



**House
Legislative
Analysis
Section**

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

DIRECT DEPOSIT OF TAX RETURNS

House Bill 5760 (Substitute H-2)

Sponsor: Rep. Beverly Bodem

House Bill 5761 (Substitute H-1)

Sponsor: Rep. Roland Jersevic

First Analysis (12-3-96)

Committee: Tax Policy

THE APPARENT PROBLEM:

Although most financial institutions (such as banks, credit unions, and savings and loans associations) offer direct deposit services, Michigan law doesn't allow for direct deposit of tax refunds. Legislation has been introduced to do this.

THE CONTENT OF THE BILLS:

The bills would allow the direct deposit of state income tax refunds and single business tax refunds, and would require the Department of Treasury to honor such requests.

House Bill 5760 would add a new section to the Income Tax Act (MCL 206.352) and House Bill 5761 would add a new section to the Single Business Tax Act (MCL 208.79) to allow taxpayers to directly deposit their tax refunds to a financial institution of their choice within the United States. A taxpayer would do so by completing a direct deposit form prescribed by the Department of Treasury and attaching the completed form to his or her annual return. The bill also would require the department to develop and make available direct deposit forms, and to comply with direct deposit requests unless the request were incomplete or defective in a way that precluded the department from honoring the request. If the department didn't honor a direct deposit request, it would have to issue a warrant and provide the taxpayer with a written explanation, including the specific reason for not honoring the request for direct deposit. The bills would apply beginning with the 1997 tax year.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bills would result in an indeterminate increase in administrative costs to the Department of Treasury. (11-25-96)

ARGUMENTS:

For:

Direct deposit of tax refunds would be more convenient for taxpayers, who also could receive their refunds more quickly. With the option of direct deposit of tax refunds, taxpayers would be afforded the convenience of not having to physically take or mail their refund check to their financial institution. There would be no fee for this service, which, reportedly, already is available through most banks and credit unions as well as for federal tax refunds and in eleven other states.

POSITIONS:

The Department of Treasury supports the bills. (11-25-96)

The Michigan Bankers Association supports the bills. (11-26-96)

The Michigan Credit Union League supports the bills. (11-27-96)

Analyst: S. Ekstrom

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House Bills 5760 and 5761 (12-3-96)