of payroll service providers, they file one thousand returns at one time, that process gets quite tedious for them. They have a lot of

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*10/2/03*  
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Page 2

House Finance and Taxation Committee

Bill/Resolution Number HB 1108

Hearing Date January 8, 2003

companies that they contract with. They aren't always registered with the state. They find they have to fix those accounts. When they file electronically, they are preregistered. So, it fixes a lot of those problems.

**REP. GROSZ** Related to Section 5 regarding the penalty, how does that work, is the employer held accountable or is the provider held accountable?

**JILL WEIGEL** Penalty always applies to the employer directly. The employer pays for that service to the provider, and if something happens there, we are still going to go to the tax payer.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION**

**REP. SCHMIDT** Made a motion for a **DO PASS**.

**REP. KLEIN** Second the motion. **MOTION CARRIED.**

14 YES 0 NO 0 ABSENT

**REP. IVERSON** Was given the floor assignment.

Date: 1-8-03  
Roll Call Vote #: |

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1108

House FINANCE & TAXATION Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Schmidt Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Iverson

If the vote is on an amendment, briefly indicate intent:

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10/2/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
January 8, 2003 10:45 a.m.

Module No: HR-02-0351  
Carrier: Iverson  
Insert LC: Title:

**REPORT OF STANDING COMMITTEE**  
HB 1108: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1108 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-02-0351

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*10/2/03*  
Date

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2003 SENATE FINANCE AND TAXATION

HB 1108

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1108

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 26, 2003

Tape Number	Side A	Side B	Meter #
1	X		2464-3370

Committee Clerk Signature *Mary Kay ...*

Minutes: Senator Urlacher opened the hearing on HB1108. All committee members are present.

This bill relates to the filing of income tax withholding returns and income tax withholding payments by payroll service providers.

Jill Weigel, Individual Income Tax Supervisor with the State Tax Department (mtr #2518) -

Introduced the bill and explained its intent. Written testimony is attached. Proposed an amendment. Recommends a Do Pass as Amended.

Senator Nichols (mtr #2787) - Question regarding errors. Is electronic filing more accurate?

Ms. Weigel (mtr #2812) - There are edit checks in the program to catch errors.

Senator Urlacher (mtr #2901) - This bill requires electronic filing?

Ms. Weigel (mtr #2906) - Only if they have been filing electronically for federal purposes. Have resisted because they like to play float on the money.

Senator Nichols (mtr #2981) - Question regarding small businesses, when the business doesn't pay the taxes there is no effect?

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*10/2/03*  
Date



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Senate Finance and Taxation Committee

Bill/Resolution Number HB1108

Hearing Date February 26, 2003

Ms. Weigel (mtr #3008) - Explained the difference between an accounting firm and a payroll services firm along with the different services each provide.

Senator Nichols (mtr #3162) - Move to amend as proposed. 2nd by Senator Wardner. Voice vote 6 yea, 0 nay.

Senator Urlacher (mtr #3263) - We have the bill before us as amended.

Senator Nichols (mtr #3272) - Moved a Do Pass as Amended. 2nd by Senator Wardner. Roll call vote 6 yea, 0 nay, 0 absent. Carrier Senator Nichols.

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*Yalosta Rickford*

Date

*10/2/03*

38182.0101  
Title.0200

Adopted by the Finance and Taxation  
Committee

February 26, 2003

*[Handwritten Signature]*  
2-26-03

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1108

Page 1, line 10, after the period insert "As used in this subsection, a "payroll service provider" means a person that, for federal tax purposes, electronically processes and transmits an employer's withholding returns and taxes, including wage information returns."

Renumber accordingly

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10/2/03  
Date

UP

Date: 2.26.03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1108

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken As pass as amended

Motion Made By Sen. Nichols Seconded By Sen. Uhlir

Senators	Yes	No	Senators	Yes	No
Senator Uhlir - Chairman	✓		Senator Nichols	✓	
Senator Gardner - Vice Chairman	✓		Senator Seymour	✓	
Senator Syverson	✓				
Senator Tollefson	✓				

Total (Yes) 6 No 0

Absent \_\_\_\_\_

Floor Assignment Senator Nichols

If the vote is on an amendment, briefly indicate intent:

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Yolanda Rickford Operator's Signature 10/2/03 Date

**REPORT OF STANDING COMMITTEE (410)**  
February 26, 2003 4:38 p.m.

Module No: SR-34-3540  
Carrier: Nichols  
Insert LC: 38182.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**HB 1108: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1108 was placed on the Sixth order on the calendar.**

Page 1, line 10, after the period insert "As used in this subsection, a "payroll service provider" means a person that, for federal tax purposes, electronically processes and transmits an employer's withholding returns and taxes, including wage information returns."

