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

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

BILL ANALYSIS

Senate Bills 887 through 889 (as introduced 4-29-20)
Sponsor: Senator Jim Stamas
Committee: Government Operations

CONTENT

Senate Bill 887 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.

Senate Bill 888 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 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 or 45 days after July 15 or July 31, 2020, as applicable, whichever was later.

Senate Bill 889 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.
-- Specify that for any return or declaration of estimated tax that was originally due in April but was filed no later than the prescribed July dates, all penalties and interest for failing to file would be waived.

Senate Bills 887 and 889 are tie-barred to Senate Bill 888. Senate Bill 888 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. As such, they would not have a fiscal impact compared to current law. If not for the existence of the Executive Order, 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. As a result, while the State and these local units may experience cash flow issues, the bills would not affect fiscal year revenue. For local units with fiscal years ending June 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.

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 summer month 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: 5-7-20

Fiscal Analyst: Ryan Bergan
Cory Savino