

STATEMENT OF PURPOSE

RS22431

Tax practitioners are required by IRS rules to file federal income tax returns electronically once they meet certain thresholds. There is no similar requirement in Idaho law to require electronic filing. Many practitioners electronically file their client's individual tax returns to the IRS and Tax Commission. However, many commercial tax software developers do not support or provide an electronic filing option for Idaho business income tax returns. This forces the professional preparer to mail a paper return to Idaho even though the Federal return was transmitted electronically to the IRS. Some paper corporate returns can be thousands of pages long which must be processed manually by the Tax Commission.

Many software developers have informed the Commission that they will not provide electronic filing of business returns in Idaho until it becomes a state requirement. The proposal would require electronic filing of income tax returns by paid tax return preparers. The legislation also requires large partnerships and large corporations to electronically file income tax returns.

FISCAL NOTE

A \$5,000 reduction in processing costs.

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