

Legislative Analysis



TAX AMNESTY

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

House Bill 6422

Sponsor: Rep. Fred Durhal, Jr.

Committee: Tax Policy

Complete to 9-13-10

A SUMMARY OF HOUSE BILL 6422 AS INTRODUCED 9-8-10

The bill would amend the Revenue Act, 1941 PA 122, which authorizes, in part, the Department of Treasury to offer a tax amnesty period. Specifically, the bill would allow for a tax amnesty period with the following characteristics:

- The amnesty period would run from May 15, 2011, through June 30, 2011.
- During the amnesty period, the State Treasurer would 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 if the taxpayer makes a written request for a waiver on a form prescribed by the department, submits all unfiled or amended returns, and makes full payment of the delinquent tax and interest due before the last day of the amnesty period.
- The tax amnesty program would only allow taxpayers with delinquent tax liabilities prior to December 31, 2009, the opportunity to settle their delinquencies.

The bill would also appropriate \$6.8 million of the revenue generated by taxes paid under the amnesty to the Department of Treasury as a work project for administration and public awareness of the amnesty program. The appropriation will be allotted for expenditure on and after October 1, 2010. The work project will be accomplished through interagency agreements, grants, state employees, and contracts. Any unencumbered funds will be carried forward to the following fiscal year. The expected completion date of the project is September 30, 2012. The work project funding would include, but not be limited to, information technology systems changes, staffing related costs, costs to promote public awareness, and any other costs associated with the implementation or dissolution of the program, including the resolution of accounts.

FISCAL IMPACT:

Based on the assumptions¹ used by the Department of Treasury in estimating the expected revenue, the department anticipates \$88.8 million in net new revenue for FY

¹ Assumptions were based on the 1986 tax amnesty model. Factors that the Department of Treasury accounted for include the presence of a previous amnesty in 2002, the current recession, an economic growth factor based on

2010-11 after accounting for all costs, foregone penalties, and collection of revenue that would have been collected without an amnesty period. Of this amount, \$61.8 million is General Fund revenue, \$26.1 million is School Aid Fund revenue, and \$1.0 million is dedicated for other services.

Any amnesty period will accelerate the collection of future projected delinquent tax revenue. The Department of Treasury estimated that the state would forego \$69.3 million in existing collections and penalties in FY 2011-12 and beyond. This would be slightly offset by approximately \$7.8 million in new revenue in FY 2011-12 and beyond, due to previously undiscovered and delinquent taxpayers coming forward and reporting on a regular basis. Department of Treasury estimates that a tax amnesty period in FY 2010-11 would net the state \$27.4 million after accounting for present as well as future costs. The following table summarizes the department's revenue estimates for the tax amnesty program:

	FY 2010-11	FY 2011-12 or after	TOTAL
Gross Collections	\$128,500,000	(\$45,600,000)	\$82,900,000
Gross Collections without Amnesty	22,900,000	0	22,900,000
Net New Revenue	105,600,000	(45,600,000)	60,000,000
Costs	(16,800,000)	(15,900,000)	(32,700,000)
Net Increase/(Decrease)	\$88,800,000	(\$61,500,000)	\$27,400,000

Note: "Gross Collections" include new revenue and existing assessments. Without amnesty, gross collections only include existing assessments. "Costs" include administrative costs and foregone penalties under the amnesty program. In FY 2012 or after, costs only include foregone penalties due to accelerated collection of future existing assessments from FY 2012 or after.

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Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

actual tax collections, an SBT/MBT factor (recent business tax transition could lower overall collections), and a collection improvement factor (current delinquent tax collections have improved).