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 28 (Substitute S-1 as reported) *(as passed by the Senate)*
Sponsor: Senator Goeff Hansen
Committee: Finance

Date Completed: 4-26-11

RATIONALE

Several years ago, the Office of the Auditor General conducted a performance audit of the Department of Treasury's collection of delinquent State taxes. According to the May 2008 audit report, the Auditor General concluded that the Department's collection efforts were effective, but recommended that the Department perform a cost-benefit analysis of allowing taxpayers to use credit cards to pay State taxes. Currently, taxes collected by the Department, including the income tax and the Michigan Business Tax, must be paid by check, certified check, cashier's check, bank draft, money order, cash, or electronic funds transfer. It has been suggested that allowing payment by credit card could improve collections, avoid delinquencies, and reduce processing costs.

CONTENT

The bill would amend the revenue Act to include payment by credit card among the methods for paying taxes administered under the Act. The bill would require the Department of Treasury to determine which major credit cards could be accepted for payment.

The Department could add a processing fee for taxes paid by credit card, but the fee could not exceed the charges the State incurred because of the use of the credit card.

MCL 205.19

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
According to the 2008 Auditor General's report, potential benefits of giving taxpayers the option of paying their taxes by credit card include increasing the collection of delinquent taxes, reducing processing costs associated with check payments, reducing the overall number of delinquent tax assessments generated by the Department of Treasury, and providing increased convenience for residents. Before these benefits can be realized, however, the use of credit cards must be authorized by statute. The bill would make the necessary statutory change, as well as require the Department to decide which major credit cards could be used, and allow the Department to add a processing fee.

Supporting Argument
The bill would bring Michigan into line with nearly all other states that levy an income tax. With the exception of Massachusetts, which implemented a credit card payment pilot project, Michigan is the only state with an income tax that does not accept payment by credit card.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The Department of Treasury would incur additional administrative costs to implement the credit card payment procedures that would be permitted by the bill; however, these could be absorbed within existing resources. Under the bill, the Department would be permitted, but not required, to charge a processing fee for credit card payments. The fee would be limited by the bill to the costs incurred by the State for accepting credit card payments. Assuming the Department charged the permitted fee, there would be no additional expense or loss of revenue to the State due to the use of credit cards.

Fiscal Analyst: Elizabeth Pratt

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