

Michigan Department of Treasury
Public Act 252, 2014, Section 221 Reporting Requirement
April 1, 2015

Public Act 252, 2014 - Sec. 221. Each department and agency shall report no later than April 1 on each specific policy change made to implement a public act affecting the department that took effect during the prior calendar year to the senate and house of representatives standing committees on appropriations subcommittees on general government, the joint committee on administrative rules, and the senate and house fiscal agencies.

Bureau of Tax Processing:

Business Tax Division:

PA 13 of 2014:

Summary of purpose: If a CIT taxpayer acquires another corporation in a transaction satisfying the criteria in IRC §381, and the acquired corporation has a CIT business loss carryforward, that carryforward will transfer to and be useable by the acquiring corporation.

Forms: We added a new checkbox as Line 37b to CIT Form 4891, by which the acquiring corporation identifies itself as claiming losses acquired in this type of transaction. The instructions were expanded to require attachments identifying the acquired corporation.

System: When SAP detects the Line 37b check-mark, the system will alert staff to review the attachments for the required information.

PA 14 of 2014:

Summary of purpose: Prior to this act, transactions between members of a UBG were eliminated in preparing the return for some, but not all, relevant purposes. This act extends the eliminations process to all aspects of the return in which it is relevant, including credit calculation, exemptions, and the filing threshold.

Forms: Instruction changes. We chose to instruct the taxpayer (or return preparer) to make these newly approved eliminations prior to entering data on the return. Therefore the forms were not changed, but the instructions were.

System: Because the newly approved eliminations are made prior to return preparation, no system changes were needed.

PA 15 of 2014:

Summary of purpose: CIT tax exemption for a Domestic International Sales Corporation (DISC).

Forms: The only change was to tax return form instructions, alerting affected taxpayers to this act.

System: None.

PA 16 of 2014:

Summary of purpose: For recapture of MBT investment tax credit (ITC) on a CIT return (See CIT Form 4902), modify calculation of recapture when ITC assets are sold. Recapture is charged only to the extent of ITC benefit received from purchase of the assets in prior years.

Forms: Line items on Form 4902 were not changed, but extensive additional instructions were added to guide the customer through a complex mathematical process.

System: None.

PA 240 of 2014:

Summary of purpose: This act authorized an offer-in-compromise program by Treasury. Under certain circumstances, a taxpayer can resolve an entire tax debt by paying less than the full assessed amount.

Operational impact:

The only impact on the Business Taxes Division was time spent by some staff in meetings, helping to design and develop the forms and procedure to implement this act. Another unit within Treasury (Collections) is administering this program.

PA 282 of 2014:

Summary of purpose: Retroactively amends three aspects of MBT, for years beginning 1/1/2010 or later. Cancellation of debt income (CODI), which previously was included in gross receipts, is no longer included. Calculation of recapture of MBT ITC is changed to conform to the method used for SBT ITC, and used for recapture of MBT ITC on a CIT return (see PA 16, above). Calculation of the Renaissance Zone credit for a taxpayer operating within a Zone since before 12/1/2002 is changed in a manner beneficial to the taxpayer and comparable to the method used in SBT. Amended returns for 2010-2013 that claim a refund based on this act will generate a refund paid out in equal installments over six years.

Forms: Instruction changes. Because the elimination of CODI from gross receipts occurs in the taxpayer's work papers, *i.e.*, prior to return preparation, no form changes were needed for this item. Instructions were expanded to explain the change. For the MBT ITC recapture change, we were able to change the instructions in a way that guides the customer to the newly adopted result by using existing lines on the return. Return data needed for the Renaissance Zone calculation already was being collected on Form 4595, so the only change needed for this item was instructional.

System: Because the elimination of CODI from gross receipts occurs in the taxpayer's work papers, *i.e.*, prior to return preparation, no system changes were needed for this item. No system changes were needed for the change in calculation of MBT ITC recapture. Modest system changes were required for the Renaissance Zone credit change. The most significant system change was in response to the six year payout requirement for any refunds resulting from this act.

