



House  
Legislative  
Analysis  
Section  
Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## INCOME TAX AMENDMENTS

House Bill 4914 as introduced  
First Analysis (10-18-95)

Sponsor: Rep. Deborah Whyman  
Committee: Tax Policy

### **THE APPARENT PROBLEM:**

Large financial institutions are required by the federal Internal Revenue Service to submit quarterly income tax payment information to the IRS on magnetic tape. Many also submit their state income tax payment information on magnetic tape. It has been suggested that such a requirement be placed in statute. In addition, several "clean up" amendments to the Income Tax Act have been recommended by the Department of Treasury.

### **THE CONTENT OF THE BILL:**

The bill would amend the Income Tax Act (MCL 206.301 and 206.411) in the following ways:

**\*\*** The bill would require banks or financial institutions that submit quarterly estimated income tax payment information through the federal tax deposit system on magnetic tape, and financial institutions that act as fiduciary for 200 or more taxable trusts, to submit quarterly state income tax payment information on magnetic tape. Those that act as fiduciary for 50 to 199 taxable trusts could enter into an irrevocable agreement with the Department of Treasury to submit state tax information on magnetic tape. These tax payments would be made through a wire transfer to the State of Michigan contractual deposit account.

**\*\*** The bill would delete language that specifies that the running of the statute of limitations under the revenue act is suspended for any tax year for which a return is not filed. (This would mean that the revenue act's four-year statute of limitations would begin as of the due date for an income tax return, rather than beginning at the actual time of filing.)

**\*\*** The bill would repeal two sections containing tax credits which have expired.

The bill would take effect January 17, 1996.

### **BACKGROUND INFORMATION:**

An identical bill, House Bill 5549, passed the House during the 1993-94 legislative session.

### **FISCAL IMPLICATIONS:**

According to the House Fiscal Agency, the bill has no fiscal impact. (Fiscal Note dated 10-10-95)

### **ARGUMENTS:**

#### **For:**

The bill would make several amendments to the Income Tax Act that are considered to be technical in nature, or to address minor administrative matters. It would place in statute the authority to require magnetic media filing by large financial institutions, most of which already use the technology for filing their state tax information. It also would clear up a quirk in the way the statute of limitations for filing a return applies. It would eliminate the possibility that a taxpayer could file a return perhaps many years after it was due, and still be eligible to receive credits because there was no statute of limitations in effect for years in which a return was not filed.

### **POSITIONS:**

The Department of Treasury supported an identical bill last session. (5-25-94)

The Michigan Bankers Association supports the bill. (9-13-95)

House Bill 4914 (10-18-95)