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TAX ADMINISTRATION

Employment Taxes and
Small Business

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Administration Issues, General Government Division



Tax System: Employment Taxes and Small Business

Messrs. Chairmen, Members of the Commission:

We appreciate the opportunity to assist you with your review of the complexity of tax laws and the compliance burden this complexity places on taxpayers. As an example of this complexity, we will be discussing employment taxes—federal income tax withholding; federal Social Security and Medicare taxes (FICA); federal unemployment tax (FUTA); and, to a degree, state and local employment taxes. We will focus on the impact of these varied employment tax laws and regulations on small businesses hiring their first employees and all employees thereafter. On the basis of our review of laws and regulations and discussions with knowledgeable federal officials, we identify some general issues relating to employment taxes that add complexity to business tax regulation. We also describe several projects currently under way to alleviate employer compliance burden.

Our statement today makes the following points:

First, employment tax compliance can be particularly burdensome to employers because of multiple federal, state, and local taxes. Each tax generally requires its own unique set of rules and regulations, and each has its own exceptions to these rules and regulations, thereby making compliance difficult for employers.

Second, the complexities we discuss were not created by happenstance, but rather reflect the various trade-offs that have been made to address assorted tax policy issues. These trade-offs include considerations as to the type of tax imposed, the types of compensation to be socially encouraged, and the fiscal requirements of individual governmental units. Consequently, they will not be easy to simplify.

Our office has previously done work to identify aspects of the tax compliance burden on business.¹ Respondents to a survey conducted in that study described characteristics of especially troublesome tax provisions—ambiguity, frequent changes, expiration clauses, and layers of federal and state regulation. As varied employment tax provisions include some or all of these same characteristics, they present a microcosm of the most burdensome aspects of tax regulation reported by those businesses.

¹See Tax Systems: Issues in Tax Compliance Burden (GAO/T-GGD-96-100; Apr. 3, 1996).

Background on Employment Taxes

When a business hires an employee, the business generally becomes responsible for collecting and paying three federal taxes—the personal income tax (withholding), FICA, and FUTA. It also becomes liable for state and local employment taxes: in most states, these include a state income tax and a state unemployment tax.

For businesses, each tax presents, in turn, its own set of rules and regulations with its own particular exceptions and unique regulatory requirements. For the small business owner just starting up, these employment tax rules make compliance with the taxes both complex and confusing.

Many apparent inconsistencies among the various tax code provisions can be explained, to some degree, by reference to an actual purpose of the individual tax. Broadly speaking, employment taxes can be broken into two large groups—those whose primary purpose is to raise general revenues (e.g., the federal income tax) and those that provide social welfare insurance (e.g., FICA and FUTA).

Accomplishing the different goals of the various taxes and the policy trade-offs made in their design requires different regulatory schemes. For example, in the interest of fairness and to reflect the ability of different individuals to pay, the federal income tax applies progressive rates to employee wages, taxing higher wages more than lower wages and exempting some lower wage earners from taxation. FUTA, on the other hand, ensures that employers contribute to state unemployment funds by taxing employers at a flat rate for all wages paid to employees (up to \$7,000 per employee), but reducing the tax owed by amounts paid to state unemployment insurance funds (down to a federal tax rate of 0.8 percent).

The differences among federal employment taxes are magnified when state and local taxes are considered. In fact, local political and economic concerns can lead to variances among taxes with the same general purposes. As an example, even where states actually “piggyback” on the federal income tax code—i.e., state taxable income (or adjustable gross income) is based on federal taxable income (or adjustable gross income)—there may be state exceptions to the federal tax code. Oregon, for instance, is a piggyback state; however, it also has a constitutional requirement for a balanced budget. Therefore, before it can accept a federal tax provision, it must scrutinize the individual provision for its likely effect on state revenues and make its decision accordingly. If the Oregon state legislature believes that a federal provision may have an

adverse affect on the state budget, it can choose to reject the provision as part of its state income tax code.

The number and type of state and local tax assessments also vary. In New York City, for instance, an area with large amounts of commercial activity, a business may face as many as eight federal, state, and local employment taxes.

