

# State of Michigan Tax Amnesty Program 2002



Michigan Department of Treasury  
Office of Revenue and Tax Analysis  
February 2003

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## Table of Contents

	<b><u>Page</u></b>
Executive Summary .....	1
Overview .....	2
Revenue Received .....	3
Amnesty Effect on FY 2002 and FY 2003 Revenues .....	11
Comparison with Michigan’s 1986 Tax Amnesty Program.....	15
Tax Amnesty Programs in Other States .....	17
Conclusion.....	19
Appendix .....	20

## List of Tables

<u>Table</u>	<u>Page</u>
1 Taxes Eligible for Amnesty.....	2
2 Tax Amnesty Net New Revenue, Target and Actual Revenue by Tax.....	12
3 Tax Amnesty Net New Revenue, Target and Actual Revenue by Fund.....	13
4 Effect of Amnesty Program on FY 2002 and FY 2003 Revenue.....	14
5 State Tax Amnesty Programs.....	17

## List of Charts

<u>Chart</u>	<u>Page</u>
1 Michigan’s Tax Amnesty Nets \$31.7 Million in New Revenue and \$50.2 Million from Prior Assessments.....	3
2 Over 20,000 Taxpayers Take Advantage of the Amnesty Program .....	4
3 Amnesty Taxpayers File 66,855 Tax Returns.....	5
4 On Average Amnesty Taxpayers File 3.3 Returns.....	5
5 Amnesty Payments Average \$1,243 per Return .....	6
6 Amnesty Tax Collections from Individuals and Businesses.....	7
7 Most Amnesty Tax Money for Recent Tax Years .....	7
8 New Money From Amnesty (Non-Assessed Returns) Totals \$31.7 Million.....	8
9 Over 4,000 “New” Taxpayers Take Advantage of the Amnesty Program .....	9
10 Amnesty Collections from Prior Assessed Returns Totals \$50.2 Million .....	10
11 15,995 Taxpayers With Existing Tax Assessments Take Advantage of the Amnesty Program.....	10
12 Almost Twice as Many Tax Returns Filed Under 1986 Tax Amnesty Program .....	16
13 More than Twice as Much Revenue Attributed to 1986 Tax Amnesty Program.....	16

## Executive Summary

- ◆ In 2002, the State of Michigan offered a tax amnesty program to allow taxpayers an opportunity to pay overdue taxes without penalty, and to generate additional tax revenue for FY 2002. The amnesty period was from May 15 to July 1, 2002. The tax amnesty program was created by Public Act 168 of 2001.
- ◆ Michigan's tax amnesty program provided \$30.2 million in net new revenue available for expenditure from 4,225 taxpayers who filed 13,854 returns. Program expenses totaled \$1.5 million from \$31.7 million in gross new revenue.
- ◆ Approximately \$22.9 million in tax penalties on previously assessed taxes was waived during the tax amnesty. Thus, the cost of collecting the \$31.7 million in new revenue was both the \$1.5 million in program expenses plus the \$22.9 million in waived penalties that potentially could have been collected at some point in the future.
- ◆ After the \$1.5 million administrative expenses, the tax amnesty program generated \$25.7 million in net new GF-GP revenue, \$3.9 million in net new School Aid Fund revenue, and \$0.6 million in net new revenue for other funds.
- ◆ In addition to providing net new revenue, the tax amnesty program also accelerated the collection of some previously assessed taxes that would have been collected in FY 2003. In total, the tax amnesty program is estimated to have increased FY 2002 revenue by \$48.7 million but reduced FY 2003 revenue by \$18.4 million.
- ◆ The tax amnesty program was also extended to taxpayers with existing tax assessments (Treasury notices to taxpayers that they owed taxes.). Payments for taxpayers with existing assessments totaled \$50.2 million from 15,995 taxpayers who filed 53,001 returns.
- ◆ Business taxpayers made 77 percent of the tax amnesty payments while individual taxpayers made 23 percent of the payments.

## Overview

In 2002, the State of Michigan offered a tax amnesty program that allowed taxpayers an opportunity to come forward and pay overdue taxes without penalty. The tax amnesty program was created by Public Act 168 of 2001, which called for an amnesty program of 30 to 60 days to end before September 30, 2002. State Treasurer Douglas B. Roberts selected May 15 through July 1, 2002 as the amnesty period. During the tax amnesty period, certain civil and criminal tax penalties were waived for taxpayers who paid their tax liability in full and filed certain paperwork with the Michigan Department of Treasury. Taxes eligible for amnesty are listed in Table 1. A copy of the tax amnesty form is included in the Appendix.

