



HOUSE BILL No. 5591

April 13, 2000, Introduced by Reps. Koetje, Bishop, Gosselin, Kowall, Richner, Pappageorge and Hart and referred to the Committee on Tax Policy.

A bill to amend 1941 PA 122, entitled

"An act to establish a revenue division of the department of treasury; to prescribe its powers and duties as the revenue collection agency of the state; to prescribe certain powers and duties of the state treasurer; to regulate the importation, stamping, and disposition of certain tobacco products; to create the position and to define the powers and duties of the state commissioner of revenue; to provide for the transfer of powers and duties now vested in certain other state boards, commissions, departments and offices; to prescribe certain duties of and require certain reports from the department of treasury; to provide procedures for the payment, administration, audit, assessment, levy of interests or penalties on, and appeals of taxes and tax liability; to prescribe its powers and duties if an agreement to act as agent for a city to administer, collect, and enforce the city income tax act on behalf of a city is entered into with any city; to provide an appropriation; to abolish the state board of tax administration; to prescribe penalties and provide remedies; and to declare the effect of this act,"

by amending section 30a (MCL 205.30a), as amended by 1995 PA 116.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 30a. (1) If a taxpayer claims a refund that the
2 department determines is valid ~~as provided in~~ UNDER
3 section 30(2), and the department identifies a liability of the
4 taxpayer described in subsection (2), the department shall first
5 apply the amount of the refund as provided in subsections (2) and
6 (3), and the excess, if any, shall be refunded or credited as
7 provided in section 30.

8 (2) The amount of a refund described in subsection (1) shall
9 be applied to the following in the order of priority stated:

10 (a) Any other known tax liability of the taxpayer to this
11 state.

12 (b) Any other known liability of the taxpayer to this state,
13 including a liability to pay support if the right to receive the
14 support has been assigned to the state and the liability is the
15 basis of a request for tax refund offset from the office of child
16 support.

17 (c) Any of the following in the order of priority received,
18 unless otherwise provided by law:

19 (i) A support liability of the taxpayer that is the basis of
20 a request for tax refund offset from the office of child support,
21 other than as provided by subdivision (b).

22 (ii) A writ of garnishment or other valid court order issued
23 by a court of competent jurisdiction and directed to this state
24 or the state treasurer to satisfy a liability of the taxpayer.

25 (iii) A levy of the internal revenue service to satisfy a
26 liability of the taxpayer.

1 (iv) A liability to repay benefits obtained under the
2 Michigan employment security act, ~~Act No. 1 of the Public Acts~~
3 ~~of the Extra Session of 1936, being sections 421.1 to 421.75 of~~
4 ~~the Michigan Compiled Laws 1936 (EX SESS) PA 1, MCL 421.1 TO~~
5 421.75, to which the taxpayer was not entitled, upon a request
6 for tax refund offset from the Michigan employment security
7 commission.

8 (3) If the claim for refund is reflected on a joint tax
9 return, the department shall allocate to each joint taxpayer his
10 or her share of the refund. The amount allocated to each tax-
11 payer shall be applied to his or her respective liabilities in
12 the order of priority stated in subsection (2).

13 (4) If the department determines that all or a portion of a
14 refund claimed on a joint tax return is subject to application to
15 a liability of an obligated spouse, the department shall notify
16 the joint taxpayers by first class mail sent to the address shown
17 on the joint return. The notice shall be accompanied by a nonob-
18 ligated spouse allocation form. The notice shall state all of
19 the following:

20 (a) That all or a portion of the refund claimed by the joint
21 taxpayers is subject to interception to satisfy a liability or
22 liabilities of 1 or both spouses.

23 (b) The nature of the other liability or liabilities and the
24 name of the obligated spouse or spouses.

25 (c) That a nonobligated spouse may claim his or her share of
26 the refund by filing a nonobligated spouse allocation form with

1 the department of treasury not more than 30 days after the date
2 the notice was mailed.

3 (d) A statement of the penalties under subsection (7).

