



Senate Fiscal Agency
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House Bill 5133 (Substitute H-1 as reported without amendment)

Sponsor: Representative Daniel Acciavatti

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 10-27-03

RATIONALE

It has been pointed out that the recent widespread power outage may result in penalties or interest payments for some taxpayers. Many taxpayers are required to file various reports, and pay various taxes on the 15th of each month. On August 14, 2003, a large portion of Michigan and several other states suffered a power outage that, in some places, lasted several days. Thousands of taxpayers were unable to file their taxes on the 15th and thus missed the deadline. On August 19, the Michigan Department of Treasury announced that it was extending the filing deadline by one week; tax returns were considered to be filed on time if postmarked August 22, 2003, or earlier.

While the revenue Act provides that penalties for filing late returns may be waived "due to reasonable cause and not to willful neglect", the Act does not specify that interest charges may be waived on late payments. It has been suggested that taxpayers who were affected by the blackout, but complied with filing requirements during the one-week extension, should not be liable for a penalty or interest.

CONTENT

The bill would amend the revenue Act to provide that for any tax return or tax due on August 15, 2003, that was filed or paid by August 22, 2003, the Department of Treasury would have to waive all interest and penalty for failure to file a return or pay a tax for the period of August 15 through August 22, 2003.

MCL 205.24

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate

Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The blackout of August 14 affected over 50 million people in seven states and Ontario, including over 2 million home and business electricity customers in Michigan. This means that many individuals and businesses that normally would have filed their taxes on August 15 were unable to do so. Taxes due on August 15 include the single business tax, sales and use taxes, withholding taxes, fuel taxes, and tobacco taxes. In addition, August 15 was the date that individual income tax filers who had obtained an extension were required to file their returns. The State responded appropriately by giving these taxpayers an extra week to file; however, the State is required to assess interest on returns filed after August 15 because the revenue Act has no provision to allow for the waiver of interest. The bill would allow a special exception for the taxpayers who filed during the extension.

Legislative Analyst: George Towne

FISCAL IMPACT

This bill would have no fiscal impact on State or local government. According to the Department of Treasury, while any penalty and interest charges associated with late tax payments following the August power blackout would be very small, the Department's current policy under such circumstances is to waive the penalty and interest charges.

Fiscal Analyst: Jay Wortley

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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.