Legislative Analysis

Mary Ann Cleary, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

DEPARTMENT OF TREASURY PRACTICES

Senate Bill 327 without amendment
Sponsor: Sen. Dave Robertson
House Committee: Tax Policy
Senate Committee: Finance

Complete to 1-14-14

A SUMMARY OF SENATE BILL 327 AS PASSED BY THE SENATE 5-29-13

The Revenue Act (MCL 205.4) requires that the Department of Treasury develop guidelines to govern departmental employee responses to inquiries from the public and standards for tax audit activities. The guidelines are to explicitly exclude the use of a collection goal or quota for evaluating an employee, and are to be compiled into an employee handbook.

Senate Bill 327 would amend the Revenue Act to require certain standards of practice in the administration, collection, enforcement, and auditing of taxes and other monies (including unclaimed property) administered by the Department of Treasury by its employees and third-party consultants, contractors, and agents (collectively referred to as "Treasury employees and third parties").

Specifically, SB 327 provides that Treasury employees and third parties would be prohibited from using collection goals, budgets, or quotas in actions or decisions relating to the administration, audit, assessment, or collection of money or fees administered by the department.

If a Treasury employee or third party made a decision affecting a taxpayer based on targeted collection goals, budgets, or quotas, that decision would be subject to review under Section 21 of the act (allowing for an informal conference to settle disputes). Additionally a Treasury employee could be prosecuted for a felony and discharged from employment. The department could also be ordered to pay the costs and fees, including attorney fees, to reimburse the taxpayer for contesting an unauthorized action.

Additionally, Treasury employees and third parties would have to be independent and carry out their duties and responsibilities without bias as to the application of the governing statutes and rules. Those statutes and rules would have to be applied fairly, consistently, and equally to all taxpayers.

MCL 205.4

FISCAL IMPACT:

The bill states that costs and fees, including attorney's fees, may be ordered to be paid by the department if any employee, consultant, contractor, agent, or their employees violates the provisions of the bill. The fiscal impact to the Department of Treasury due to the payment of costs and fees would depend on the number of successful taxpayer challenges and would be determined on a case by case basis.

The prohibited actions included in the bill would have a minimal, if any, fiscal impact on Department of Treasury collections.

The bill could increase costs on the state's correctional system. Information is not available on the number of persons that might be convicted under the provisions of the bill. New felony convictions could result in increased costs related to state prisons and state probation supervision. The average cost of prison incarceration in a state facility is roughly $35,600 per prisoner per year, a figure that includes various fixed administrative and operational costs. State costs for parole and felony probation supervision average about $3,600 per supervised offender per year. Any increase in penal fine revenues would increase funding for local libraries, which are the constitutionally-designated recipients of those revenues.

Legislative Analyst: Mark Wolf
Fiscal Analyst: Ben Gielczyk
Robin Risko