



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

BILL ANALYSIS

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

House Bill 4003 (as reported without amendment)
Sponsor: Representative John Walsh
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the revenue Act to establish an offer-in-compromise program, which would authorize the State Treasurer to compromise the payment of a tax, unpaid account, or amount due the State subject to administration under the Act, if doubt existed as to liability or collectability or if there were a substantial probability that a compromise would further the fair and efficient administration of the tax. The bill would do the following:

- Provide that a taxpayer's Federal compromise of tax would be prima facie evidence that the taxpayer was entitled to a compromise of a comparable Michigan tax liability.
- Allow the Department of Treasury to revoke a compromise if it were induced by fraud or perjury, or if the taxpayer failed to comply with any tax payment agreement within five years after the compromise was made.
- Require the State Treasurer to file a written report if a tax liability were compromised, unless the compromise related to a civil case involving less than \$25,000.
- Require the State Treasurer, within 90 days after the bill's effective date, to establish guidelines for the program; administrative procedures; procedures for an independent administrative review of the rejection of a proposed offer-in-compromise; procedures for the appeal of a rejection; application fees; and procedures to allow for payment plans.
- Require the Department to disclose return information to the public as necessary to permit inspection of any accepted offer-in-compromise.

MCL 205.28 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate impact on State revenue. It would increase State revenue to the extent that compromises on taxes due resulted in collection of revenue that otherwise would be uncollectible. The possibility of an adjustment in taxes due, however, could change the behavior of some taxpayers, who might delay payment and seek a reduced tax bill, which if made available, would reduce State revenue. Making tax compromises in Michigan dependent on Federal tax compromises also would tend to reduce State revenue. The Department of Treasury would incur administrative costs to develop and implement program guidelines, establish an independent administrative review of taxpayer offers and an appeals process, and meet reporting requirements. Application fees could partially offset the administrative cost of the program; however, any fee revenue collected could be regarded as reducing the tax payments that otherwise would be collected.

Date Completed: 2-13-14

Fiscal Analyst: Elizabeth Pratt