



**House  
Legislative  
Analysis  
Section**

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**REQUIRE PUBLICATION OF  
TREASURY BULLETINS/RULINGS**

**House Bill 5330 as introduced  
First Analysis (11-1-01)**

**Sponsor: Rep. Nancy Cassis  
Committee: Tax Policy**

***THE APPARENT PROBLEM:***

One of the recommendations made in the October 2001 report of the Subcommittee on Tax Simplification of the House Tax Policy Committee was that the Department of Treasury's letter rulings be published. The report said, "In years past, the [department] has published letter rulings in response to formal taxpayer inquiries. Letter rulings are used by the department to answer questions posed by taxpayers regarding the tax treatment of specific transactions or objects. While not considered binding law, letter rulings provide valuable guidance and insight to aid taxpayers in their understanding of the law".

***THE CONTENT OF THE BILL:***

The bill would amend the Revenue Act to require that bulletins and letter rulings issued by the commissioner of revenue be published and made available to the public in printed and electronic formats.

The act currently allows the Department of Treasury to periodically issue bulletins that index and explain current department interpretations of current state tax laws. (The bill would make the act refer to the commissioner of revenue rather than the department.) The act also currently says that the department may charge a reasonable fee for subscriptions to this service not to exceed the cost of printing. (The bill would substitute "publishing" for "printing".)

MCL 205.3

***BACKGROUND INFORMATION:***

A letter ruling, according to a recent description from the Department of Treasury, aims at providing the public with an example of how the department would apply tax law to a particular set of facts, and provides a fast and informal way of increasing public understanding of the department's interpretation of tax law. It is not binding on either the department or taxpayers, except that if it is used in a written

response to a specific taxpayer's request, it is binding on the department and that taxpayer. Letter rulings are said to be available to taxpayers on request. Letter rulings are withdrawn when they become obsolete or when they are likely to confuse rather than assist the public, according to the department. See the department's Revenue Administrative Bulletin (RAB) 2000-6.

A revenue administrative bulletin or RAB is described by the department as a directive issued by the commissioner of revenue to promote uniform application of tax laws throughout the state by the department and to provide information and guidance to taxpayers. A RAB states the department's official position, has the status of precedent unless revoked or modified, and may be relied on by taxpayers when facts, circumstances, and issues are substantially similar to those described in the bulletin. Taxpayers need to also consider subsequent legislation, court decisions, regulations, and bulletins when relying on an RAB. These bulletins are published in the quarterly tax advisor, are available upon request, and many can be found on the department's web site. See the department's Revenue Administrative Bulletin (RAB) 1989-34.

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bill should have no direct fiscal impact on the state or local governments. The agency points out that the department is entitled under the Revenue Act to charge a reasonable fee for subscriptions to its publications. (HFA fiscal note dated 10-26-01)

***ARGUMENTS:***

***For:***

Business representatives say that they found the publication of letter rulings by the Department of Treasury to be very helpful as a guide to interpreting state tax laws. The department has since discontinued this practice. This bill would require

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that letter rulings once again be published (along with revenue administrative bulletins, which routinely are published and made available on the department web site). It adds to both the fairness and simplification of the tax system to provide this kind of useful guidance to the thinking of state tax administrators. Publication of rulings, some suggest, could even be useful in forcing greater consistency on the department in its response to taxpayers. This bill is one of the recommendations made in the recent report by the Subcommittee on Tax Simplification of the House Tax Policy Committee. Since these letter rulings would most likely be used by tax professionals, questions of confidentiality are not troubling. It should be noted that the business sector -- which is who will be requesting these rulings -- supports publication. Those requesting rulings will know that responses will be published.

***Response:***

Letter rulings are responses to taxpayer queries regarding what are often very specific circumstances, state tax officials point out. The responses themselves, in rehearsing the facts of the case, sometimes reveal information about taxpayers that might identify them and their circumstances. In cases where the department needs to safeguard taxpayer confidentiality in its rulings, a letter ruling might have to be published with all of the useful guiding information blotted out or removed. A department spokesman has said the department would like to continue working on ways of addressing this issue.

***POSITIONS:***

The Michigan Chamber of Commerce supports the bill. (10-31-01)

The Michigan Manufacturers Association supports the bill. (10-31-01)

The Michigan Retailers Association has indicated its support for the bill. (10-31-01)

The Greater Detroit Regional Chamber of Commerce has indicated its support for the bill. (10-31-01)

The Grand Rapids Chamber of Commerce has indicated support for the bill. (10-31-01)

The Department of Treasury has no position on the bill but has concerns about the mandate regarding letter rulings. (10-31-01)

Analyst: C. Couch

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