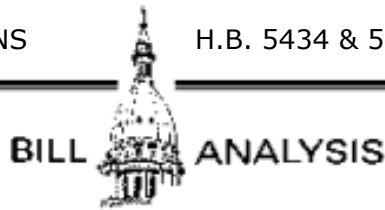




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House Bills 5434 and 5440 (as passed by the House)
Sponsor: Representative Shelley Taub (H.B. 5434)
Representative Joanne Emmons (H.B. 5440)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 2-24-04

CONTENT

House Bills 5434 and 5440 would amend the Income Tax Act and the Single Business Tax Act, respectively, to prohibit the Department of Treasury from requiring any person who prepared a tax return on behalf of another person for compensation to file electronically. Additionally, House Bill 5434 specifies that the taxpayer would determine whether his or her tax return would be filed electronically.

MCL 206.471 (H.B. 5434)
208.80 (H.B. 5440)

BACKGROUND

In 2003, the Department of Treasury instituted a policy, effective January 1, 2004, requiring all tax professionals who prepare and file more than 200 State of Michigan income tax returns annually to file them electronically.

Legislative Analyst: Julie Koval

FISCAL IMPACT

House Bill 5434

The bill would have an indeterminate impact on State government. The FY 2003-04 budget for the Department of Treasury contains \$2.7 million in reductions based on the ability of the Department to increase the number of income tax returns filed electronically. Of the total reduction, \$2.1 million is related to seasonal employees and overtime costs to process paper returns. The Department of Treasury's goal is to double the number of taxpayers who file electronically (from 30% to 60%). To the extent the bill would affect the number of electronic filings, the Department would incur additional costs related to refunds that are made after June 1, 2004. The Department of Treasury paid \$1.2 million last year for interest associated with tax refunds that were distributed after June 1, 2003.

House Bill 5440

There are approximately 200,000 single business tax returns filed annually. None were filed electronically last year. The bill would prevent the Department from achieving administrative savings by requiring electronic transmission of single business tax returns.

Fiscal Analyst: Bill Bowerman