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Senate Bill 98 (as enacted)
Sponsor: Senator John Pappageorge
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 8 of 2009

Date Completed: 5-28-09

CONTENT

The bill amended the Michigan Business Tax (MBT) Act to do the following in regard to estimated quarterly payments:

- **Allow a taxpayer to calculate the payments by using a methodology used to calculate Federal estimated payments.**
- **Prohibit a penalty from being assessed for an underpayment for a tax year ending before December 1, 2009, if the taxpayer paid 75% of the tax due.**

The bill is retroactive and effective for tax years beginning after December 31, 2007.

Under the Act, if a taxpayer reasonably expects liability for a tax year to exceed \$800, the taxpayer 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. Under the bill, this is required except as provided below.

If a taxpayer calculates and pays estimated payments for Federal income tax purposes pursuant to Section 6655(E) of the Internal Revenue Code, the bill allows the taxpayer to calculate the estimated payments required each quarter under the MBT Act by using the same methodology as used to calculate the annualized income installment or the adjusted seasonal installment, whichever is 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.)

The bill provides that a penalty for underpayment of an estimated tax under the Act may not be assessed for a tax year that ends before December 1, 2009, if the taxpayer paid 75% of the tax due for the tax year.

MCL 208.1501

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will 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 will reduce General Fund revenue. The bill will not have any direct impact on local units of government.

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.