Today we have brought along a chart to help illustrate the complexity of current employment taxes. Appendix III of this report is a copy of this chart. The chart is divided into two main parts: the left half of the chart covers federal taxes, and the other half covers state and local taxes. Along the bottom of the chart we list the different types of employment taxes, and in the middle of the chart we present the four major decision points an employer must come to before making actual tax payments.

For state taxes, we have used as our examples those applied in Nebraska and Ohio. Aside from the fact that these are the home states of the Chairmen of this Commission, these states make a useful comparison for our purposes. Both states piggyback on federal income taxes. However, Nebraska has a primarily rural economy based mainly on agriculture and livestock. Ohio, on the other hand, has a more urban economy that includes over five times the number of businesses as Nebraska. Ohio law provides for more extensive business regulation than Nebraska—for example, three additional local employment taxes: city and village income taxes, school district tax, and workers' compensation payroll tax.

Employment Tax Compliance

Once an employer has made taxable wage payments to an employee, the employer is most likely liable for three federal taxes:

1. **Federal Income Tax Withholding:** The employer must collect the estimated tax due from employees on the wages paid to them. The employer must deduct the proper amount of withholding from the employee's paycheck and pay it to the federal government.
2. **Federal Social Security and Medicare Taxes** (required by the Federal Insurance Contributions Act [FICA]): FICA imposes taxes on both the employer and the employee. These taxes provide funds for two of the federal government's principal Social Security programs, Old-Age, Survivor's, and Disability Insurance (OASDI); and hospital insurance (Medicare). The employer must deduct the employee's portion from the

employee's paycheck and pay it to the federal government, along with a matching amount imposed on the employer.

3. **Federal Unemployment Tax** (required by the Federal Unemployment Tax Act [FUTA]): FUTA imposes a tax on most employers. This tax, in conjunction with state unemployment taxes, supplies the funds to provide benefits for unemployed persons under the state law. The tax is imposed solely on the employer and is not deducted from the employee's wages.

In complying with federal, state, and local employment-related taxes, the business person must answer four questions:

- Is the worker an "employee" covered by the tax?
- Are the compensation payments to the employee "wages"?
- What is the employer's employment tax liability?
- What are the deposit and filing requirements?

Our chart provides detail on these issues for federal taxes and provides general information on the application of these issues to state and local taxes. We will discuss each issue in turn, with examples of application on hypothetical small businesses.

Is the Worker an "Employee" Covered by the Tax?

Once a business decides to hire a worker, the first issue to be considered is whether the worker is an employee for the purpose of each different employment tax. Major factors affecting this issue for federal taxes are outlined in our chart in the lower left corner.

The pivotal question on this point is whether the worker is an employee or an "independent contractor." The standard "common law" test finds the worker to be an employee if the employer controls both what work is done and how it is performed. The

Internal Revenue Service (IRS) augments this test with guidelines on the factors that can affect the final determination.

As a general rule, if the worker is an employee, the business is responsible for deducting and paying employment taxes; if the worker is an independent contractor, the business has no responsibility for employment taxes. However, as can be seen from our chart, there are various federal exceptions to this general rule: exceptions where businesses hiring employees are not subject to federal employment taxes;

and exceptions where businesses hiring employees not meeting the common law test are responsible for either FICA and FUTA, or only FICA. In effect, the first set of exceptions shifts the burden for tax compliance from the employer to the employee, while the second set puts the burden on the employer.

These exceptions to the general rules can affect various types of workers: for example, ministers, news vendors under age 18, certain family members, and homeworkers in a cottage industry. Depending on conditions (as stated specifically by statute), these workers may be exempt from income tax withholding, FICA, FUTA, or some combination of the three taxes.