4 (5) A nonobligated spouse who wishes to claim his or her
5 share of a tax refund shall file with the department a nonobli-
6 gated spouse allocation form. The nonobligated spouse allocation
7 form shall be in a form specified by the department and shall
8 require the spouses to state the amount of income or other tax
9 base and all adjustments to the income or other tax base, includ-
10 ing all subtractions, additions, deductions, credits, and exemp-
11 tions, stated on their joint income tax return or other joint tax
12 return that is the basis for the claimed refund, and an alloca-
13 tion of those amounts between the obligated and nonobligated
14 spouse. In allocating these amounts, all of the following
15 apply:

16 (a) A federal deduction for 2-income married persons shall
17 be allocated to the spouse with the lower income who claims the
18 deduction.

19 (b) Individual income shall be allocated to the spouse who
20 earned the income. Joint income shall be allocated equally
21 between the spouses. The tax base appropriate to tax other than
22 income tax shall be similarly allocated.

23 (c) Each spouse shall be allocated the personal exemptions
24 he or she would be entitled to claim if separate federal returns
25 had been filed, except that dependency exemptions shall be pro-
26 rated according to the relative income of the spouses.

1 (d) Adjustments resulting from a business shall be allocated
2 to the spouse who claimed income from the business.

3 (e) A homestead property tax credit shall be allocated to
4 the spouse who owned the title or held the leasehold interest in
5 the property claimed as a homestead. A homestead property tax
6 credit for property jointly owned or leased shall be allocated
7 jointly between the spouses.

8 (f) Ownership of other assets relevant to the allocation
9 shall be disclosed upon request of the department.

10 (6) A nonobligated spouse allocation form shall be signed by
11 both joint taxpayers. However, the form may be submitted without
12 the signature of the obligated spouse if his or her signature
13 cannot be obtained. The nonobligated spouse shall certify that
14 he or she has made a good faith effort to obtain the signature
15 and shall state the reason that the signature was not obtained.

16 (7) A person who knowingly makes a false statement on a non-
17 obligated spouse allocation form shall be subject to a penalty of
18 \$25.00 or 25% of the excessive claim for his or her share of the
19 refund, whichever is greater, and other penalties as provided in
20 this act.

21 (8) A nonobligated spouse to whom the department has sent a
22 notice under subsection (4), who fails to file a nonobligated
23 spouse allocation form within 30 days after the date the notice
24 was mailed, shall be barred from commencing any action against
25 this state or the state treasurer to recover an amount withheld
26 to satisfy a liability of the obligated spouse to which a joint
27 tax refund is applied under this section. The payment by this

1 state of any amount applied to a liability of a taxpayer under
2 this section shall release this state and the state treasurer
3 from all liability to the obligated spouse, the nonobligated
4 spouse, and any other person having or claiming any interest in
5 the amount paid.

6 ~~-(9) The department shall promulgate rules under the admin-~~
7 ~~istrative procedures act of 1969, Act No. 306 of the Public Acts~~
8 ~~of 1969, being sections 24.201 to 24.328 of the Michigan Compiled~~
9 ~~Laws, as necessary to implement this section. The rules shall~~
10 ~~include a procedure for assuring that a taxpayer subject to~~
11 ~~application of a refund under this section and section 30 has~~
12 ~~received or will receive notice and an opportunity for a hearing~~
13 ~~with respect to the liability to which the refund is to be~~
14 ~~applied.~~

15 (9) ~~-(10)-~~ As used in this section:

16 (a) "Nonobligated spouse" means a person who has filed a
17 joint income tax return or other joint state tax return and who
18 is not liable for an obligation of his or her spouse described in
19 subsection (2).

20 (b) "Obligated spouse" means a person who has filed a joint
21 income tax return or other joint state tax return and who is
22 liable for an obligation described in subsection (2) for which
23 his or her spouse is not liable.

24 (c) "Office of child support" means the agency created in
25 section 2 of the office of child support act, ~~Act No. 174 of the~~
26 ~~Public Acts of 1971, being section 400.232 of the Michigan~~
27 ~~Compiled Laws~~ 1971 PA 174, MCL 400.232.