

Legislative Analysis



DEFERMENT OF TAX PAYMENTS

Phone: (517) 373-8080
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Senate Bill 935 (S-1) as reported from House committee
Sponsor: Sen. Kevin Daley

Analysis available at
<http://www.legislature.mi.gov>

Senate Bill 936 (S-1) as reported from House committee
Sponsor: Sen. Jim Runestad

Senate Bill 937 (S-1) as reported from House committee
Sponsor: Sen. Curtis S. VanderWall

1st House Committee: Tax Policy
2nd House Committee: Ways and Means
Senate Committee: Finance
Complete to 6-24-20

SUMMARY:

Senate Bills 935, 936, and 937 would respectively amend the Use Tax Act, the General Sales Tax Act, and the Income Tax Act to allow for deferred tax payments under those acts by a taxpayer whose business has been negatively affected by the COVID-19 pandemic. The bills would establish a schedule for paying taxes that would otherwise be due for March, April, May, June, July, and August, 2020, in equal installments with a final due date of November 20, 2020.

Specifically, the bills would allow a *qualified taxpayer* that files a monthly or quarterly use tax or sales tax return, or a *qualified person* that is required to withhold tax under the Income Tax Act and files a monthly or quarterly return, to defer payment of taxes until November 20, 2020, by remitting them in equal installments, with due dates as indicated in the tables below.

Qualified taxpayer (SBs 935 and 936) or *qualified person* (SB 937) would mean a taxpayer or person whose business has been negatively impacted by an executive order issued by the governor in response to the coronavirus public health emergency because either of the following applies:

- As a result of an executive order, the place of business is or was closed or restricted as to ingress, egress, use, or occupancy by members of the public.
- The business involves assemblages of people that are or were prohibited by an executive order.

A qualified taxpayer or person intending to defer payment of taxes otherwise due for August would have to submit an estimate of those taxes to the Department of Treasury by July 31, 2020, on a form prescribed by the department.

Penalties and interest could not be added to taxes properly remitted under the bills.

Table 1 below shows the dates on which the installment payments would be due under each bill for those filing monthly returns. Taxes otherwise due for March, April, and May would have to be paid in six equal installments, those for June in five equal installments, those for July in four equal installments, and those for August in three equal installments, with due dates as indicated with shading below.

	6/22/20	7/20/20	8/20/20	9/21/20	10/20/20	11/20/20
Taxes due for March, April, and May						
Taxes due for June						
Taxes due for July						
Taxes due for August						

Table 1. Installment due dates for monthly returns (applicable dates are shaded)

Table 2 shows the dates on which the installment payments would be due under each bill for those filing quarterly returns. Taxes otherwise due for March of the first quarter would have to be paid in three equal installments, those due for the second quarter in three equal installments, and those due for July and August of the third quarter in two monthly installments, with due dates as indicated with shading below.

	6/22/20	7/20/20	8/20/20	9/21/20	10/20/20	11/20/20
Quarter 1: March						
Quarter 2						
Quarter 3: July and August						

Table 2. Installment due dates for quarterly returns (applicable dates are shaded)

SB 935: MCL 205.96 and proposed MCL 205.96d
 SB 936: MCL 205.56 and proposed MCL 205.56d
 SB 937: MCL 206.703 and 206.705

FISCAL IMPACT:

Under current Treasury practices for 2020, sales, use, and withholding payments for non-accelerated filers (those with sales or use tax liabilities of less than \$720,000 or withholding payments of less than \$480,000) for March, April, and May could be deferred until June. That provision was later expanded to allow those filers to remit the deferred payments over the same six-month period outlined in the bills. However, unlike current practices, the bills

would extend the deferral by three additional months as well as allowing accelerated filers to opt for the same treatment.

As written, under the assumption that all sales, use, and withholding collections would eventually be received, the bills would not be expected to have a direct impact on state revenue, although they would delay the receipt of monthly and quarterly sales, use, and withholding revenue that would have otherwise been due earlier in 2020.

Even if all payments are eventually received, there is a potential loss to the general fund of penalties and interest, which would be waived under the bills. In addition, because constitutional revenue sharing payments to cities, villages, and townships are based on actual sales tax collections, August and October payments could be smaller than they would otherwise be. Finally, to the extent that a taxpayer defers payments and subsequently ceases operations, those deferred payments might never be received, reducing both general fund and School Aid Fund revenues.

POSITIONS:

Representatives of the following entities testified in support of the bills (6-23-20):

- Michigan Chamber of Commerce
- TEAM Schostak Family Restaurants

The following entities indicated support for the bills:

- Grand Rapids Chamber (6-23-20)
- Michigan Manufacturers Association (6-24-20)
- Michigan Restaurant and Lodging Association (6-24-20)
- Michigan Retailers Association (6-24-20)

A representative of the Department of Treasury testified in opposition to the bills. (6-23-20)

Legislative Analyst: Rick Yuille
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.