As an example, consider a jeweler, operating from her basement as a small manufacturing sole proprietor. Pressed by the coming holiday season, the jeweler would like to hire a neighbor to make small metal pieces, working in his own home with his own tools using material furnished by the jeweler. Even though this person—termed a “homeworker” in the federal tax code—will most likely not be considered an a common law employee, the jeweler will still find herself liable for FICA taxes, both deducted from the homeworker’s salary and matched by her business, if she pays the neighbor more than \$100 in cash. Under the federal tax law, however, she will not be liable for FUTA taxes.

Are the Compensation Payments “Wages”?

Having determined that the worker is an employee covered by employment taxes, the next issue confronted by the employer is what compensation payments are taxable as wages. Compensation to an employee may take many forms—pension plans, health and life insurance plans, travel and business expenses, educational assistance, to list a few examples—as well as straight cash hourly wages.

Arguably, the most difficult aspect of this issue is determining whether the compensation paid to the employee fits the category of nontaxable compensation. Certain employee benefits, such as pension plan contributions, health and life insurance, commuting passes, and educational assistance, can all be taxable or nontaxable compensation, depending upon whether such benefits are paid out and administered in compliance with complex tax regulations. Compliance with such regulations requires the employer to pay meticulous attention to detailed legal provisions.

Because of the exceptions and preferences in the code, how an employee is compensated can affect the tax liability of both the employer and employee. For example, suppose the owner of a beauty salon hired a part-time hairstylist, a person who is also a full-time undergraduate student at a local college. To keep bookkeeping simple, the new employer would most likely pay the hairstylist a cash hourly wage. However, she might also consider including “educational assistance” as compensation to her employee as an offset to a higher hourly rate. Because a recent law (P.L. 104-188) reinstated a tax break for employer-provided educational assistance, the employee may be eligible for annual tax-free educational assistance up to \$5,250. As the tax-free educational assistance payments are not subject to FICA or FUTA, the payments would reduce the salon owner’s overall payroll costs, as well as reduce the employee’s federal income tax liability. Including the educational assistance would, however, also complicate the employer’s recordkeeping.

What Is the Employer’s Employment Tax Liability?

Concluding that the worker is an employee with compensation payments subject to employment taxes, the employer next must calculate his or her periodic tax liability. For the federal income tax, wages are withheld for each payroll period, and the amount withheld is based on the amount of wages and number of allowances claimed by the employee on his or her federal Form W-4. For FICA, the employer is to deduct 7.65 percent of the employee’s wages (for wages up to \$62,700; for wages over that amount, the employer is to deduct 1.45 percent) for the same payroll period and pay over the same amount as the business’ matching share. FUTA is paid by the employer at a rate of 6.2 percent, but it can be reduced to as low as 0.8 percent with credit for payments to state unemployment tax. Similar calculations must be made for state tax liabilities.

All these taxes are calculated independently of one another. For example, suppose two partners in a small gift shop in Lincoln, Nebraska, hire a part-time bookkeeper to work 10 hours a week at \$10 an hour. The bookkeeper is paid \$200 in cash twice each month, is single, and reports only 1 exemption on his Form W-4. When the partners consult the federal tax semimonthly withholding tables, they will find that they do not owe any withholding of federal income taxes for their employee. However, they will still owe payments for FICA, FUTA, Nebraska state income tax, and Nebraska state unemployment tax.

For FICA, they must collect 7.65 percent of the bookkeeper’s salary; they must also pay the same percentage as the employer’s share. For FUTA,

although they pay the bookkeeper less than \$1,500 per quarter, they still owe a flat percentage of 6.2 percent because the bookkeeper works once a week for over 20 weeks per year. However, as they will also be liable for 3.5 percent in Nebraska unemployment tax (as new employers), ultimately their federal FUTA liability will be reduced by the amount of state payments. As for state income tax, the partners look to Nebraska withholding tables—this shows a tax liability of \$2.38 plus 3.65 percent of the excess wages over \$179, for a total of \$3.15 for each semimonthly pay period.

What Are Deposit and Filing Requirements?

Finally, to remit the employment taxes owed, the employer must figure out the deposit and filing requirements for each employment tax. Generally, employers must remit taxes at regular intervals, as the year progresses. They must also file statements on the amounts of taxes deposited either annually or quarterly, depending on the tax. When the deposit and filing requirements for federal taxes are combined with those for state tax assessments, these requirements can become quite complicated.

