



Senate Bill 887 (Substitute S-1 as reported by the Committee of the Whole)
Senate Bill 888 (Substitute S-1 as reported by the Committee of the Whole)
Senate Bill 889 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Jim Stamas
Committee: Committee of the Whole

CONTENT

Senate Bill 887 (S-1) would amend the Income Tax Act to specify that a person required to make and file a return or pay estimated tax for certain dates would receive an automatic extension to file the return or make the payment in accordance with Executive Order 2020-26. A taxpayer would not be subject to interest or penalties during the extension period.

The bill also specifies that if the Internal Revenue Service (IRS) extended the Federal income tax filing or payment due date after the bill's effective date, then a person required to make a return or pay tax under the Act automatically would receive an extension that coincided with the Federal due date to file the return or pay the tax.

Senate Bill 888 (S-1) would amend the revenue Act to require the Department of Treasury to waive all interest and penalties for failing to file a return or remit tax originally due on April 15 or April 30, 2020, until July 15 or July 31, 2020, as applicable.

The bill specifies that if the IRS extended the Federal income tax filing or payment due date after the bill's effective date, then a person required to make a return or pay tax under the Income Tax Act or the City Income Tax Act automatically would receive an extension that coincided with the Federal due date to file the return or pay the tax.

The bill also specifies that, for the 2019 tax year only, interest would be added to a refund for amounts paid beginning 45 days after the claim for the refund is filed, 45 days after July 15 or July 31, 2020, or 45 days after a subsequent filing date if extended by the IRS after the bill's effective date, as applicable, whichever was later.

Senate Bill 889 (S-1) would amend Chapter 2 (Uniform City Income Tax Ordinance) of the City Income Tax Act to do the following:

- Specify that a person required to make and file an annual return, quarterly return, or declaration of estimated tax otherwise due would receive an extension to file those returns or declarations until July 15 or July 31, 2020, as applicable.
- Specifies that if the IRS extended the Federal income tax filing or payment due date after the bill's effective date, then a person required to make a return or pay tax under the Act automatically would receive an extension that coincided with the Federal due date to file the return or pay the tax.
- Specify that, for any return or declaration of estimated tax that was originally due in April but was filed no later than the date prescribed, all penalties and interest for failing to file or pay a tax would be waived.

Senate Bills 887 (S-1) and 889 (S-1) are tie-barred to Senate Bill 888. Senate Bill 888 (S-1) is tie-barred to Senate Bills 887 and 889.

Proposed MCL 206.301a & 206.681a (S.B. 887)
MCL 205.24 & 205.30 (S.B. 888)
Proposed MCL 141.640 & 141.680 (S.B. 889)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

Collectively, the bills codify the contents of Executive Order 2020-26, which is in effect, and allow future tax filing deadlines to be extended in the event of declared national emergencies. They would not have a fiscal impact compared to the current tax filing extension. If not for the existence of the Executive Order, or if there were future extensions, the bills would have an indeterminate, but likely negligible, fiscal impact on the State and cities that levy a city income tax. For the State, and local units that use a fiscal year that does not end on June 30, the bills would shift the timing of payments within the fiscal year (unless the deadlines were extended again, and beyond September 30). As a result, while the State and these local units could experience cash flow issues, the bills would not affect current fiscal year revenue. For local units with fiscal years ending June 30 (or the State and other local units if the deadlines were extended beyond September 30), the bills could shift fiscal year (FY) 2019-20 revenue into FY 2020-21 if the local unit uses cash accounting rather than accrual accounting. While most of the 22 local units that levy an income tax have fiscal years that end on June 30, the number that use cash accounting, rather than accrual accounting, is unknown. Any extension of tax filing deadlines in the future would have similar effects depending on the extension.

The State and local units that would be affected by the bills also likely would experience a reduction in revenue from penalties and interest associated with late payments. The magnitude of any revenue loss would depend on when taxpayers ultimately filed their returns, the amounts due, and whether the Department otherwise would have elected to waive penalties and interest under existing authority. But, by suspending the interest on delayed refund payments, the State would incur fewer expenses regarding refund payments.

Operationally, by extending the filing and payment deadline for State and city income taxes, departments that process tax returns would have additional costs in the future months that they otherwise would not have experienced; however, these additional costs would be offset by fewer expenses experienced in April. Overall administrative costs or savings would be minimal and within current appropriations.

Date Completed: 5-12-20

Fiscal Analyst: Ryan Bergan
Cory Savino

floor\sb887

Bill Analysis @ www.senate.michigan.gov/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.