Michigan's tax amnesty program generated \$30.2 million in net new revenue from 4,225 taxpayers. The tax amnesty program generated \$31.7 million in new revenue and the Michigan Department of Treasury incurred \$1.5 million in expenses administering the tax program. Tax penalties totaling \$22.9 million were waived as part of the amnesty program. Thus, the cost of collecting the \$31.7 million in new revenue was both the \$1.5 million in program expenses plus the \$22.9 million in waived penalties that potentially could have been collected at some point in the future. All of the penalties waived affected GF-GP revenue. In addition, 15,995 taxpayers with existing tax assessments made payments totaling \$50.2 million during the tax amnesty program.

**Table 1**  
**Taxes Eligible for Amnesty**

Sales	Use
Withholding	Single Business Tax
Individual Income Tax	Tobacco Products
Estate	Intangibles
Inheritance	Severance
Motor Fuels	

The purpose of the tax amnesty program was twofold. First, it allowed taxpayers to get a "fresh start" by letting them fulfill unpaid tax obligations without incurring the usual penalty applied to late payments. Second, the tax amnesty program was expected to generate additional revenue for the State. Tax amnesty programs provide a short-run infusion of revenue as a large number of taxpayers make payments during the amnesty period for overdue prior-year tax liabilities.

Revenue in subsequent fiscal years was affected in two ways. First, the tax amnesty program accelerated tax payments for some taxpayers. These taxpayers would have paid their liability eventually, but paid during the amnesty program to take advantage of the penalty waiver. The effect of the acceleration in payments was to increase tax collections

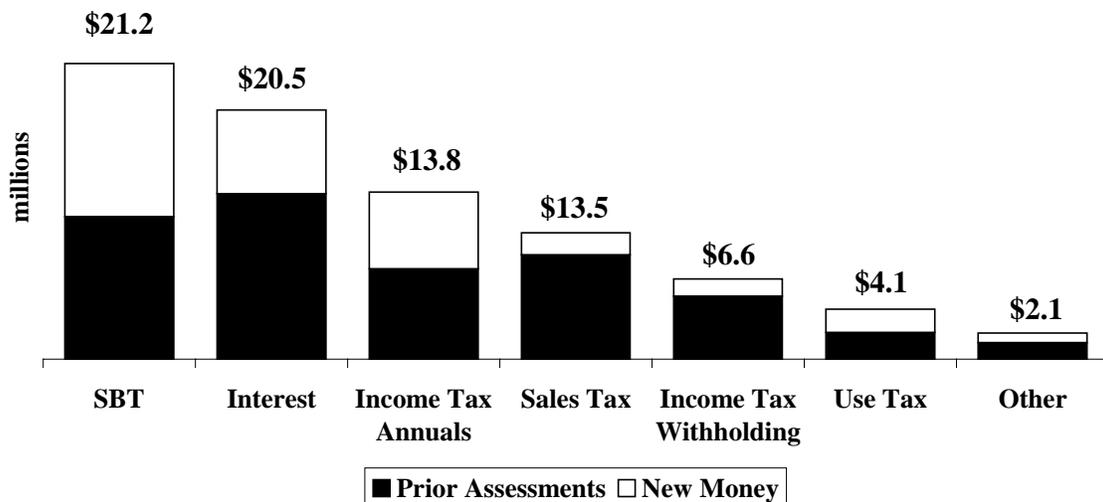
in the amnesty year (FY 2002) and to reduce tax collections in subsequent years (FY 2003). Second, by identifying new taxpayers and bringing them into the system, the amnesty program increased the tax base and will thereby increase collections in future years.

Critics of tax amnesty programs point out that amnesty programs are unfair to those taxpayers who pay their taxes in a timely manner. In addition, they note that the repeated use of tax amnesty programs may encourage some taxpayers with unpaid tax liabilities to delay payment in the hope that a new tax amnesty program will be implemented.

