

Legislative Analysis



MODIFY PENALTY AND DATES FOR LATE FILING OF ESSENTIAL SERVICES ASSESSMENTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6053 as enacted
Public Act 541 of 2018

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

House Bill 6054 as enacted
Public Act 505 of 2018
Sponsor: Rep. Thomas A. Albert

House Committee: Tax Policy
Senate Committee: Finance
Complete to 6-11-19

SUMMARY:

House Bills 6053 and 6054 amend, respectively, the State Essential Services Assessment Act and the Alternative State Essential Services Assessment Act, to modify the penalty for late filing of the assessment levied, and the date by which a claimant's eligible personal property exemption would be rescinded for nonpayment, under each act.

Currently, the essential services assessment (ESA)¹ levied by each act is due in full on August 15. If payment is not made by August 15, the Department of Treasury charges a late penalty at a rate of *1% per week, up to a maximum of 5%*, of the total amount due and unpaid. (This penalty may be waived for a claimant's first assessment year if full payment is submitted by September 15.) If payment in full and any penalty assessed are not submitted by *October 15 of the assessment year*, the claimant's eligible personal property exemption may be rescinded.

The bills increase the late penalty under each act to *3% per month, up to a maximum of 27%* of the total amount due and unpaid. In calculating the penalty, a partial month is considered a whole month and is not prorated based on the day the late payment was received. A claimant's eligible personal property exemption may be rescinded if payment and any penalty assessed are not submitted by *April 15 of the year following the assessment year*.

The bills also change the date by which a claimant's eligible personal property exemption would be rescinded for nonpayment, from the current date of the first Monday in December, to the first Monday in June of the year following the assessment year.

The bills took effect March 29, 2019, and apply to taxes levied after December 31, 2018.

¹ The ESA is a specific tax levied on eligible personal property exempt under the General Property Tax Act, primarily property exempt under the eligible manufacturing personal property exemption in that act.

FISCAL IMPACT:

The bills would have an indeterminate fiscal impact on the state. All ESA revenue, along with revenue from penalties and interest, accrues to the general fund. If it is assumed that the increased penalties would lead to more eligible claimants making the ESA payment in full on time, there would be less revenue collected from penalties. However, the number of late filers affected by these modifications cannot be determined.

Fiscal Analysts: Ben Gielczyk
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.