

Legislative Analysis



MODIFY PENALTY AND DATES FOR LATE FILING OF ESSENTIAL SERVICES ASSESSMENTS

Phone: (517) 373-8080
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House Bill 6053 (H-2) as reported from committee
House Bill 6054 (H-2) as reported from committee
Sponsor: Rep. Thomas A. Albert
Committee: Tax Policy
Complete to 12-2-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bills 6053 and 6054 would amend, respectively, the State Essential Services Assessment Act and the Alternative State Essential Services Assessment Act, to modify the penalty for late filing of the assessment levied under each act and modify the date for certifying and submitting a payment under each act.

Currently, the essential services assessment (ESA)¹ levied by each act is due in full on August 15. If payment is not made by August 15, the Department of Treasury charges a late penalty at a rate of 1% per week, up to a maximum of 5%, of the total amount due and unpaid. (This penalty may be waived for a claimant's first assessment year if full payment is submitted by September 15.) If payment in full and any penalty assessed are not submitted by October 15, the claimant's eligible personal property exemption may be rescinded.

The bills would increase the penalty under each act to 5% per month, up to a maximum of 30% of the total amount due and unpaid. In calculating the penalty, a partial month would be considered a whole month and would not be prorated based on the day the late payment was received.

In addition, the bills would change the date the ESA levied by each act would be due in full from August 15 to October 15. The date by which the Department of Treasury must send a notice to eligible claimants who have not certified the statement and made a full payment would be revised from September 15 to November 15. A claimant's eligible personal property exemption could be rescinded if payment and any penalty assessed were not submitted by April 15 of the year following the assessment year (October 15 of the assessment year under current law).

The bills would eliminate the one-month period beyond the initial due date in which an eligible claimant could submit an amended certified statement and amended payment amount, subject to penalties. The certified statement and full payment, with any amendments made by the eligible claimant, are due October 15.

¹ The ESA is a specific tax levied on eligible personal property exempt under the General Property Tax Act, primarily property exempt under the eligible manufacturing personal property exemption in that act.

Finally, the bills would change the date by which a claimant's eligible personal property exemption would be rescinded for nonpayment, from the current date of the first Monday in December, to the first Monday in June of the year following the assessment year.

Each bill is tie-barred to the other, meaning that neither could take effect unless both were enacted.

FISCAL IMPACT:

The bills would have an indeterminate fiscal impact on the state. All ESA revenue, along with revenue from penalties and interest, accrues to the general fund. If it is assumed that the increased penalties, coupled with the movement of the due date from August 15 to October 15, would lead to more eligible claimants making the ESA payment in full on time, there would be less revenue collected from penalties. However, the number of late filers affected by these modifications cannot be determined.

POSITIONS:

A representative of the Michigan Manufacturers Association testified in support of the bill. (11-28-18)

The following entities indicated support for the bill (11-28-18):

- Department of Treasury
- National Federation of Independent Businesses
- Michigan Chamber of Commerce

Fiscal Analysts: Ben Gielczyk
Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.