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BILL



ANALYSIS

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House Bill 6235 (Substitute H-2 as passed by the House)
Sponsor: Representative Donald Gilmer
House Committee: Tax Policy

CONTENT

The bill would amend the City Income Tax Act to permit a city to enter into an agreement with the Department of Treasury for the collection of city income taxes; establish the "City Income Tax Trust Fund"; and require city income taxes collected under the agreement to be kept in the Fund and paid to the city, but permit the Department to retain an amount to cover the cost of collection and administration. For cities entering into an agreement with Treasury, the bill would revise filing deadlines for annual returns, employer withholding payments, and the declaration and payment of estimated taxes; and would establish a procedure for the resolution of disputes between the Department and a taxpayer or employer.

For all cities imposing an income tax, the bill would prohibit a city from assessing any surcharge to a taxpayer for collecting the tax; establish procedures under which a "nonobligated spouse" could claim a share of a refund reflected on a joint tax return; require purchasers of a business to escrow sufficient money to cover the amount of taxes, interest, and penalties due from the former owner; specify the personal liability of officers of a corporation that failed to file or pay; increase penalties for a deficiency due to negligence, intentional disregard, or fraudulent intent; authorize cities to levy on and sell property to pay a tax due; provide that a tax would be a lien in favor of the city against property of the taxpayer; provide for jeopardy assessments if it looked like a taxpayer intended to depart quickly, conceal property, or do anything else that would make collection proceedings ineffectual; increase from three to four years the period of limitations on additional assessments and claims for a refund; permit taxpayers to appeal decisions of the income tax board of review to the State Tax Tribunal; and provide for an appeal of right to the Court of Appeals.

The section of the bill allowing cities to enter into an agreement with the Department of Treasury would be effective January 1, 1996. The balance of the bill would take effect January 1, 1997.

MCL 141.505 et al.

Legislative Analyst: S. Margules

FISCAL IMPACT

This bill would lower the collection costs to the cities that entered into a collection agreement with the Department of Treasury to the extent the costs incurred by the cities outweighed the payments to the Department of Treasury specified in the agreements. City income tax collections also would increase due to additional recovery methods, and an increase in the length of the statute of limitations. Additional penalties specified in the bill also would be levied.

Date Completed: 12-11-96

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.