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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 705

01/23/2023 Authored by Youakim, Brand and Norris
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; requiring a report on free filing for
1.3 individual income taxpayers; appropriating money.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. DEPARTMENT OF REVENUE FREE FILING REPORT.

1.6 (a) By January 15, 2024, the commissioner of revenue must provide a written report to
1.7 the chairs and ranking minority members of the legislative committees with jurisdiction
1.8 over taxes. The report must comply with the requirements of Minnesota Statutes, sections
1.9 3.195 and 3.197, and must also provide information on free electronic filing options for
1.10 preparing and filing Minnesota individual income tax returns.

1.11 (b) The commissioner must survey tax preparation software vendors for information on
1.12 a free electronic preparation and filing option for taxpayers to file Minnesota individual
1.13 income tax returns. The survey must request information from vendors that addresses the
1.14 following concerns:

1.15 (1) system development, capability, security, and costs for consumer-based tax filing
1.16 software;

1.17 (2) costs per return that would be charged to the state of Minnesota to provide an
1.18 electronic individual income tax return preparation, submission, and payment remittance
1.19 process;

1.20 (3) providing customer service and issue resolution to taxpayers using the software;

1.21 (4) providing and maintaining an appropriate link between the Department of Revenue
1.22 and the Internal Revenue Service Modernized Electronic Filing Program;

2.1 (5) ensuring that taxpayer return information is maintained and protected as required by
2.2 Minnesota Statutes, chapters 13 and 270B, Internal Revenue Service Publication 1075, and
2.3 any other applicable requirements; and

2.4 (6) current availability of products for the free filing and submitting of both Minnesota
2.5 and federal returns offered to customers and the income thresholds for using those products.

2.6 (c) The report by the commissioner must include at a minimum:

2.7 (1) a review of options that other states use for state electronic filing;

2.8 (2) an assessment of taxpayer needs for electronic filing, including current filing practices;

2.9 (3) an analysis of alternative options to provide free filing, such as tax credits, vendor
2.10 incentives, or other benefits; and

2.11 (4) an analysis of the Internal Revenue Service Free File Program usage.

2.12 Sec. 2. **APPROPRIATION; DEPARTMENT OF REVENUE FREE FILING**

2.13 **REPORT.**

2.14 \$175,000 in fiscal year 2024 is appropriated from the general fund to the commissioner
2.15 of revenue for the free filing report required under section 1. This is a onetime appropriation.