Consider, for instance, the requirements applicable to a hypothetical construction company located in Cleveland, Ohio, doing most of its work in the Cleveland area, with several of its six employees residing in local counties where there are school district taxes. To fully comply with all federal and local requirements, the small business owner must make at least 56 tax deposits (if the company does business in other Ohio cities, the owner might have to make more deposits), using five different federal, state, and local forms. These tax deposits cover the collection and payment of seven different employment taxes.

In addition to these tax deposits, the business must also file the federal Form 941 quarterly, the federal Form 940 annually, the Ohio Form IT-941 annually; send federal Form W-2 to each of his employees; and file federal Forms W-3 and W-2 with both the Social Security Administration (SSA) and the state of Ohio. We set out the schedule of deposit and filing requirements for this hypothetical Ohio company in appendix I.

In summary, Messrs. Chairmen, hiring employees or even a single employee is a critical decision for businesses in terms of their tax liabilities and the complexities of the tax administration process they face.

Solutions

With laws and regulations so complicated, it is not surprising that working out feasible solutions to reduce complexity has been difficult, at best. Attempts to simplify provisions, or to make different tax code provisions consistent with each other, inevitably involve trade-offs and compromises in the administration of the tax programs. For instance, to consider eliminating a statutory exception in an unemployment tax to ensure consistency between that tax and, say, the federal income tax, one would need to weigh the trade-offs between the economic and political rationale for the particular exception and the need for simplification of the tax system. Moreover, legislative change by itself—even to simplify provisions—can add to the uncertainty of the regulations, leaving business owners unable to rely on long-term operating procedures.

Since 1988, various federal and state groups have been trying to simplify aspects of the employment taxes. The current federal working group, STAWRS (Simplified Tax and Wage Reporting System), is operating under a memorandum of understanding among the Department of the Treasury, IRS, SSA, and the Department of Labor. STAWRS is addressing the employer burden through three broad categories of initiatives: (1) Streamlined Customer Service, (2) Single-Point Filing, and (3) Simplified Requirements. We discuss several of these initiatives today, and we include a list of all initiatives in appendix II.

The first simplification project involved the processing of federal Wage and Tax Statements, Form W-2s. All states currently accept Form W-2 as a record of the wage payments paid to employees; however, the employer generally must send the Form W-2s to both the state and SSA. Until this project, which aims at reducing burden by showing the feasibility of requiring the employer to send Form W-2s only to SSA, SSA received both the federal and state W-2 data, but did nothing with the state data. Under the current STAWRS demonstration project, SSA scans both federal and state data onto computer tapes, transmitting the state data to participating states through IRS. Thirty-four states are participating in this project. Three states—Oklahoma, Maine, and Oregon—have dropped the requirement for Form W-2 state filing altogether.

Another initiative aims to show the feasibility of combining federal and state quarterly employment tax reporting on one form filed at one location within each state. STAWRS is working with Oregon, which just recently combined (at extra cost to the state) all five of its quarterly forms into one form. The federal government would like to add data needed for its quarterly Form 941 to the combined Oregon form. The employer would

then send only one quarterly form to the state, which, in turn, would forward the federal information to IRS. Montana has recently become a partner with STAWRS on a similar project.

A third initiative is attempting to reconcile and simplify the numerous federal and state definitions of terms such as employee and wages into one harmonized wage code. The STAWRS group researched the federal and state laws to identify hundreds of differences in how the various tax codes defined their operative terms. For example, the Maryland tax code excepts yacht salesman for its definition of employee, Ohio excepts part-time orchestra members; only one exception—ministers—is found in every code. Recently, STAWRS developed a Harmonized Wage Code Blueprint, which was completed in September 1996, but it does not expect to finalize any parts of this work until 1998.