### Revenue Received

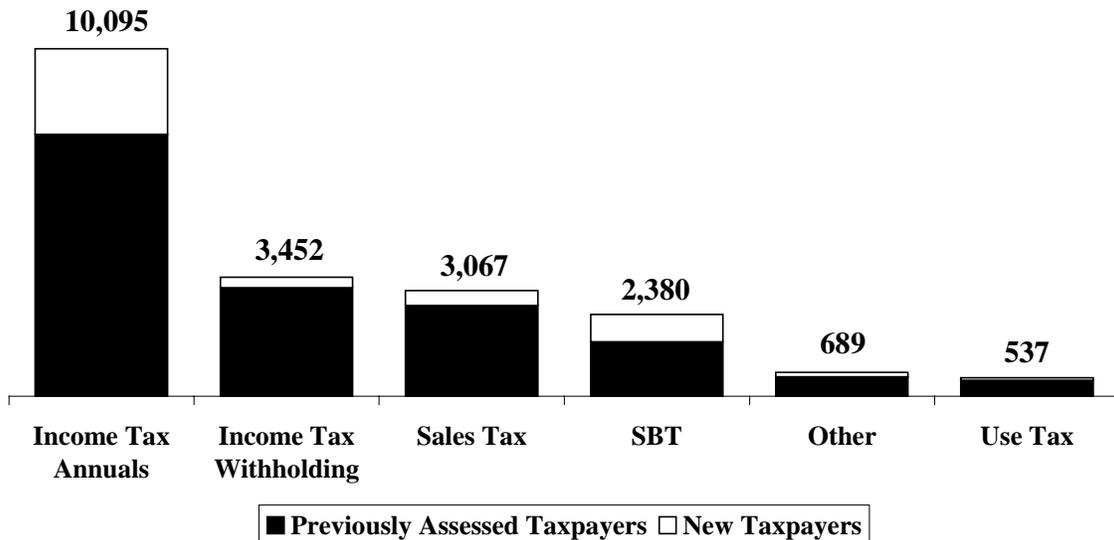
Payments under the amnesty program totaled \$81.9 million, representing payments from taxpayers with existing assessments and payments from new taxpayers (see Chart 1). The largest source of tax amnesty revenue consisted of \$21.2 million in single business tax (SBT) payments. Interest paid on the delinquent taxes was the second largest source of revenue at \$20.5 million. The next two largest sources were income tax annuals (\$13.8 million) and sales tax (\$13.5 million).

**Chart 1**  
**Michigan's Tax Amnesty Nets**  
**\$31.7 Million in New Revenue and**  
**\$50.2 Million from Prior Assessments**



These payments were made by 20,220 taxpayers (see Chart 2). Individual income tax payments were made by 10,095 taxpayers, income tax withholding was paid by 3,452 taxpayers, sales tax by 3,067 taxpayers, and SBT by 2,380 taxpayers, with other taxes making up the remainder.

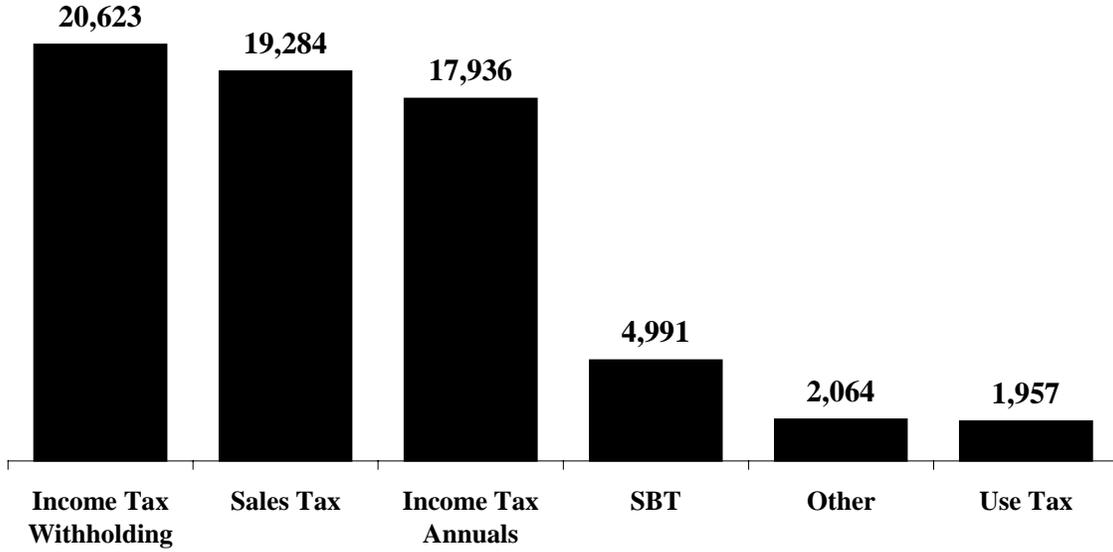
**Chart 2**  
**Over 20,000 Taxpayers Take Advantage**  
**of the Amnesty Program**



