

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1050

Bill Subtitle: TO REDUCE THE NUMBER OF EMPLOYEES REQUIRED TO MANDATE THE ELECTRONIC FILING OF ANNUAL WITHHOLDING STATEMENTS.

Basic Change :

Sponsor: Rep. Jett

HB1050 amends § 26-51-909 to reduce the number of employees required to mandate electronic filing of annual withholding tax statements from 250 employees to 25 employees. HB1050 would be effective for tax years beginning on and after January 1, 2021.

Revenue Impact :

None.

Taxpayer Impact :

An employer with 25 or more employees but less than 250 employees would be required to electronically file the employer's annual withholding tax statements. Department records for W2s received during 2020 indicated that 3,876 employers having 25 to 250 employees filed paper statements.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Income Tax Withholding rules will need to be promulgated and updated instructions published. Department employees will need to be educated as well as the taxpayer community.

Other Comments :

Receipt of electronically filed W2s is an automated process that allows W2s to be processed in one or two days rather than 60-90 days to manually key the W2 taxpayer data. Electronic data provides quicker processing time which allows timely income tax return verification reducing the number of potentially fraudulent income tax returns being processed. Additionally, electronic filing allows taxpayer income tax refunds to be processed more quickly.

HB1050 would bring Arkansas more in line with other states' requirements for electronic submission of W2s. The Taxpayer First Act of 2019, enacted July 1, 2019, authorized the IRS and Department of the Treasury to issue regulations that could reduce the 250 return limit to 100 and then to 10, potentially starting with respect to 2020 returns required to be filed in 2021.

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Legal Analysis :

None.