

Penalties For Informational Returns

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Revenue Laws Study Committee

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What is this about?

- The filing of “informational returns” only.
 - NC-3s – Employer W-2 Reconciliation
 - Alcohol Vendors, Payment Settlement Entities, & OLBs
 - Motor Fuels – terminal operators & transporters
 - E-536 County Allocation of Sales Tax
- The information submitted is used to ensure compliance.

NCDOR
Web
8-17

NC-3
Annual Withholding Reconciliation

Legal Name (First 32 Characters) (USE CAPITAL LETTERS FOR YOUR NAME AND ADDRESS) _____ Account ID _____

Street Address _____ FEIN or SSN _____

City _____ State _____ Zip Code _____ File By: Year _____ (yyyy)

Enter total tax withheld as reported for each period.

Month	Amount	Month	Amount
1. January		7. July	
2. February		8. August	
3. March <small>End of 1st Quarter</small>		9. September <small>End of 3rd Quarter</small>	
4. April		10. October	
5. May		11. November	
6. June <small>End of 2nd Quarter</small>		12. December <small>End of 4th Quarter</small>	

Add Lines 1-12 and enter the total on Line 13. Enter Line 13 on Line 16.

13. Total Tax Withheld as Reported <small>Add Lines 1 through 12. Enter total here and on Line 16.</small>	_____
14a. Tax Withheld per W-2 Statements	_____
14b. Tax Withheld per 1099 Statements	_____
15. Total Tax Withheld on W-2 and 1099 Statements <small>Add Line 14a and Line 14b. Enter total here and on Line 17.</small>	_____

16. Total Tax Withheld as Reported <small>(From Line 13)</small>	_____ .00
17. Total Tax Withheld on W-2 and 1099 Statements <small>(From Line 15)</small>	_____ .00

Compare Line 16 and Line 17. If Line 16 and Line 17 are the same, skip to Line 21. If Line 16 is more than Line 17, the account is **overpaid**. Subtract Line 17 from Line 16 and enter the amount of overpayment on Line 18. If Line 16 is less than Line 17, the account is **underpaid**. Subtract Line 16 from Line 17 and enter the amount of tax due on Line 19.

18. Overpayment	_____ .00
19. Additional Tax Due	_____ .00
20. Interest <small>(See the Department's website, www.dornc.com, for current interest rate.) <small>Multiply Line 19 by applicable rate.</small></small>	_____ .00
21. Failure to File Informational Return Penalty <small>Enter \$50.00 if return is not filed by January 31.</small>	_____ .00
22. Amount of Refund Requested <small>If Line 18 is blank or zero, skip to Line 23. Otherwise, compare Line 18 and Line 21. If Line 18 is more than Line 21, subtract Line 21 from Line 18 and enter the amount of refund here. If Line 18 is less than Line 21, subtract Line 18 from Line 21 and enter the amount due on Line 23.</small>	_____ .00
23. Total Amount Due <small>Add Lines 19 through 21 and enter the total amount due.</small>	_____ .00

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What is the problem?



- When the Department doesn't receive these returns in real-time, it increases the potential for refund fraud and identity theft.
- Statutorily required to be filed electronically, but not all filers comply.
- There is no penalty for failure to file in the format required.

What is the Department's objective?

- To reduce refund fraud and identity theft and to enhance compliance
- To reduce costs associated with converting paper to digital



How can DOR's objective be accomplished?

- DOR proposes an enforcement mechanism in the form of a penalty for existing requirement that informational returns be filed electronically.



Concern

- Potential burden for small business owners without access to or proficiency with computers.



Proposal

CURRENT

Failure to file NC-3.....\$50

Failure to timely file compliance
info request.....\$1,000

Failure to file in proper
format.....No penalty

PROPOSED

Failure to file NC-3.....\$50/day;
\$1000 max

Failure to timely file compliance
info request.....\$50/day;
\$1,000 max

Failure to file in proper
format.....\$200

Department Response to Concerns

- ***Waiver of Electronic Submission Requirement***
 - Proposal maintains current law that Secretary can waive the electronic submission requirement.
- ***Waiver of Penalty***
 - Proposal maintains current law that Secretary can waive the penalty. DOR has written policy that every taxpayer “in good compliance” be allowed 1 penalty waiver every 3 years.
- ***No Cost to Filer***
 - DOR has a free web application that would allow an employer to enter the NC-3 information manually.
- ***Minimal Impact***
 - 84% of businesses already file electronically.
 - Of the remaining 16%, the vast majority are computer-generated. Only 400 of the 6.8 million NC-3s are handwritten.

Questions?

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