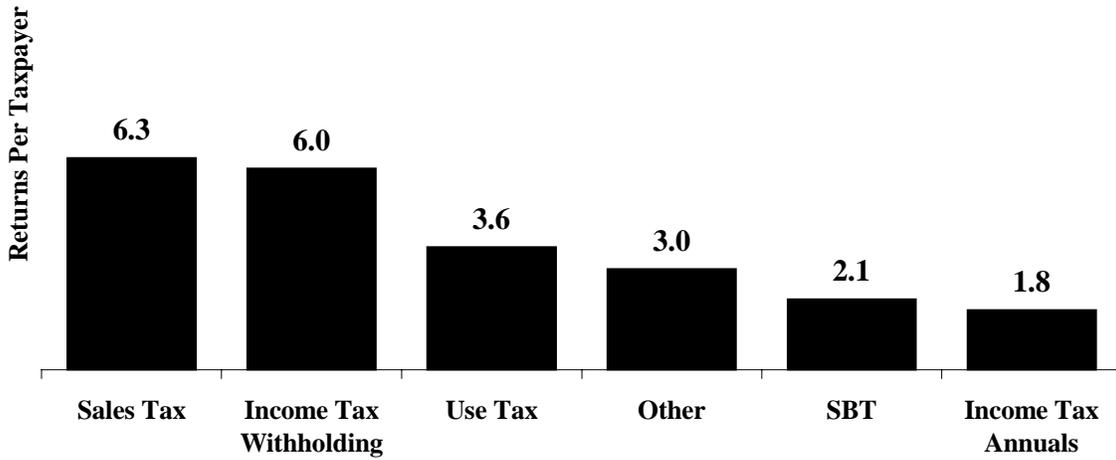
The 20,220 amnesty taxpayers filed a total of 66,855 tax returns, or an average of 3.3 returns each. That is, most taxpayers filed returns for multiple years. Overall, the largest number of tax amnesty returns were filed for income tax withholding, with 20,623 returns filed (see Chart 3). There were 19,284 sales tax returns filed, 17,936 income tax annual returns, 4,991 SBT returns, 1,957 use tax returns, and 2,064 returns for other taxes. Taxpayers paying sales tax filed the most returns, averaging 6.3 returns per taxpayer (see Chart 4).

Amnesty tax and interest payments averaged \$1,243 per return (see Chart 5). SBT returns had the highest average return payment at \$6,302. The average use tax return payment was \$2,695 and the average income tax annual return payment was \$988.

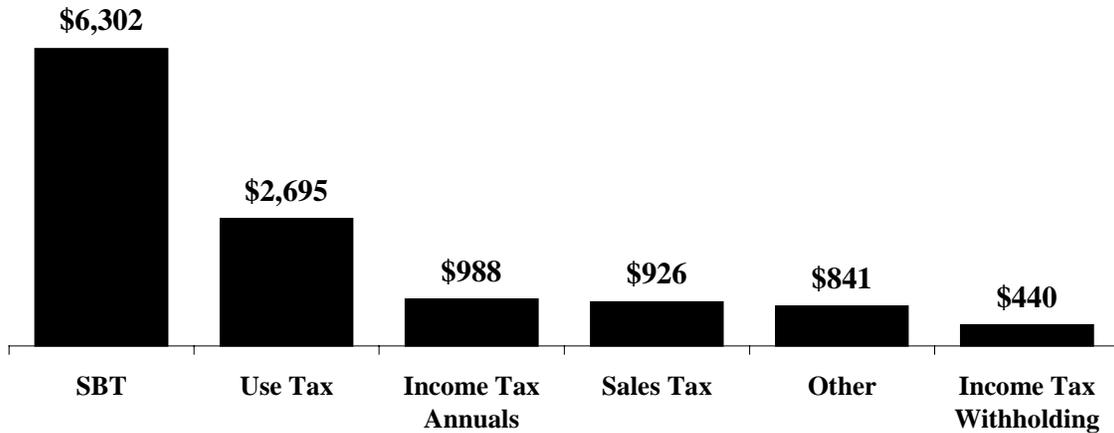
**Chart 3**  
**Amnesty Taxpayers File 66,855 Tax Returns**



**Chart 4**  
**On Average Amnesty Taxpayers File 3.3 Returns Each**



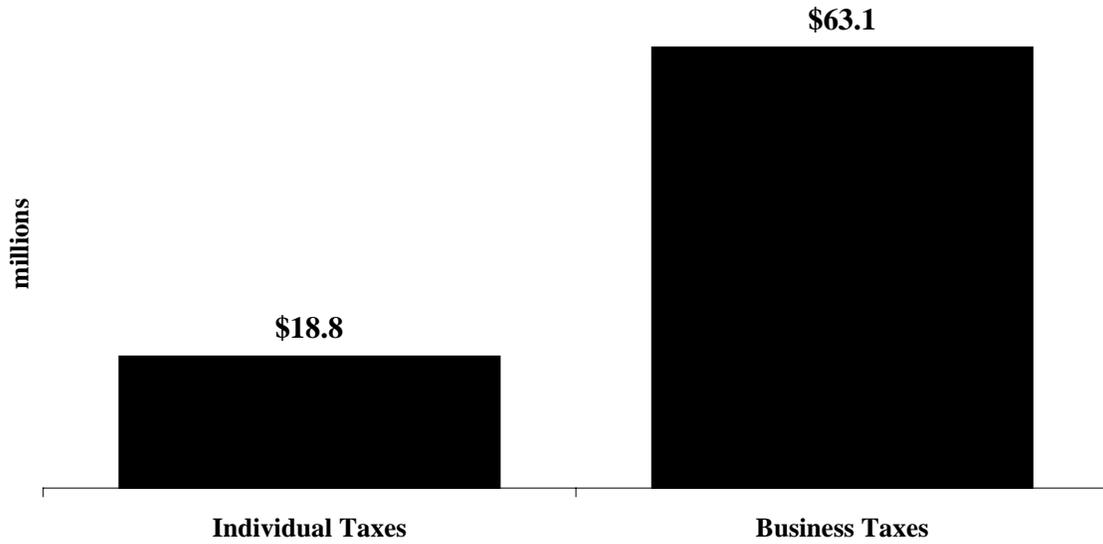
**Chart 5**  
**Amnesty Payments Average \$1,243 per Return**  
**Average Return Payment Including Interest**