Even though these initiatives are under way, the difficulty involved in making choices given the context of the political, economic, and administrative issues that must be considered continues to slow their progress. With the Form W-2 initiative, for example, one question is: Who pays the extra costs when SSA scans and delivers data to the states? With the combined quarterly form, privacy issues involving the receipt and transfer of tax data between the federal and state government must be resolved, as well as administrative issues such as how taxpayers alert the government to business address changes. Political problems abound with the concept of a harmonized wage code among all states and the federal government. For example, as we noted earlier, even among states that routinely piggyback on federal tax law, there are political and economic reasons why states will not accept federal changes to tax law.

In summary, we believe that employment taxes present an instructive example not only as to the complexity of the current tax code but also as to the difficulties and potential pitfalls presented by simplification endeavors. Even the smallest change to the current very complicated regulatory scheme can involve political and economic trade-offs between types of taxes and between federal and state jurisdictions. Notwithstanding the enormity of the challenge, however, we believe that efforts to simplify the tax code are essential to reducing compliance burden, thereby making voluntary tax compliance easier for all types of businesses, large and small.

**Statement
Tax System: Employment Taxes and Small
Business**

Messrs. Chairmen, Members of the Commission, this ends our prepared statement. We would be pleased to answer any questions.

1995 Tax Deposit and Filing Requirements for Small Business Located in Cleveland, Ohio

Table I.1 shows the 1995 federal and state tax deposit and filing requirements for a hypothetical business located in Cleveland, Ohio. The business was started December 1, 1994, and has six employees, some of whom reside in Ohio school districts with an income tax assessment.

Table I.1: 1995 Federal and State Tax Deposit and Filing Requirements for a Hypothetical Business Located in Cleveland, Ohio

Filing date	Tax assessment	Deposit requirement	Form requirement^a
January 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
January 20	City income tax	Prior month withholding	Form CCA-102
January 31	Federal income tax/FICA	None	Form W-2s to all employees
	Federal income tax/FICA	None	Form 941
	FUTA	Prior quarter amount	Form 8109
	FUTA	None	Form 940
	State income tax	None	Form IT-941
	State unemployment	Prior quarter amount	Form UCO-2QR
February 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
February 20	City income tax	Prior month withholding	Form CCA102
February 28	Federal income tax/FICA	None	Form W-3, W-2s to SSA
	State income tax	None	Form IT-3, W-2s to state
	City income tax	None	Form CCA-W3
March 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
March 20	City income tax	Prior month withholding	Form CCA-102

(continued)

**Appendix I
1995 Tax Deposit and Filing Requirements
for Small Business Located in Cleveland,
Ohio**

Filing date	Tax assessment	Deposit requirement	Form requirement^a
April 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
April 20	City income tax	Prior month withholding	Form CCA-102
April 30	Federal income tax/FICA	None	Form 941
	FUTA	Prior quarter withholding	Form 8109
	State unemployment	Prior quarter withholding	Form UCO-2QR
May 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
May 20	City income tax	Prior month withholding	Form CCA-102
June 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
June 20	City income tax	Prior month withholding	Form CCA-102
July 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
July 20	City income tax	Prior month withholding	Form CCA-102
July 31	Federal income tax/FICA	None	Form 941
	FUTA	Prior quarter withholding	Form 8109
	State unemployment	Prior quarter withholding	Form UCO-2QR

(continued)

**Appendix I
1995 Tax Deposit and Filing Requirements
for Small Business Located in Cleveland,
Ohio**

Filing date	Tax assessment	Deposit requirement	Form requirement^a
August 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
August 20	City income tax	Prior month withholding	Form CCA-102
September 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
September 20	City income tax	Prior month withholding	Form CCA-102
October 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
October 20	City income tax	Prior month withholding	Form CCA-102
November 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101
November 20	City income tax	Prior month withholding	Form CCA-102
November 30	Federal income tax/FICA	None	Form 941
	FUTA	Prior quarter withholding	Form 8109
	State unemployment	Prior quarter withholding	Form UCO-2QR
December 15	Federal income tax/FICA	Prior month withholding	Form 8109
	State income tax	Prior month withholding	Form IT-501
	School district income tax	Prior month withholding	Form SD-101

(continued)

Appendix I
1995 Tax Deposit and Filing Requirements
for Small Business Located in Cleveland,
Ohio

Filing date	Tax assessment	Deposit requirement	Form requirement^a
December 20	City income tax	Prior month withholding	Form CCA-102

Source: GAO analysis of federal and state laws and regulations.

