



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0203

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 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance	Unknown	Unknown	Unknown	Unknown

Description of fiscal impact: HB 203 would change the threshold for state-level reporting by third-party settlement organizations from \$20,000 to \$600. This would improve income tax compliance and enforcement by increasing the number of 1099-Ks filed with the state. The revenue impact is unknown.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- 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 if they have less than 200 total transactions.
- HB 203 would require third-party settlement organizations to submit a 1099-K for each payee with a Montana address to the department, and to the payee, if they have transactions totaling more than \$600.
- Some third-party settlement organizations voluntarily file 1099-Ks for payees that are under the minimum threshold, but it is assumed that many do not.
- HB 203 would increase the number of 1099-Ks filed and likely improve tax compliance.
- This bill would likely increase audit revenue as more non-filers would be identified, but does not change tax liability, and the amount of additional revenue that might be collected is unknown.
- This bill is retroactively applicable to tax year 2021.
- The department does not expect to incur significant additional costs as a result of this bill.

JAH

Sponsor's Initials

1/26/21

Date

KA

Budget Director's Initials

1/26/21

Date