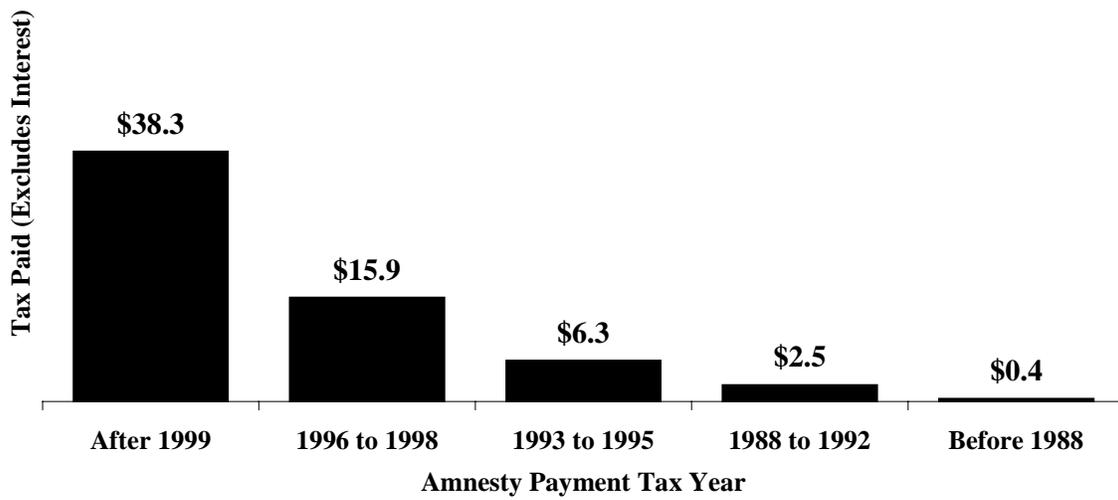
Taxes paid by individual taxpayers totaled \$18.8 million (23 percent), while business taxpayers paid \$63.1 million (77 percent) (see Chart 6). The vast majority of individual tax payments were for income tax liability. However, individual taxpayers also paid inheritance tax, estate tax, and intangibles tax under the amnesty program. Business taxpayers paid SBT, sales tax, use tax, income tax withholding, tobacco taxes, and motor fuel taxes.

Most of the amnesty payments related to recent tax years. Excluding interest payments, 60 percent (\$38.3 million) of the amnesty tax payments were for tax years after 1999 (see Chart 7). Another 25 percent (\$15.9 million) of the amnesty payments were for tax years 1996 to 1998. Just 0.6 percent (\$0.4 million) of the amnesty payments were for tax years before 1988. Note: Michigan had a previous tax amnesty program in 1986.

