

REVENUE DIVISION OF DEPARTMENT OF TREASURY (EXCERPT)
Act 122 of 1941

205.30c Voluntary disclosure agreement.

Sec. 30c.

(1) The state treasurer, or an authorized representative of the state treasurer, on behalf of the department, may enter into a voluntary disclosure agreement pursuant to subsections (2) to (11) or an agreement with a federally recognized Indian tribe within the state of Michigan pursuant to subsections (12) and (13).

(2) A voluntary disclosure agreement may be entered into with a person who makes application, who is a nonfiler, and who meets 1 or more of the following criteria:

(a) Has a filing responsibility under nexus standards issued by the department or enacted into law after December 31, 1997.

(b) Has a reasonable basis to contest liability, as determined by the state treasurer, for a tax or fee administered under this act.

(3) All taxes and fees administered under this act are eligible for inclusion in a voluntary disclosure agreement.

(4) To be eligible for a voluntary disclosure agreement, subject to subsection (1), a person must meet all of the following requirements:

(a) Except as otherwise provided in this subdivision, has had no previous contact by the department or its agents regarding a tax covered by the agreement. For purposes of this subdivision, a letter of inquiry requesting information under section 21(2)(a) that was sent to a nonfiler shall not be considered a previous contact under this subdivision.

(b) Has had no notification of an impending audit by the department or its agents.

(c) Is not currently under audit by the department of treasury or under investigation by the department of state police, department of attorney general, or any local law enforcement agency regarding a tax covered by the agreement.

(d) Is not currently the subject of a civil action or a criminal prosecution involving any tax covered by the agreement.

(e) Has agreed to register, file returns, and pay all taxes due in accordance with all applicable laws of this state for all taxes administered under this act for all periods after the lookback period.

(f) Has agreed to pay all taxes due for each tax covered under the agreement for the lookback period, plus statutory interest as stated in section 23, within the period of time and in the manner specified in the agreement.

(g) Has agreed to file returns and worksheets for the lookback period as specified in the agreement.

(h) Has agreed not to file a protest or seek a refund of taxes paid to this state for the lookback period based on the issues disclosed in the agreement or based on the person's lack of nexus or contacts with this state.

(5) If a person satisfies all requirements stated in subsections (1), (2), and (4), the department shall enter into a voluntary disclosure agreement with that person providing the following relief:

(a) Notwithstanding section 28(1)(e) of this act, the department shall not assess any tax, delinquency for a tax, penalty, or interest covered under the agreement for any period before the lookback period identified in the agreement.

(b) The department shall not assess any applicable discretionary or nondiscretionary penalties for the lookback period.

(c) The department shall provide complete confidentiality of the agreement and shall also enter into an agreement not to disclose, in accordance with section 28(1)(f), any of the terms or conditions of the agreement to any tax authorities of any state or governmental authority or to any person except as required by exchange of information agreements authorized under section 28(1)(f), including the international fuel tax agreement under chapter 317 of title 49 of the United States Code, 49 USC 31701 to 31707. The department shall not exchange information obtained under this section with other states regarding the person unless information regarding the person is specifically requested by another state.

(6) The department shall not bring a criminal action against a person for failure to report or to remit any tax covered by the agreement before or during the lookback period if the facts established by the department are not materially different from the facts disclosed by the person to the department.

(7) A voluntary disclosure agreement is effective when signed by the person subject to the agreement, or his, her, or its lawful representative, and returned to the department within the time period specified in the agreement. The department shall only provide the relief specified in the executed agreement. Any verbal or written communication by the department before the effective date of the agreement shall not afford any penalty waiver, limited lookback period, or other benefit otherwise available under this section.

(8) A material misrepresentation of fact by an applicant relating to the applicant's current activity in this state renders an agreement null and void and of no effect. A change in the activities or operations of a person after the

effective date of the agreement is not a material misrepresentation of fact and shall not affect the agreement's validity.

(9) The department may audit any of the taxes covered by the agreement within the lookback period or in any prior period if, in the department's opinion, an audit of a prior period is necessary to determine the person's tax liability for the tax periods within the lookback period or to determine another person's tax liability.

(10) Nothing in subsections (2) to (9) shall be interpreted to allow or permit unjust enrichment as that term is defined in subsection (15). Any tax collected or withheld from another person by an applicant shall be remitted to the department without respect to whether it was collected during or before the lookback period.

(11) The department shall not require a person who enters into a voluntary disclosure agreement to make any filings that are additional to those otherwise required by law.

(12) The department may enter into a tribal agreement with a federally recognized Indian tribe specifying the applicability of a tax administered under this act to that tribe, its members, and any person conducting business with them. The tribe, its members, and any person conducting business with them shall remain fully subject to this state's tax acts except as otherwise specifically provided by an agreement in effect for the period at issue. A tribal agreement shall include all of the following:

(a) A statement of its purpose.

(b) Provisions governing duration and termination that make the agreement terminable by either party if there is noncompliance and terminable at-will after a period of not more than 2 years.

(c) Provisions governing administration, collection, and enforcement. Those provisions shall include all of the following:

(i) Collection of taxes levied under the general sales tax act, 1933 PA 167, MCL 205.51 to 205.78, or the use tax act, 1937 PA 94, MCL 205.91 to 205.111, on the sale of tangible personal property or the storage, use, or consumption of tangible personal property not exempt under the agreement.

