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Senate Bill 98 (Substitute S-1 as reported)
Sponsor: Senator John Pappageorge
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to provide that a penalty for underpayment of an estimated quarterly payment could not be assessed for a taxpayer's first tax year if the taxpayer paid 80% of the tax due for the tax year; and allow a taxpayer to calculate estimated quarterly payments using a methodology used to calculate Federal installment payments. The bill would be retroactive and effective for tax years beginning after December 31, 2007.

Under the Act, a taxpayer that reasonably expects liability for the tax year to exceed \$800 must file an estimated return and pay an estimated tax for each quarter of the tax year. The estimated payment made with each quarterly return must be for the estimated business income tax base and modified gross receipts tax base for the quarter or 25% of the estimated annual liability. The second, third, and fourth estimated payments in each tax year include adjustments, if necessary to correct underpayments or overpayments from previous quarterly payments in the tax year to a revised estimate of the annual tax liability.

Under the bill, a penalty for underpayment of an estimated tax under the Act could not be assessed for a taxpayer's first tax year beginning after December 31, 2007, if that taxpayer paid 80% of the tax due under the Act for the tax year.

In addition, a taxpayer that calculates and pays estimated payments for Federal income tax purposes pursuant to Section 6655(E) of the Internal Revenue Code, could calculate the estimated payments required each quarter by using the same methodology as used to calculate the annualized income installment or the adjusted seasonal installment, whichever was used as the basis for the Federal estimated payment. (Section 6655(E) allows a corporation to use a lower required installment when the annualized income installment or adjusted seasonal installment is less than 25% of the required annual payment.)

MCL 208.1501

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would likely have a very minimal negative impact on the revenue derived from penalties assessed on the underpayment of Michigan Business Tax quarterly estimated payments by first-year taxpayers. Any loss in revenue under this bill would reduce General Fund revenue. The bill would not have any direct impact on local units of government.

Date Completed: 2-2-09

Fiscal Analyst: Jay Wortley

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Analysis available @ <http://www.michiganlegislature.org>

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.