**Chart 6**  
**Amnesty Tax Collections from**  
**Individuals and Businesses**

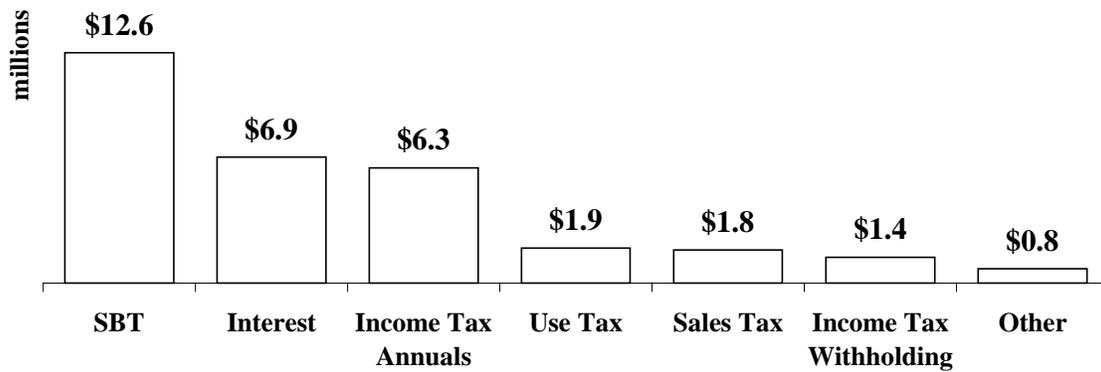


**Chart 7**  
**Most Amnesty Tax Money for Recent Tax Years**

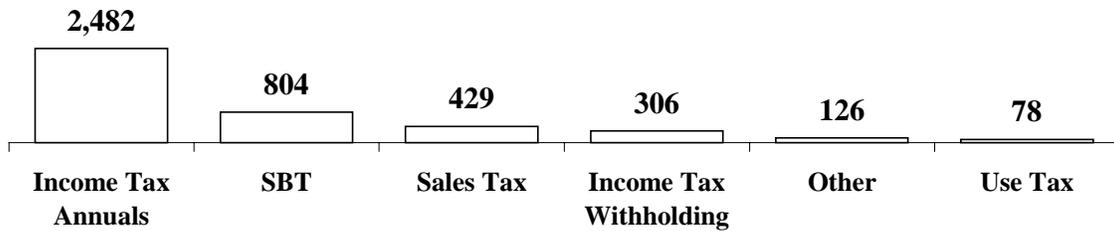


Previously unidentified or “new” taxpayers paid \$31.7 million under the amnesty program, including \$12.6 million in SBT, \$6.3 million in income tax annuals, \$1.9 million in use tax, \$1.8 million in sales tax, and \$6.9 million in interest (see Chart 8). These taxes were paid by 4,225 newly identified taxpayers, including 2,482 income taxpayers, 804 SBT taxpayers, 429 sales taxpayers, and 306 withholding taxpayers (see Chart 9).

**Chart 8**  
**New Money From Amnesty**  
**(Non-Assessed Returns) Totals \$31.7 Million**



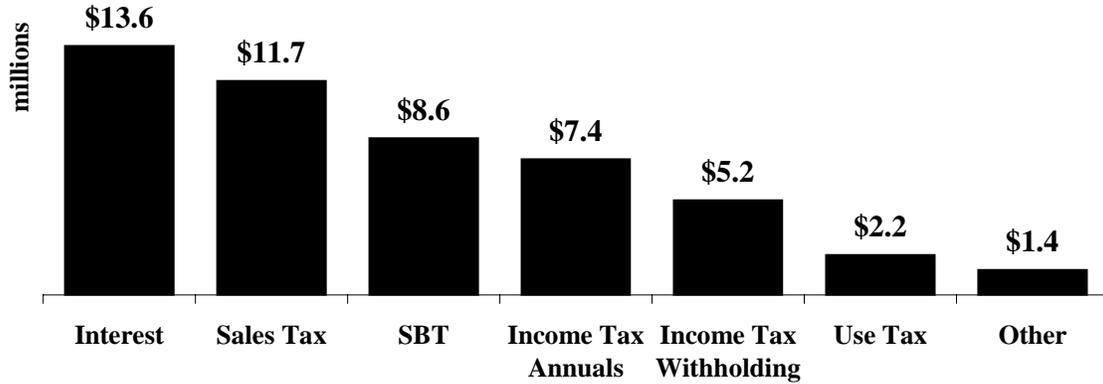
**Chart 9**  
**Over 4,000 "New" Taxpayers Take Advantage**  
**of the Amnesty Program**



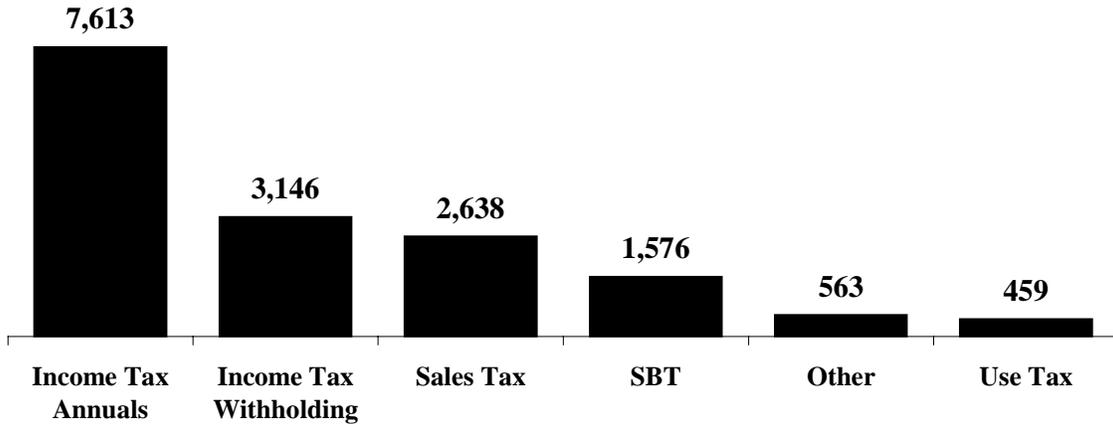
Amnesty collections from taxpayers with existing tax assessments totaled \$50.2 million, including \$11.7 million in sales tax, \$8.6 million in SBT, \$7.4 million in income tax annuals, \$5.2 million in income tax withholding and \$2.2 million in use tax. These taxpayers also paid \$13.6 million in interest (see Chart 10).