^aThe forms included in this table are federal, state, and local forms. The federal forms include:

- Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return;
- Form 941, Employer's Quarterly Tax Return;
- Form 8109, Federal Tax Deposit Coupon;
- Form W-2, Wage and Tax Statement;
- Form W-3, Transmittal of Wage and Tax Statements.

The state forms include:

- IT-3, Transmittal of Wage and Tax Statements;
- IT-501, Ohio's Employer's Payment of Income Tax Withheld;
- IT-941, Ohio's Employer's Annual Reconciliation of Income Tax Withheld;
- UCO-2QR, Employer's Contribution and Wage Report.

The local forms include:

- CCA-102, Municipal Depository Receipt;
- CCA-W-3, Reconciliation of City Income Tax Withheld and Transmittal of Wage Statements;
- SD-101, Employer's Payment of School District Tax Withheld.

Simplified Tax and Wage Reporting System (STAWRS) Project Initiatives

At the current time, the STAWRS Project Office is working on nine initiatives to ease the compliance burden on employers dealing with employment taxes. Table II.1 describes these initiatives and their present status.

Table II.1: Status of STAWRS Initiatives

STAWRS initiative	Status of initiative
1. Streamlined Customer Service: One-Stop Electronic Tax Information	Has developed "Employer Assistance Kit" for use on new World Wide Web site; includes procedures for employers to apply for Employer Identification Number (EIN) on Internet. Needs STAWRS Executive Steering Board approval to set up Web site with the State of Illinois.
2. Streamlined Customer Service: One-Stop Social Security Number Validation	Has designed procedures whereby employers can check electronically with SSA on the validity of an employee's Social Security number. However, originally designed for small personal computer system; owing to statutory language in the Welfare Reform Act, SSA may need to use larger computer system.
3. Single-Point Filing: Electronic Filing—Employer's Quarterly Returns	Recently completed limited pilot project in which employers electronically sent data for quarterly Form 941 simultaneously to IRS and a state using standardized format. Three states involved—California, Minnesota, and Texas.
4. Single-Point Filing: Electronic Filing—Annual Forms W-2	Phase I demonstrated the ability of SSA to receive Form W-2s electronically with use of a "Value-Adding Network" (an intermediary computer "mailbox"). In Phase II, SSA has identified 1,000 employers to use electronic personal identification numbers (PINs) to electronically transmit Forms W-3 and W-2.
5. Single-Point Filing: Magnetic Media—Magnetic Filing	Current proposal being developed by the Federation of Tax Administrators to have SSA capture all state data on Form W-2 and place data on magnetic media for distribution to participating states. Would eliminate dual W-2 filing for employers.
6. Single-Point Filing: Paper Filing—Employer's Quarterly Returns	STAWRS working with the state of Oregon to add the federal Form 941 to the state's already combined report the federal Form 941. In August 1996, developed combined form. The state of Montana has recently become a partner with the potential to add aspects of the Harmonized Wage Code.

(continued)

Appendix II
Simplified Tax and Wage Reporting System
(STAWRS) Project Initiatives