Support Services Division:

None

Individual Income Tax Division:

None

Special Taxes Division:

PA 161 of 2014:

Collections; assessment of tax on health maintenance organizations; provide for – Use Tax Act (HMO USE Tax is reinstated). Special Taxes created a new annual return form (Form 5200). The tax information itself is maintained in an excel spreadsheet so no system changes.

PA 162 of 2014:

Health insurance claims; assessment on carriers and third party administrators; provide for reduction under certain circumstances (Health Insurance Claims Assessment). Special Taxes had to change the HICA annual return (form 4931) to accommodate multiple tax rates. System changes to the HICA database and various programs had to be implemented to process multiple tax rates and to accommodate changes to the proportional credit.

PA 298 of 2014:

Administration; Tobacco; Compensation for Upgrades to Technology and equipment; Clarify—Tobacco Products Tax Act. The legislation provided for cigarette stampers to receive additional compensation for cost of certain case packers and conveyor systems. Required modification to electronic tobacco tax administration system, modifications of some current reimbursement forms, and creation of a new form and instructions.

PA 82 of 2014:

Severance; Tax on production of oil and gas produced by enhanced recovery projects; Reduce—Severance Tax Act. This Act requires certain wells to be certified after 3/30/14. To date, the Division has not received requests or certifications from DEQ. However, when we receive the first request (which we expect to happen at some point), we will need to modify the Severance Tax returns by adding a section and modifying the Severance Tax database.

Michigan State Tax Commission:

These are the Acts that required policy changes and policy guidance/guidelines to be issued by the State Tax Commission:

P.A. 18 of 2014:

Taxable Value related to natural disasters

P.A. 40 of 2014:

Principal Residence Exemption

P.A. 310 of 2014:

Transfer of Ownership

P.A. 456 of 2014:

Nonprofit Housing

P.A. 488 of 2014:

Nonprofit Street Railways

P.A. 511 and 512 of 2014:

Aquaculture and Hydroponics Specific Tax

P.A. 535 of 2014:

Conservation Easements

Office of Revenue and Tax Analysis:

P.A. 252 of 2014:

EVIP (Economic Vitality Incentive Program) name changed to CVTRS (City, Village, and Township Revenue Sharing) program - The legislature changed the name of the program, changed the reporting requirements and added a new calculation. The name change required forms to be changed and programing changes for the warrant message. The change to the reporting requirements reduced the number of times local units were required to submit documentation to Treasury. The new calculation expanded the program to include an additional 101 local units and required major changes to the payment system programing.

CIP (County Incentive Program) – Changed the reporting requirements (from three times to one).

CGAP (Competitive Grant Assistance Program) – This program was eliminated.

FDCVT (Financially Distressed Cities, Villages, and Townships) grant program – The grant program was established in boilerplate. This required the creation of policies, procedures, applications, and forms.

P.A. 86 of 2014:

Personal Property Tax – This act required the creation of policies, procedures, forms and a system to calculate the payments. It requires calculation of personal property small taxpayer exemption loss reimbursements to local governments, school districts, intermediate school districts, libraries, and community colleges. Payments to school districts and intermediate school districts were issued by the Michigan Department of Education, while all other payments were issued by Treasury (Office of Revenue & Tax Analysis (ORTA)). In addition, Treasury (Local

Audit and Finance Division) calculated the tax increment financing payments and issued (by ORTA) the payments to the tax increment financing authorities.

Bureau of Tax Policy:

P.A. 3 of 2014:

Expansive bill: (i) creates limitations on the Department's ability to audit and imposes new requirements for issuing a final assessment from an audit; (ii) alters the successor/purchaser liability requirements and limits a successor/purchaser's exposure to personal liability; (iii) extends the general 4-year statute of limitations under the Revenue Act under certain circumstances, while eliminating the tolling determined by *Fegert* and *Krueger*; (iv) substantially narrows the scope of officer liability, and; (v) deems refund claims upon which no action by the Department has been taken within 1 year of receipt as "denials" for purposes of appeal. These amendments required significant changes to policies, processes, and procedures in Tax Processing, Collections, and Tax Compliance.

