



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



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1058 (as introduced 1-24-08)
Sponsor: Senator Roger Kahn, M.D.
Committee: Finance

Date Completed: 1-31-08

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.

(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 estimated payment made with each quarterly return of each tax year 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. Under the bill, this requirement would apply except as described above.

The Act requires that the second, third, and fourth estimated payments in each tax year 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. The bill would delete "to a revised estimate of the annual tax liability".

MCL 208.1501

Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill would allow business taxpayers to distribute their quarterly estimated payments to coincide with the quarterly distribution of their annual business activity. It would not change a taxpayer's annual tax liability, but would change only the amount paid each quarter. While this proposed change would shift the timing of quarterly payments for some individual taxpayers, and could shift payments from one fiscal year to another, it is estimated that it probably would not result in any significant shift in the timing of overall quarterly payments. Therefore, it is estimated that the bill essentially would have no fiscal impact on State or local 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.