There were 15,995 taxpayers with existing tax assessments who made payments including 7,613 income taxpayers, 3,146 withholding taxpayers, 2,638 sales taxpayers, and 1,576 SBT taxpayers (see Chart 11).

**Chart 10**  
**Amnesty Collections from**  
**Prior Assessed Returns Totals \$50.2 Million**



**Chart 11**  
**15,995 Taxpayers With Existing Tax Assessments**  
**Take Advantage of the Amnesty Program**



## **Amnesty Effect on FY 2002 and FY 2003 Revenues**

At the time of its inception, the amnesty program was expected to generate \$24.3 million in new revenue. Of this total, \$1.5 million was set aside to pay for the administration of the program leaving \$22.8 million available for expenditure. The focus was on the \$15.5 million in expected General Fund revenues that was appropriated as part of the FY 2002 budget. Michigan's tax amnesty program generated an estimated \$31.7 million in gross new revenue. After deducting Treasury's expenses, the amnesty program generated \$30.2 million in net new revenue, \$7.4 million more than the forecast (see Table 2).

Any revenue generated from existing tax assessments is not counted in the new revenue total. Taxpayers with existing assessments had already been identified as having an unpaid tax liability. After a taxpayer with an unpaid liability is identified, the Department of Treasury works to collect the overdue taxes. Collecting unpaid taxes from a taxpayer often takes an extended period of time. The tax amnesty program gave delinquent taxpayers a chance to avoid late penalties in exchange for settling their past due tax accounts during the tax amnesty period.

Taxpayers who paid off existing tax assessments during the amnesty period had both the means and the willingness to pay off their past due taxes. These taxpayers represent those taxpayers where collection efforts would have had the highest probability of success even without a tax amnesty program.

**Table 2**  
**Tax Amnesty Net New Revenue**  
**Target and Actual Revenue By Tax**

<u>Tax</u>	<u>Target</u>	<u>Estimated Net New Revenue</u>	<u>Difference</u>
Annual	\$8,300,000	\$6,315,933	(\$1,984,067)
Withholding	\$800,000	\$1,407,743	\$607,743
Sales	\$2,500,000	\$1,807,058	(\$692,942)
Use	\$7,500,000	\$1,911,396	(\$5,588,604)
SBT	\$6,250,000	\$12,619,875	\$6,369,875
P&I	\$0	\$6,898,441	\$6,898,441
Tobacco	\$50,000	\$208,524	\$158,524
Motor Fuels	\$100,000	\$148,978	\$48,978
Intangibles	\$400,000	\$14,674	(\$385,326)
Refunds	(\$1,700,000)	\$0	\$1,700,000
Other	\$100,000	\$399,152	\$299,152
<b>Subtotal</b>	<b>\$24,300,000</b>	<b>\$31,731,773</b>	<b>\$7,431,773</b>
Treasury Expenses	(\$1,500,000)	(\$1,500,000)	\$0
<b>Net Revenue After Expenses</b>	<b>\$22,800,000</b>	<b>\$30,231,773</b>	<b>\$7,431,773</b>

The target for net new tax amnesty revenue from all funds was \$22.8 million. The targets consisted of \$15.5 million in General Fund-General Purpose (GF-GP) revenue, \$6.6 million in School Aid Fund (SAF) revenue, and \$0.7 million in other. This compares to actual revenue collections after expenses of \$25.7 million in GF-GP revenue, \$3.9 million in SAF revenue, and \$0.6 million in other revenue. Therefore, amnesty GF-GP revenue was \$10.2 million above target, SAF revenue was \$2.7 million below target, and other revenue was \$0.1 million below target (see Table 3). Note these calculations do not account for the \$22.9 million in waived penalties.

**Table 3**  
**Tax Amnesty Net New Revenue**  
**Target and Actual Revenue by Fund**  
**millions**

	<u>GF-GP</u>	<u>SAF</u>	<u>Other</u>	<u>Total</u>
Actual New Revenue	\$27.2	\$3.9	\$0.6	\$31.7
Treasury Expenses	<u>(\$1.5)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$1.5)</u>
Total New Less Expenses	\$25.7	\$3.9	\$0.6	\$30.2
Target	<u>\$15.5</u>	<u>\$6.6</u>	<u>\$0.7</u>	<u>\$22.8</u>
<b>Difference</b>	<b>\$10.2</b>	<b>(\$2.7)</b>	<b>(\$0.1)</b>	<b>\$7.4</b>

In addition to raising new revenue, the amnesty program also pulled some revenue forward from the next fiscal year. As noted earlier, the vast majority of the revenue attributable to prior assessments that was paid during the amnesty period would most likely have been paid at a later date were it not for the program. Estimating the effects of the amnesty program on the timing of payments requires assumptions because the counterfactual case cannot be observed. It is not possible to know how taxpayers would have responded in the absence of the program.

