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HOUSE FISCAL AGENCY

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HB5036 SUBSTITUTE

Sponsor: Rep. Marc Shulman

H-1

Committee: HOUSE APPROPRIATIONS

Analyst(s): Bean, Mitch

Completed: 9/20/01

State Fiscal Impact

Cost: None
Revenues: Increase

Local Fiscal Impact

Cost: None
Revenues: None

House Bill 5036 would provide a 30- to 60-day period in FY 2001-02 during which certain taxpayers who have failed to pay taxes on legal taxable income, and are not under investigation or involved in litigation concerning taxes owed, may apply for amnesty from certain civil and criminal penalties.

The bill also eliminates the December 31, 2003, sunset on the Department of Treasury's voluntary disclosure program. The voluntary disclosure program is designed for two groups of business taxpayers: non-Michigan firms who did not comply with state tax law because they were unaware that they had nexus in Michigan, and Michigan businesses that buy new businesses on a regular basis. Michigan businesses that buy new businesses on a regular basis use voluntary disclosure to make the acquired businesses tax compliant.

Firms that qualify for voluntary disclosure pay taxes and interest owed for a 48-month look-back period, but other penalties are waived. All states except Nevada currently offer voluntary disclosure programs to their business communities to allow businesses to clear up back-year tax liabilities.

The primary difference between tax amnesty and voluntary disclosure is that voluntary disclosure only applies to persons who have not previously filed a tax return (non-filers as defined in the bill). Amnesty applies to taxpayers who are filers but have failed to pay taxes on legal taxable income or have filed excess claims for tax refunds.

Estimates of additional state tax revenue that will be collected through tax amnesty are \$15 million to \$50 million. There is an appropriation for the Department of Treasury of \$1.5 million from general fund/general purpose revenues collected through the program to pay for costs associated with administering the program.