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

SR-34-3540

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Date

UP

2003 TESTIMONY

HB 1108

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10/2/03  
Date

**Testimony before the House Finance and Taxation Committee  
House Bill 1108**

January 8, 2003

Prepared by Jill Weigel, Individual Income Tax Supervisor  
North Dakota Office of State Tax Commissioner  
Phone: 328-3277  
Email: jmweigel@state.nd.us

Mr. Chairman, and Members of the House Finance and Taxation Committee, my name is Jill Weigel. I am the Individual Income Tax Supervisor with the North Dakota Office of State Tax Commissioner. I am here today on behalf of the Tax Commissioner.

House Bill 1108 proposes a requirement of payroll service providers to file withholding tax returns and remit payments on behalf of their client employers electronically as determined by the tax commissioner. Electronic media includes reporting by magnetic tape or diskette with payment by Automated Clearing House (ACH) debit or credit transactions.

Payroll service providers contract with businesses to do their payroll and file the necessary tax forms and payments to the government. Currently, about 22,000 employers are registered to submit withholding reports with North Dakota. There are approximately 24 nationwide payroll service providers filing withholding tax returns quarterly with the state for about 5000 employers. This amounts to 20,000 returns, or 22% of all withholding tax returns filed. The volume of paper returns and checks the payroll service providers file on behalf of their clients is significant, and not without errors. Submitting the quarterly reports and payments electronically would significantly increase the integrity of the data recorded and the efficiency of the processing. In our conversations with the payroll service providers, they do file electronically with other states. However, it has been their choice not to file electronically, if this method is not addressed by statute.

House Bill 1108 provides the statutory language to have payroll service providers include North Dakota as one of the many states for which they currently file and submit payments electronically.

The Tax Commissioner recommends a "do pass" on House Bill 1108. If the Committee has any questions, I would be happy to respond to them.

**Testimony before the Senate Finance and Taxation Committee**  
**House Bill 1108**  
February 26, 2003

Prepared by Jill Weigel, Individual Income Tax Supervisor  
North Dakota Office of State Tax Commissioner  
Phone: 328-3277  
Email: jmweigel@state.nd.us

Mr. Chairman, and Members of the Senate Finance and Taxation Committee, my name is Jill Weigel. I am the Individual Income Tax Supervisor with the North Dakota Office of State Tax Commissioner. I am here today on behalf of the Tax Commissioner on House Bill 1108. An amendment is being proposed to this bill, and I will address that shortly.

House Bill 1108 proposes a requirement of payroll service providers to file withholding tax returns and remit payments on behalf of their client employers electronically as determined by the tax commissioner. Electronic media includes reporting by magnetic tape or diskette with payment by Automated Clearing House (ACH) debit or credit transactions.

Payroll service providers contract with businesses to do their payroll and file the necessary tax forms and payments to the government. Currently, about 22,000 employers are registered to submit withholding reports with North Dakota. There are approximately 24 nationwide payroll service providers filing withholding tax returns quarterly with the state for about 5000 employers. This amounts to 20,000 returns, or 22% of all withholding tax returns filed. The volume of paper returns and checks the payroll service providers file on behalf of their clients is significant, and not without errors. Submitting the quarterly reports and payments electronically would significantly increase the integrity of the data recorded and the efficiency of the processing. In our conversations with the payroll service providers, they do file electronically with the IRS and other states. However, it has been their choice not to file electronically, if not required by statute.

The amendment before you addresses some concerns that were brought to our attention by accounting firms after the bill was passed by the House. Their concern was that the bill may apply to smaller accounting firms or bookkeeping services. The amendment addresses this concern by defining a payroll service provider to be a person that, for federal tax purposes, electronically processes and transmits an employer's withholding returns and taxes, including wage information returns. While many accounting firms and bookkeeping services may prepare withholding returns, they usually are not responsible for also paying the tax on behalf of their

clients. Only by meeting all three criteria, would a business be considered a payroll service provider under this bill.

House Bill 1108, as amended, provides the statutory language to have payroll service providers include North Dakota as one of the many states along with IRS for which they currently file and submit payments electronically.

The Tax Commissioner recommends a "do pass" on House Bill 1108, as amended. If the Committee has any questions, I would be happy to respond to them.

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*10/2/03*  
Date



38182.01TX  
Title.

Prepare by the Office of State Tax  
Commissioner for the Senate Finance and  
Taxation Committee  
February 19, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1108

Page 1, line 10, after the period insert "A "payroll service provider" means a person that, for federal tax purposes, electronically processes and transmits an employer's withholding returns and taxes, including wage information returns."

Renumber accordingly

Page No. 1

38182.01TX

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