



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 884 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 10-15-09

CONTENT

The bill would amend the revenue Act to do the following:

- **Create a 30- to 60-day tax amnesty period ending before December 31, 2009.**
- **Appropriate \$1.0 million to the Department of Treasury to administer the amnesty program.**
- **Add a penalty for taxpayers who failed to file a return or pay a tax due during the amnesty period.**

The amnesty period would be designated by the State Treasurer. During the amnesty period, the State Treasurer would have to waive all criminal and civil penalties for failing or refusing to file a return, failing to pay a tax, or making an excessive claim for a refund of a tax under the Act. The amnesty program would not apply to taxes due after October 1, 2009.

A taxpayer would have to make a written request for a waiver, file a return or an amended return, and make full payment in a lump sum or installments of the tax and interest due for any prior tax year. A taxpayer could pay tax and interest due in installments if the taxpayer submitted with the request for waiver the greater of 1) 50% of the tax and interest due or 2) \$10,000 if the taxpayer were an individual or \$100,000 if the taxpayer were not an individual, and paid the remaining tax and interest due in two installments. The first installment would be due by November 20, 2009, and the second by December 20, 2009.

If a taxpayer failed to file a return or pay a tax that was due before October 1, 2009, during the amnesty period, the taxpayer would be liable for a penalty equal to 20% of the amount of tax due, in addition to any other interest or penalty prescribed for failing or refusing to file a return or pay a tax administered under the Act within the time specified.

From the taxes paid under the amnesty program, the bill would appropriate to the Department of Treasury \$1.0 million for the 2009-10 fiscal year, for administration of the program.

The bill is tie-barred to Senate Bills 1, 69, and 838, and House Bill 4514. (Senate Bill 1 (S-1) would amend the Michigan Business Tax (MBT) Act to decrease the surcharge by 50% for tax years ending in 2009 and eliminate it for subsequent tax years. Senate Bill 69 (S-1) would amend the MBT Act to increase the income limits affecting eligibility for the small business credit; extend the entrepreneurial tax credit to the 2011, 2012, and 2013 tax years; and reduce the minimum number of new jobs and amount of capital investment

required for that credit. Senate Bill 838 (S-1) would amend the MBT Act to phase out the surcharge; reduce the film production credit; make changes regarding the film and media infrastructure credit, the small business credit, the entrepreneurial credit, and brownfield credits; and allocate an additional \$1.0 million to the School Aid Fund. House Bill 4514 (S-3) would amend the Income Tax Act to retain the State earned income tax credit (EITC) at 10% of the Federal EITC for the 2009 tax year, and phase in an increase in the State EITC to 20% of the Federal credit for tax years after 2012.)

MCL 205.24 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase State tax revenue by approximately \$50.0 million in FY 2009-10. Because some of the revenue collected in FY 2009-10 due to the amnesty otherwise would have been collected in FY 2010-11, the bill would decrease revenue by approximately \$36.1 million in FY 2010-11. The School Aid Fund would receive approximately \$7.5 million of the revenue increase in FY 2009-10, with the remaining \$42.5 million going to the General Fund. In FY 2010-11, the School Aid Fund revenue would experience \$5.4 million of the decline, with the remaining \$30.7 million of the reduction lowering General Fund revenue. The bill would increase administrative expenses for the Department of Treasury, although the bill would allocate \$1.0 million of revenue from the increased collections to pay for the administrative costs.

Fiscal Analyst: David Zin

S0910\sb884sa

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.