P.A. 35 of 2014:

Requires the Department to promulgate rules regarding audit standards by March 20, 2015. That rulemaking request was made in July 2014. The public hearing was conducted on December 1, 2015. Final draft submitted to ORR February 27, 2015. See 2014-076 TY.

P.A. 108 and 109 of 2014:

Requires changes to procedures and documentation for indirect audits (using third-party records [invoices, for example] to test the accuracy of a taxpayer's books and records).

P.A. 240 of 2014:

Expansive bill that requires the Department to compromise taxes, including penalty and interest, if certain grounds exist. Requires the Department to draft and publish guidelines (available at www.michigan.gov/oic) and implement new program.

P.A. 277 of 2014:

Requires the Department to draft rules and file a request for rulemaking by January 1, 2015, to provide – among other things – standards for the fair and courteous treatment of taxpayers by the Department's contractors and a prohibition on the use of collection goals during tax audits. That rulemaking request was made in July 2014. See 2014-075 TY.

P.A. 565 of 2014:

Requires the Department to publish audit manuals by July 2015.

Office of Accounting Services

None.

Office of Collections

Public Act 3 of 2014:

This act resulted in significant changes in Collections processes and policies. The Act amends MCL 205.27a (1) by imposing additional obligations on the Department and limiting the exposure to a successor/purchaser for the seller's outstanding tax liability in connection with the business or assets being sold. Within 60 days of receipt of a request by the successor/purchaser, the Department is required to inform the successor/purchaser of the business' known or estimated tax liability for the purpose of establishing a tax escrow. If the Department fails to inform the successor/purchases within 60 days of a request, then the successor/purchaser is relieved of all liability for the business' taxes. The Act also substantially overhauls corporate officer liability established under MCL 205.27a (5) by changing the Department's authority to assess responsible officers regarding the collection of a business' tax liability. The Act takes the existing elements for liability and adds the requirements that the person must have been a responsible person during the 'time period of default' and that the person 'willfully failed' to file the return or pay the tax due. It also requires that the Department first assess a successor/purchaser of the business for an underlying tax liability before the Department can assess a 'responsible person'. The Act also limits officer liability to only the trust-type taxes.

Public Act 250 of 2014:

This act will result in the gradual phase out of the assessment of Driver Responsibility Fees through October 2019.

Public Act 283 of 2014:

This act resulted in the establishment of a new program which allows drivers with qualifying assessments to engage in community service in lieu of paying certain Driver Responsibility Fees. Applications for community service must be submitted by December 31, 2015. This new program caused Treasury to mail approximately 168,000 notifications to drivers and processing is very manual in nature.

Public Act 240 of 2014:

This act resulted in the establishment of a new program which allows taxpayers to submit an offer to compromise a tax debt for less than the amount due based on specific criteria. This new program required a number of systems changes and processing is very manual in nature.

Public Act 107 of 2013:

This act required the recovery of State liabilities in relation to Healthy Michigan Plan beneficiary cost-sharing obligations. The Act specifies that the Department of Community Health will work with the Department of Treasury to recover these liabilities. This new program required a number of systems changes. (David – this one was passed in September 2013, so it might be too old to make the list. However, we are in the midst of working on this project now, so I thought I would include it here.)

Public Act 388 of 2014:

This act expands the offset of lottery winnings to certain types of Department of Human Service debts. Treasury was already offsetting lottery winnings for certain liabilities owed, such as child support and unemployment insurance claims. Minimal changes were required for Treasury to accommodate this statutory change.

Office of Departmental Services:

Public Act 29 of 1995 (2014 changes):

Treasury filed a Request for Rule-making with the Office of Regulatory Reinvention on October 14, 2014 to address the requirements of HB 4289 regarding audit standards. The public hearing was held on February 27, 2015.

A holder appeals process will be effective on March 31, 2015 as a result of HB 4703, which was filed with the Secretary of State on December 31, 2014.

Office of Financial Services:

None.

Office of Privacy and Security:

None.

Bureau of Investments

None.