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**BILL ANALYSIS**

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House Bill 4586 (as reported without amendment)

Sponsor: Representative Pat Somerville

House Committee: Tax Policy

Senate Committee: Finance

CONTENT

The bill would amend the revenue Act to do the following with respect to voluntary disclosure agreements (VDAs):

- Include the Corporate Income Tax among the taxes covered by the lookback period of a VDA.
- Provide for a combined 48-month lookback period for the former Single Business Tax (SBT), the Michigan Business Tax (MBT), and the Corporate Income Tax.
- Require the refund of taxes to a taxpayer who entered into a VDA after October 1, 2012, and before May 1, 2013, if the combined lookback period under that agreement exceeded the combined 48-month period.

(The Act allows a person who is a "nonfiler" for a particular tax to enter into a VDA with the State Treasurer. The person must agree, among other things, to pay all taxes due for each tax covered by the VDA for the lookback period. If the person satisfies the Act's requirements, the Department of Treasury may not assess any tax, delinquency for a tax, penalty, or interest covered under the VDA for any period before the lookback period.)

To be eligible for a VDA, a nonfiler must meet one or both of the following criteria, as well as other requirements: 1) have a filing requirement under nexus standards issued by the Department after December 31, 1997; or 2) have a reasonable basis to contest liability, as determined by the State Treasurer, for a tax or fee administered under the Act. Under the bill, the first criterion would require the person to have a filing requirement under nexus standards issued by the Department *or* enacted into law after December 31, 1997.

Currently, for business taxes levied under the former SBT Act or the MBT Act, the lookback period generally is the four most recent completed fiscal or calendar years over a 48-month period. Under the bill, this also would apply to taxes levied under Part 2 of the Income Tax Act (the Corporate Income Tax), and the period described in current law would be the *combined* lookback period for all taxes covered by the agreement

MCL 205.30c

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would likely reduce, by an indeterminate amount, State General Fund revenue. The actual amount would depend on the specific characteristics of affected returns and the amount of any potential refunds provided under the bill.

Date Completed: 9-25-13

Fiscal Analyst: David Zin

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