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FISCAL IMPACT REPORT

	ORIGINAL DATE 2/23/07		LAST UPDATED 2/24/07		HB
SPONSOR	SCORC				
SHORT TITLE	ELECTRONIC TAX FILING FOR CERTAIN EMPLOYEES	SB	344/SCORCS		
					ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The Senate Corporations Committee (SCORC) substitute for Senate Bill 344 would enact new reporting requirements for employee payroll tax withholding, with associated penalties:

- Employers of more than 50 employees would be required to file their quarterly withholding tax reports using electronic means. A penalty of \$200 per quarter would be due for failure to comply.
- Employers currently not required to file unemployment insurance returns with the N.M. Labor Department would be required to file a quarterly withholding tax return with the Taxation and Revenue Department. Penalty for failure to comply with this requirement would be \$50 per return.
- The Secretary of Taxation and Revenue would be authorized to allow for submission of an annual statement of withholding for each employee rather than a quarterly withholding information return for employers that:
 - Are not required to file an unemployment insurance tax form with the Labor Department;
 - Have 50 or fewer employees and
 - Are not required to file their withholding information returns electronically.

- Employers that report withholding quarterly with the N.M. Department of Labor or Taxation and Revenue Department will no longer be required to submit an annual withholding statement for each employee to the Taxation and Revenue Department.

The provisions of the bill would be effective January 1, 2008.

FISCAL IMPLICATIONS

TRD assumes a positive but not significant impact on revenue collection.

SIGNIFICANT ISSUES

According to TRD, receiving the employee withholding information quarterly and via electronic media will improve compliance by employers who report and pay withholding tax, and by employees who claim withholding tax withheld on their personal income tax returns. The information received on Workers Compensation Fees paid will also help the Workers Compensation Administration ensure claims are filed on only those employees for whom compensation fees have been paid, and will help ensure that employers are reporting and paying workers compensation fees as required.

ADMINISTRATIVE IMPLICATIONS

The provisions should enable faster and more accurate electronic return processing.

POSSIBLE QUESTIONS

Would this be an additional burden on employers or is it tax-payer friendly?

Could employers of 25 or more be required to file their quarterly withholding tax reports using electronic means?

BE/mt