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**Testimony before Assembly Committee on Ways and Means
Assembly Bill 735
Rep. Amy Loudenbeck
December 14, 2017**

Thank you, Mr. Chairman and committee members for the opportunity to testify in favor of Assembly Bill 735. AB 735 was introduced at the request of the Department of Revenue and makes several minor policy changes and corrections to tax law that protect taxpayers and make tax administration more efficient.

The changes made in this bill will ensure that DOR is working with Wisconsin's taxpayers in a modern, secure and efficient manner. I'll just briefly touch on a couple of the policy changes in the bill, and allow for the Department to explain in greater detail additional provisions of the bill.

One of these changes will allow for optional electronic notifications giving taxpayers the choice to receive electronic notifications via the department's My Tax Account portal. Taxpayers have been increasingly asking for this option, and allowing electronic notices will strengthen DOR's customer service in response to taxpayer demand.

Another important change will be to allow truncated social security numbers on information returns provided to payees- meaning instead of your entire social security number being listed, only the last four digits would be. The IRS made changes to allow employers to truncate Social Security Numbers on W-2s sent to employees and 1099s sent to certain contractors as a safeguard against identity theft starting in 2019. This bill will provide the same ability for state tax information returns. In today's age when we hear about massive data security breaches, I believe this is a critical change to protect taxpayers' identities and private information.

Overall, the policy changes in this bill will allow for DOR to take appropriate action to continue to be the best steward of taxpayer dollars. Thank you for the opportunity to testify on this bill today. I would be happy to answer any questions at this time.



Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

December 14, 2017

Testimony to the Assembly Committee on Ways and Means on Assembly Bill 735

Chairman Macco and members of the committee, thank you for the opportunity to testify on Assembly Bill 735. This bill makes several minor policy changes and corrections to tax law that protect the taxpayer and make tax administration more efficient.

1. Optional Electronic Notifications

This provision would allow taxpayers the option; not the requirement, to receive electronic notifications from income, sales, and excise tax types via DOR's online My Tax Account portal. Taxpayers have been increasingly asking for this option, and allowing electronic notices will strengthen DOR's customer service in response to taxpayer demand.

2. Garnishment Fee Statutory Updates

DOR's ability to pass along the actual costs and receive full payments from garnishments from delinquent taxpayers has been negatively affected by law changes and this bill seeks to remedy those changes.

1) 2015 Wisconsin Act 337 authorized garnishees (generally, employers) to receive a \$3 fee for each wage garnishment they have to attach to a debtor's (employee) wages. The garnishee takes the \$3 off the total that is paid to the creditor. This proposal would not affect the \$3 that employers may keep; instead, it would add an additional \$3 to the total debt so that the debtor pays the full cost, instead of passing on that cost to the state and other taxpayers.

2) State statutes limit garnishment costs to a maximum of \$40 that the creditor, including DOR, may pass on to a debtor. DOR currently passes on the entire garnishment cost to the debtor.

Mandatory court fees related to garnishments and certified mail costs are at minimum \$114, which means that if DOR's current practice is not upheld, the state will lose at least \$74 per garnishment.

DOR does not issue new garnishments to taxpayers in voluntary payment plans to resolve their delinquent debts. In fact, earnings garnishments are one of the last resorts DOR uses for the collection of delinquent taxes. However, if the statutes are not updated, there could be an annual loss of over \$100,000 in unreimbursed garnishment costs that other taxpayers will have to absorb with delinquent debtors benefitting.

Over-collection of Sales Tax

After being advised multiple times by DOR to stop over-collecting, some companies are collecting more sales tax from their customers than the customers owe. Instead of returning the over-collection to their customers, companies are able to use that over-collection to offset any liabilities they accrue in sales tax audits, which is an allowable quirk in statutes. This bill stops this abuse by preventing these liability offsets if the company receives two or more written notices from DOR stating that they are over-collecting. Additionally, the existing sales tax penalty of 25% of the amount may be imposed, pursuant to current law. This provision would eliminate the incentive for persons to knowingly overcharge their customers sales or use tax.

3. Truncated Social Security Numbers

The IRS has recently published notice that beginning in 2019, employers may truncate Social Security Numbers on W-2s sent to employees and 1099s sent to certain contractors as a safeguard against identity theft. The full Social Security Number must still be on the information returns submitted by the employers to the IRS. This provision will provide the same ability for state tax information returns. Statutes currently require the full Social Security Number to appear on all information returns, regardless if DOR or the taxpayer receives the return from the employer.

4. Assessor Exam Fee Cost

DOR certifies one occupation, assessors. Statutes currently limit the fee to \$20 that DOR may charge to provide assessor exams. Historically, DOR has prepared the exams and DOA's Division of Personnel Management (DPM) administered the exams. As of July 2017, DPM has ceased to administer the exams, which has required DOR to contract with an outside vendor to administer the exams now in electronic format. The new exams cost \$50 each to administer. DOR is seeking to mirror the statutory ability that DSPS possesses to pass along the actual cost of the exam to the test-taker, rather than the current, insufficient \$20 maximum.

Thank you again for the opportunity to discuss AB 735.