



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0240

Title: Revise reporting requirements for third-party settlement organizations

Primary Sponsor: Hamilton, Jim

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 240 removes the de minimis threshold on state-level reporting for third-party settlement organizations. This would improve income tax compliance by increasing the number of 1099-K's filed with the state for income verification. This bill would likely improve audit efficiency with additional 1099-K information but does not change present law tax liability. The department does not expect to incur additional costs as a result of this bill.

FISCAL ANALYSIS

Assumptions:

1. HB 240 lowers the threshold for state-level reporting by third-party settlement organizations.
2. Third-party settlement organizations would submit a form 1099-K for each payee with a Montana address to the department and to the payee, as if the de minimis limitation of 26 U.S.C. 6050W(e) does not apply.
3. Under current federal law, third-party settlement organizations do not have to file a 1099-K for payees with transactions totaling less than \$20,000 or fewer than 200 transactions. This can allow some taxpayers to avoid reporting income and paying taxes. While some third-party settlement organizations currently voluntarily file 1099-Ks for payees that are under the minimum threshold, the number of payees below the threshold is unknown.
4. This bill would increase the number of 1099-Ks filed and improve income tax compliance but does not increase current law tax liability.
5. This bill is retroactively applicable to TY 2019. Any compliance effect would begin no sooner than FY 2020.

6. The department does not expect to incur significant additional costs as a result of this bill.

Technical Notes:

1. This bill removes the de minimis limitation entirely which would require the filing of 1099-Ks for all payees, even those with only one or two small transactions. The department recommends that a provision be included to set the minimum filing level at \$600 like the 1099-MISC form.



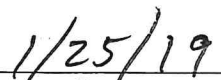
Sponsor's Initials



Date



Budget Director's Initials



Date