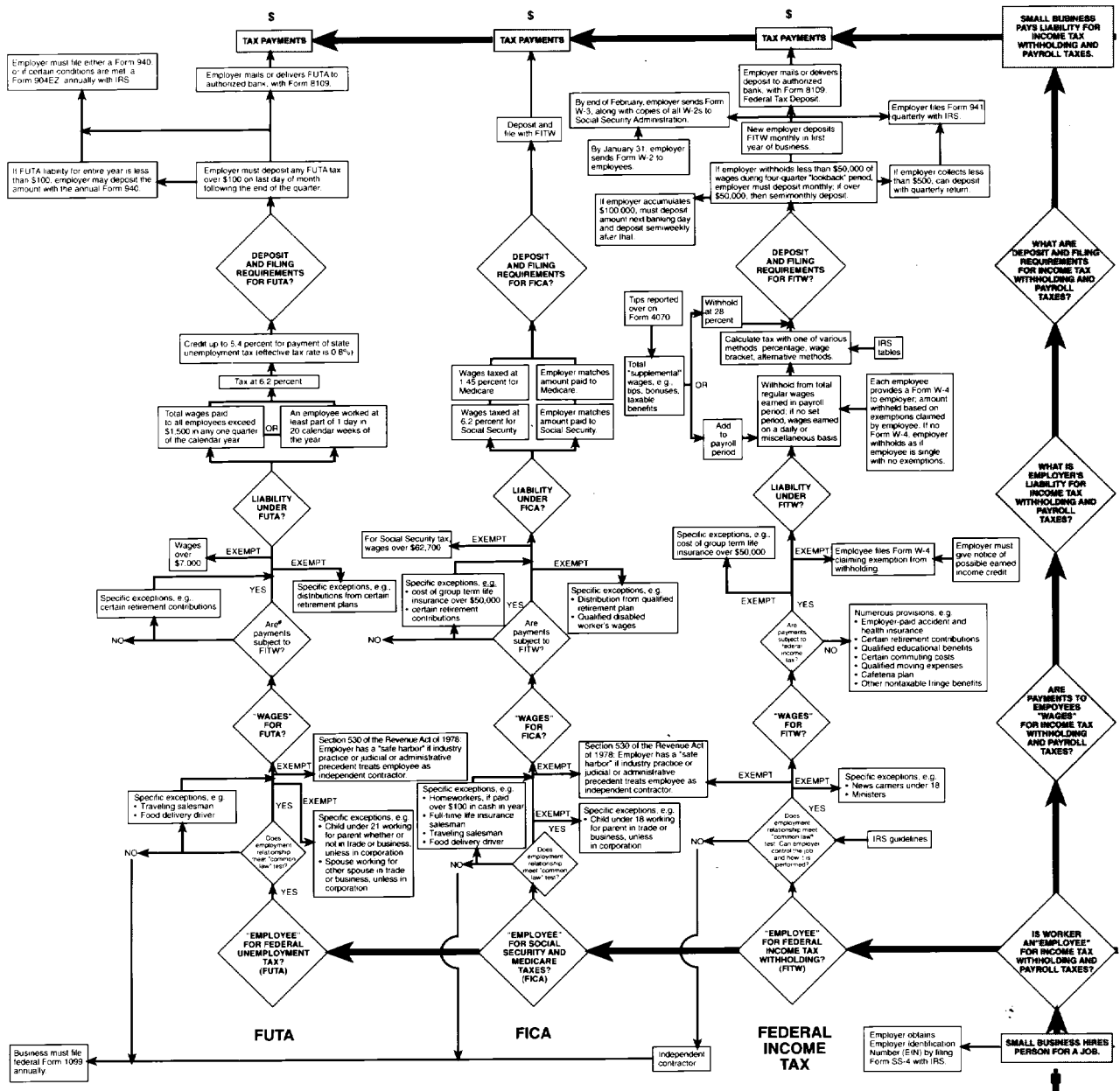
STAWRS initiative	Status of initiative
7. Single-Point Filing: Paper Filing—Annual Forms W-2	SSA currently putting state W-2 data on computer tape for use by states. Thirty-four states are now participating; 3 states have eliminated their requirement for employers to file Form W-2s with the state in anticipation of adoption of the concept.
8. Simplified Requirements: Harmonized Wage Code	Has completed research of existing federal and state statutes and regulations. In September 1996, completed a "Harmonized Wage Code Blueprint."
9. Simplified Requirements: Payment and Filing Dates	Has completed research of existing federal and state statutes and regulations. Has identified common filing and payment dates and developed matrix of existing filing and payment dates.

Source: GAO analysis of STAWRS documents.

