

BLACKOUT TAX EXTENSION

House Bill 5133 (Substitute H-1) First Analysis (10-13-03)

Sponsor: Rep. Daniel Acciavatti
Committee: Tax Policy

THE APPARENT PROBLEM:

The August 2003 blackout hit parts of seven states and Ontario, with more than 50 million people affected by the power outage. Here in Michigan, the blackout affected more than 2 million people in Metro Detroit, the Thumb, and in Greater Lansing. During the course of the blackout period, many state and federal taxes were due. In response, the federal Internal Revenue Service (IRS) announced that it would grant an extension to affected taxpayers through August 22. Soon after, Michigan and other states - including Ohio, Idaho, Massachusetts, and North Carolina - followed suit. Under the extension offered by the Department of Treasury, tax returns postmarked by August 22 would be considered timely. While state law permits the treasury department to waive penalties due to the failure to remit the required tax payment if there exists "reasonable cause", the department cannot waive interest on past due taxes.

THE CONTENT OF THE BILL:

The bill would amend the Revenue Act to waive any interest and penalties for a taxpayer who failed to pay a tax or file a return due on August 15, 2003 that accrued during the period of August 15, 2003 through August 22, 2003, if the taxpayer filed the return or remitted the tax no later than August 22, 2003.

MCL 205.24

BACKGROUND INFORMATION:

Taxes due on August 15th included personal income taxes (for those who filed for an extension), Single Business taxes, Sales and Use taxes, Withholding taxes, motor fuel taxes, and tobacco taxes.

FISCAL IMPLICATIONS:

The Department of Treasury notes that, technically, the bill would have no significant fiscal impact because it codifies existing departmental policy. (10-9-03)

ARGUMENTS:

For:

The bill would codify, and enhance, the treasury department's response to the hardship the recent blackout placed on many taxpayers. Also, under the Revenue Act, the department can waive the penalty due if a payment is not made on time, though it may not waive the interest due. This bill would permit the department to also waive interest on the amount past due in this specific instance.

POSITIONS:

The Department of Treasury supports the bill. (10-9-03)

The National Federation of Independent Businesses indicated its support for the bill. (10-8-03)

The Small Business Association of Michigan indicated its support for the bill. (10-8-03)

The Michigan Chamber of Commerce indicated its support for the bill. (10-8-03)

House Bill 5133 (10-13-03)

Analyst: M. Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.