

EMERGENCY EXTENSION OF DEADLINES FOR CITY AND STATE INCOME TAXES

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House Bills 5716, 5717, and 5718 as introduced
Sponsor: Rep. Jason M. Sheppard
Committee: Government Operations
Complete to 4-29-20

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

SUMMARY:

House Bills 5716, 5717, and 5718 would respectively amend the City Income Tax Act, the Income Tax Act of 1967, and the Revenue Act (1941 PA 122) to extend from April to July the deadlines for filing and paying state and city income taxes for the 2019 tax year and for filing and paying estimated state and city income taxes for the 2020 tax year. The bills are largely a codification of Executive Order 2020-26.

On March 10, 2020, Michigan's first patient tested positive for COVID-19, at which time Governor Whitmer declared a statewide state of emergency.¹ On March 23, the governor signed a "Stay Home, Stay Safe" executive order directing all state businesses and operations to temporarily suspend in-person operations not necessary to sustain or protect life.²

Executive Order 2020-26,³ issued on March 27, extends from April to July the deadlines for filing and paying state and city income taxes for the 2019 tax year and for filing and paying estimated state and city income taxes for the 2020 tax year. Specifically, returns or payments otherwise due April 15, 2020, are due July 15, 2020, and those otherwise due April 30, 2020, are due July 31, 2020. The extension is automatic and applies to filing returns, paying taxes, and paying estimated taxes under both the Income Tax Act and the City Income Tax Act. The order provides that, for the 2019 tax year, interest will be added to a refund beginning 45 days after the claim for refund is filed or 45 days after the new July deadline, whichever is later. Additional interest as described in the 1941 PA 122 does not apply to an income tax return filed for the 2019 tax year under the new deadlines. The order also provides that a taxpayer is not subject to any penalties or interest during the extension period.

House Bill 5716 would amend the City Income Tax Act to provide that a person required to make and file an annual return, quarterly return, or declaration of estimated tax that is otherwise due by April 15 or April 30, 2020, automatically receives an extension to file the return or declaration until July 15 or July 31, respectively. The bill would also provide that a taxpayer is not subject to any penalties or interest during the extension period.

Proposed MCL 141.640 and 141.680

¹ Executive Order 2020-04, issued March 10, 2020 (<https://www.legislature.mi.gov/documents/2019-2020/executiveorder/pdf/2020-EO-04.pdf>); rescinded and replaced on April 1 with Executive Order 2020-33 (<https://www.legislature.mi.gov/documents/2019-2020/executiveorder/pdf/2020-EO-33.pdf>).

² Executive Order 2020-21, issued March 23, 2020 (<https://www.legislature.mi.gov/documents/2019-2020/executiveorder/pdf/2020-EO-21.pdf>); extended through April 30, 2020 on April 9, 2020 by Executive Order 2020-42 (<https://www.legislature.mi.gov/documents/2019-2020/executiveorder/pdf/2020-EO-42.pdf>).

³ Executive Order 2020-26: <https://www.legislature.mi.gov/documents/2019-2020/executiveorder/pdf/2020-EO-26.pdf>

House Bill 5717 would amend the Income Tax Act to provide that a person required under Part 1 of the act to make and file an annual return, or file and pay an estimated tax installment, that is otherwise due by April 15 or April 30, 2020, automatically receives an extension to file the return or installment until July 15 or July 31, as applicable. A person required under Part 2 of the act to make and file an annual return, or file a quarterly return and pay estimated tax, that is otherwise due by April 15 or April 30, 2020, automatically receives an extension to file the return or payment until July 15 or July 31, as applicable. The bill would also provide that a taxpayer is not subject to any penalties or interest during the extension period.

Proposed MCL 206.301a and 206.681a

House Bill 5718 would amend 1941 PA 122 to provide for the waiver of interest and penalties for failure to file or pay during an extension period described above. The bill also provides that, for the 2019 tax year, interest will be added to a refund for amounts paid beginning 45 days after the claim for refund is filed or 45 days after July 15 or July 31, 2020, whichever is later. Additional interest as described in the bill would not apply to an income tax return filed for the 2019 tax year.

MCL 205.24 and 205.30

House Bills 5716 and 5717 are tie-barred to HB 5718, and House Bill 5718 is tie-barred to HBs 5716 and 5717. A bill cannot take effect unless each bill to which it is tie-barred is enacted into law.

FISCAL IMPACT:

As written, the bills would have little state or local revenue impact. Because the bills simply extend the filing deadlines, the only potential impacts would be managing cash flow along with a possible revenue loss from forgone interest on the collections before they were expended. However, given the current low level of interest rates, any actual loss would be minimal.

As long as cities that operate on a July-June fiscal year book the collections back to the prior fiscal year, there would not be any budgetary impact from delaying the collections.

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■ 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.