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BILL ANALYSIS

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House Bill 4496 (Substitute H-3 as passed by the House)
Sponsor: Representative Sarah Roberts
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 4-1-09

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to allow a taxpayer that calculates and pays estimated payments for Federal income tax purposes pursuant to Section 6655(E) of the Internal Revenue Code, to calculate the estimated payments required each quarter under the Act by using the same methodology as used to calculate the annualized income installment or the adjusted seasonal installment, whichever was used as the basis for the Federal estimated payment.

A penalty for underpayment of an estimated tax could not be assessed for a tax year that ended before December 1, 2009, if the taxpayer paid 75% of the tax due for the tax year.

The bill would be retroactive and effective for tax years beginning after December 31, 2007.

(Section 6655(E) of the Internal Revenue Code allows a corporation to use a lower required installment when the annualized income installment or adjusted seasonal installment is less than 25% of the required annual payment.)

Under the MBT Act, a taxpayer that reasonably expects liability for the tax year to exceed \$800 must file an estimated return and pay an estimated tax for each quarter of the taxpayer's tax year. The payment must be for the estimated business income tax base and modified gross receipts tax base for the quarter or 25% of the estimated annual liability. The second, third, and fourth estimated payments in each tax year must include adjustments, if necessary to correct underpayments or overpayments from previous quarterly payments in the tax year to a revised estimate of the annual tax liability. Under the bill, these requirements would apply except as described above.

MCL 208.1501

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would likely have a very minimal negative impact on the revenue derived from penalties assessed on the underpayment of Michigan Business Tax quarterly estimated payments for tax years that end before December 1, 2009. Any loss in revenue would reduce the General Fund. The bill would not have any direct impact on local units of government.

Fiscal Analyst: Jay Wortley

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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.