

September 15, 2010

The Honorable Kate Ebli  
Chair, Tax Policy Committee  
Michigan House of Representatives  
P.O. Box 30014  
Lansing, MI 48909-7514

Dear Chair Ebli and Committee Members:

I am writing you today regarding House Bill 6422, an act to establish a tax amnesty program in the State of Michigan. This is the second of two tax amnesty bills recently introduced in the House. In contrast to the previous tax amnesty bill, HB 6221, HB 6422 does not contain language providing for competition in collection and does not take advantage of best practices learned from recent tax amnesty programs that yield maximized revenue.

As we have previously testified, the legislature has the sole discretion to construct an amnesty program that is the state's best interest. To that end, we have offered our experiences with other successful states efforts and best practices for tax amnesty programs which have exceeded expectations. Those experiences suggest that successful states construct amnesty programs where the state mandates finding the best vendor with amnesty experience and aligns the financial interest of the state with the vendor by incentivizing maximized results by for the state.

HB 6422, as drafted, does not create incentives for the collector administering the tax amnesty program to meet or exceed the revenue goals of the state. A model, as established by HB 6422, that mandates spending several million of taxpayer dollars without choosing a proven vendor who is incented to meet and beat the legislature's expectations means that the state will likely underperform and could fail to meet its budget objectives. This may leave millions of dollars uncollected. Several other states have employed risk-shared pricing based on a tiered contingency fee, as determined by performance measured by total gross dollars recovered for the state. This modern model ensures the vendor's interest is aligned with the state's financial interest. Beyond the merits of superior results, competition on a contract to administer the proposed tax amnesty program could result in new, temporary jobs in Michigan without the loss of any current jobs or diverting those existing efforts from their ongoing collection efforts.

In closing, while HB 6422 provides legislative authorization for a tax amnesty program, our experience suggests it will not maximize revenues to the state, assuming that is the legislature's goal. Since the state has always retained its clear legal and contractual right to place its tax collection volume at any time with whomever it determines is in the best interest of the state, we would recommend that the legislature use its authority to create the best tax amnesty program for Michigan. HB 6221 provides an actual competitive framework that incentives increasing revenue for Michigan.

Respectfully submitted,