GAO Employment Taxes and Small Business

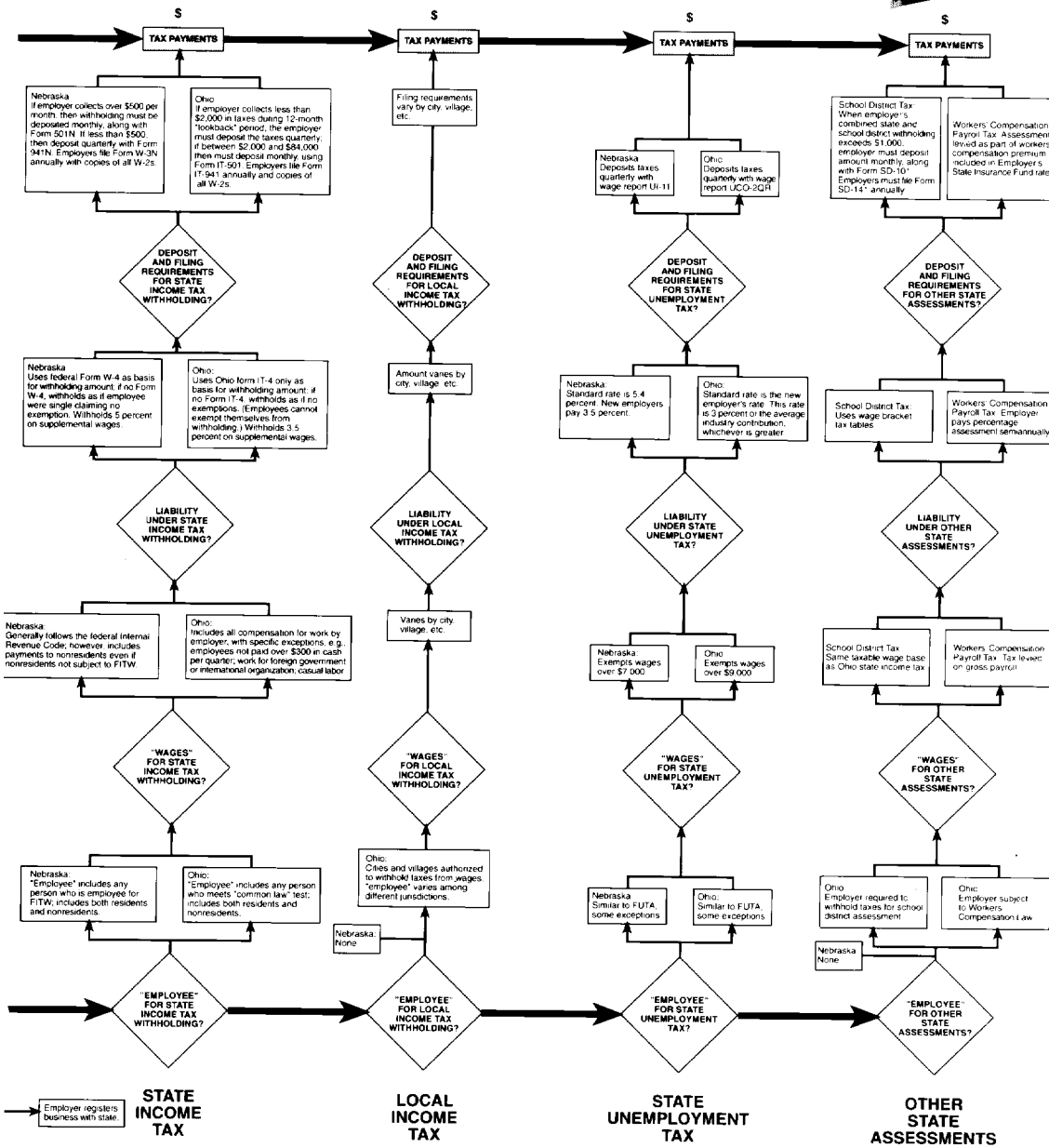


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Appendix III
GAO Employment Taxes and Small Business

STATE



Appendix III
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