



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



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

Senate Bill 28 (as enacted)
Sponsor: Senator Goeff Hansen
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 76 of 2011

Date Completed: 8-15-11

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. Under the law, 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 was suggested that allowing the Department to accept payment by credit card could improve collections, avoid delinquencies, and reduce processing costs.

CONTENT

The bill amended the revenue Act to allow the Department of Treasury to accept major credit cards or debit cards, or both, for payment.

For taxes paid by credit or debit card, or both, the Department may add a processing fee, but the fee may not exceed the charges the State incurs because of the use of the card.

The bill took effect on July 12, 2011.

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. By giving the Department the statutory authority to accept payment by credit and debit cards, the bill enables the State to realize these benefits. The Department may decide which major cards can be used, and which taxes will be payable by credit or debit card. The Department also may add a processing fee to cover the charges it incurs.

Supporting Argument

With the exception of Massachusetts, which implemented a credit card payment pilot project, Michigan has been the only state with an income tax not to accept payment by credit card. To the extent that the Department of Treasury accepts credit or debit card payment, Michigan will be consistent with the rest of the states that levy an income tax.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

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

Fiscal Analyst: Elizabeth Pratt

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