

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

SFA

BILL ANALYSIS

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

House Bill 5036 (Substitute H-1 as reported without amendment)

Sponsor: Representative Marc Shulman

House Committee: Appropriations

Senate Committee: Finance

CONTENT

The bill would amend the revenue Act to do the following:

- Require a tax amnesty period of 30 to 60 days, as determined by the State Treasurer, ending before September 30, 2002.
- Appropriate \$1.5 million to the Department of Treasury to administer the amnesty program.
- Add a penalty of 25% of the tax due for a taxpayer who failed to file a return or pay a tax due during the amnesty period.
- Revise provisions that allow the Department to enter into voluntary disclosure agreements with nonfiling taxpayers, and delete the expiration date on those provisions.

During the amnesty period, the Revenue Commissioner would have to waive all criminal and civil penalties for failing or refusing to file a return, for failing to pay a tax, or for making an excessive claim for a refund for a tax administered by the Revenue Division, if the taxpayer made a written request for a waiver, filed a return or an amended return, and made full payment in either a lump sum or installments (as provided in the bill) of the tax and interest due for any prior tax year. Amnesty would not apply to taxes due after June 1, 2001.

The Commissioner could not waive penalties if a taxpayer were eligible to enter into a voluntary disclosure agreement; if the tax were attributable to income related to criminal activity; or if the taxpayer were subject to a criminal investigation or prosecution for the tax or had been convicted of a felony under the Act or the Internal Revenue Code.

MCL 205.24 et al.

Legislative Analyst: G. Towne

FISCAL IMPACT

State Government. It is difficult to estimate the fiscal impact of a tax amnesty program, because taxpayer participation is voluntary and therefore difficult to predict. Based on Michigan's past experience with the 1986 amnesty program and the existing voluntary disclosure program, it is estimated that an amnesty program as proposed in this bill would generate new revenue in the range of \$20 million to \$40 million in FY 2001-02. This new revenue would be distributed as follows: General Fund/General Purpose revenue would increase between \$14.0 million and \$28.0 million, School Aid Fund revenue would increase \$5.5 million to \$11.0 million, and revenue going to other budget areas (primarily revenue sharing) would increase \$0.5 million to \$1.0 million.

The bill would appropriate \$1,500,000 for administration of the tax amnesty program. Any increase in tax revenue resulting from this bill would be decreased by this amount.

Local Governments. Local governments would be affected to the degree that the bill generated an increase in sales tax revenue, which would boost revenue sharing payments.

Date Completed: 10-31-01

Fiscal Analyst: J. Wortley
J. Runnels

Floor\hb5036

Bill Analysis @ <http://www.senate.state.mi.us/sfa>

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.