(ii) Collection of taxes levied on tobacco products under the tobacco products tax act, 1993 PA 327, MCL 205.421 to 205.436, and taxes levied under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, and the motor carrier fuel tax act, 1980 PA 119, MCL 207.211 to 207.234, on sales of tobacco products or motor fuels not exempt under the agreement.

(iii) Withholding and remittance of income taxes levied under the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.713, from employees not exempt under the agreement.

(iv) Reporting of gambling winnings to the same extent and in the same manner as reported to the federal government.

(v) A waiver of tribal sovereign immunity sufficient to make the agreement enforceable against both parties.

(d) Provisions governing disclosure of information between the department and the tribe as necessary for the proper administration of the tribal agreement.

(e) A provision ensuring that the members of the tribe will be bound by the terms of the agreement.

(f) A designation of the agreement area within which the specific provisions of the tribal agreement apply.

(13) A tribal agreement authorized under subsection (12) may include 1 or more of the following:

(a) A provision for dispute resolution between this state and the tribe, which may include a nonjudicial forum.

(b) A provision for the sharing between the parties of certain taxes collected by the tribe and its members.

(c) Any other provisions beneficial to the administration or enforcement of the tribal agreement.

(14) A tribal agreement authorized under subsection (12) shall not authorize the approval of a class III gaming compact negotiated under the Indian gaming regulatory act, Public Law 100-497, 102 Stat. 2467.

(15) As used in this section:

(a) "Lookback period" means 1 or more of the following:

(i) The most recent 48-month period as determined by the department or the first date the person subject to an agreement under this section began doing business in this state if less than 48 months.

(ii) For business taxes levied under the former single business tax act, 1975 PA 228, the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601, or part 2 of the income tax act of 1967, 1967 PA 281, MCL 206.601 to 206.699, the combined lookback period for all taxes covered under the agreement shall be the 4 most recent completed fiscal or calendar years over a 48-month period or the first date the person subject to an agreement under this section began doing business in this state if less than 48 months.

(iii) Notwithstanding subparagraphs (i), (ii), and (iv), the most recent 36-month period as determined by the department or the first date the person subject to an agreement under this section began doing business in this state if less than 36 months, if tax returns filed in another state for a tax based on net income that included sales in the numerator of the apportionment formula that now must be included in the numerator of the apportionment formula under the former single business tax act, 1975 PA 228, the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601, or part 2 of the income tax act of 1967, 1967 PA 281, MCL 206.601 to 206.699, and those sales increased the net tax liability payable to that state.

(iv) If there is doubt as to liability for the tax during the lookback period, another period as determined by the state treasurer to be in the best interest of this state and to preserve equitable and fair administration of taxes.

(b) "Nonfiler" for a particular tax means, beginning July 1, 1998, a person that has not filed a return for the

particular tax being disclosed for periods beginning after December 31, 1988.

(c) "Person" means an individual, firm, bank, financial institution, limited partnership, copartnership, partnership, joint venture, association, corporation, limited liability company, limited liability partnership, receiver, estate, trust, or any other group or combination acting as a unit.

(d) "Previous contact" means any notification of an impending audit pursuant to section 21(1), review, notice of intent to assess, or assessment. Previous contact also includes final letters of inquiry pursuant to section 21(2)(a) or a subpoena from the department.

(e) "Unjust enrichment" includes the withholding of income tax under the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.713, and the collection of any other tax administered by this act that has not been remitted to the department.

(f) "Voluntary disclosure agreement" or "agreement" means a written agreement that complies with this act.

(16) The department of treasury shall post a copy of each tribal agreement and any changes to a tribal agreement on the department of treasury's website not later than 60 days after the tribal agreement takes effect or the changes to the tribal agreement take effect.

(17) Not later than January 31 of each year, the department of treasury shall report to each house of the legislature, including the majority leader and minority leader of the senate and the speaker and minority leader of the house of representatives, on the tribal agreement and changes to the tribal agreement entered into during the immediately preceding calendar year. The report shall include all of the following:

(a) A copy of the tribal agreement.

(b) A summary of the changes since the immediately preceding report.

(c) A detailed listing and description of changes to any agreement areas described in a tribal agreement.

(18) If a taxpayer entered into a voluntary disclosure agreement after October 1, 2012 and before May 1, 2013, for business taxes levied under the former single business tax act, 1975 PA 228, the Michigan business tax act, 2007 PA 36, MCL 208.1101 to 208.1601, or part 2 of the income tax act of 1967, 1967 PA 281, MCL 206.601 to 206.699, and the combined lookback period under that agreement exceeds the lookback period under subsection (15)(a)(ii), the department shall refund amounts paid attributable to the periods outside the lookback period under subsection (15)(a)(ii).

History: Add. 1998, Act 221, Imd. Eff. July 1, 1998 ;-- Am. 1998, Act 493, Imd. Eff. Jan. 4, 1999 ;-- Am. 2001, Act 168, Imd. Eff. Nov. 27, 2001 ;-- Am. 2002, Act 616, Imd. Eff. Dec. 20, 2002 ;-- Am. 2007, Act 194, Imd. Eff. Dec. 21, 2007 ;-- Am. 2013, Act 135, Imd. Eff. Oct. 15, 2013

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