Most of the payments made for existing tax assessments were paid to the Department of Treasury's Collections Division. Comparing total assessments paid to the Collections Division during the Amnesty period with the total activity they normally would have experienced provides an estimate of the payments "pulled forward" by the amnesty program. Therefore, we assume that all of this revenue would have been paid eventually.

For the four months of April 2002 through July 2002, the Collections Division collected \$101.3 million in tax revenue. Collections during a typical four-month period are estimated to be \$71.8 million. Therefore, as a result of the amnesty program the Collections Division collected an estimated \$29.5 million in additional revenue. This is the total amount assumed to be pulled forward as a result of the amnesty program.

We assume that all of the assessed payments collected during the amnesty program would have been collected during the 12 month period of April 2001 through March 2002 even in the absence of the program. We assume that the \$29.5 million that was pulled forward would have been collected in the 8 months following the amnesty period.

There are two reasons to assume that all of the pull forward revenue would have been collected within the next 8 months. First, from a budgeting perspective, this assumption provides the most conservative estimate by assuming the full impact of the pull forward

effect will be felt in FY 2003. Second, taxpayers who made tax payments during the amnesty period had the resources and willingness necessary to pay for their past tax liabilities. Because of this, we can assume that they would have been easier to collect from during the coming year than taxpayers who did not pay.

**Table 4**  
**Effect of Tax Amnesty Program**  
**on FY 2002 and FY 2003 Revenue**  
(millions)

	<b>FY 2002</b>				<b>FY 2003</b>			
	<b>GF-GP</b>	<b>SAF</b>	<b>Other</b>	<b>Total</b>	<b>GF-GP</b>	<b>SAF</b>	<b>Other</b>	<b>Total</b>
Income Tax Annuals	\$7.4	\$2.3	\$0.0	\$9.7	(\$2.6)	(\$0.8)	\$0.0	(\$3.4)
Withholding Taxes	\$2.3	\$0.7	\$0.0	\$3.0	(\$1.2)	(\$0.4)	\$0.0	(\$1.6)
Sales Tax	\$0.2	\$4.3	\$1.4	\$5.9	(\$0.1)	(\$3.0)	(\$1.0)	(\$4.1)
Use Tax	\$2.3	\$1.1	\$0.0	\$3.4	(\$1.0)	(\$0.5)	\$0.0	(\$1.5)
SBT	\$15.9	\$0.0	\$0.0	\$15.9	(\$3.3)	\$0.0	\$0.0	(\$3.3)
Interest	\$10.8	\$0.0	\$0.0	\$10.8	(\$3.9)	\$0.0	\$0.0	(\$3.9)
Other Taxes	\$0.0	\$0.0	\$1.4	\$1.4	\$0.0	\$0.0	(\$0.7)	(\$0.7)
<b>Total</b>	<b>\$38.8</b>	<b>\$8.5</b>	<b>\$2.8</b>	<b>\$50.2</b>	<b>(\$12.1)</b>	<b>(\$4.7)</b>	<b>(\$1.6)</b>	<b>(\$18.4)</b>
Treasury Expenses				(\$1.5)				\$0.0
<b>Total Including Expenses</b>				<b>\$48.7</b>				<b>(\$18.4)</b>

Approximately \$18.4 million of the pull forward amount comes out of FY 2003, with the remainder pulled forward from the middle to the end of FY 2002. When the effects on the timing of payments are factored in, the amnesty program is estimated to have increased FY 2002 revenues by \$48.7 million after expenses. At the same time, the amnesty program is estimated to have decreased FY 2003 revenues by \$18.4 million (see Table 4).

## Comparison with Michigan's 1986 Tax Amnesty Program<sup>1</sup>

Michigan's previous tax amnesty program occurred in 1986. That program ran from May 12 through June 30. The 1986 amnesty program was similar to the 2002 amnesty program in that both new taxpayers and taxpayers with existing tax assessments were eligible. Similarly, taxes due as a result of a criminal investigation or criminal prosecution were excluded.

However, there were some important differences between the two tax amnesty programs. In the 1986 amnesty, taxpayers who failed to come forward during the amnesty period were subjected to substantially greater penalties if they were discovered later. No additional penalties were imposed in the 2002 tax amnesty.

Second, during the 1986 tax amnesty, the Department of Treasury had a substantial public relations campaign to inform taxpayers of the benefits of the tax amnesty program and the potential costs of not coming forward. The "Get to Us Before We Get to You" campaign featured radio, television, and print advertising and enforcement activities were stepped up following the tax amnesty program. There was substantially less advertising done for the 2002 tax amnesty program.

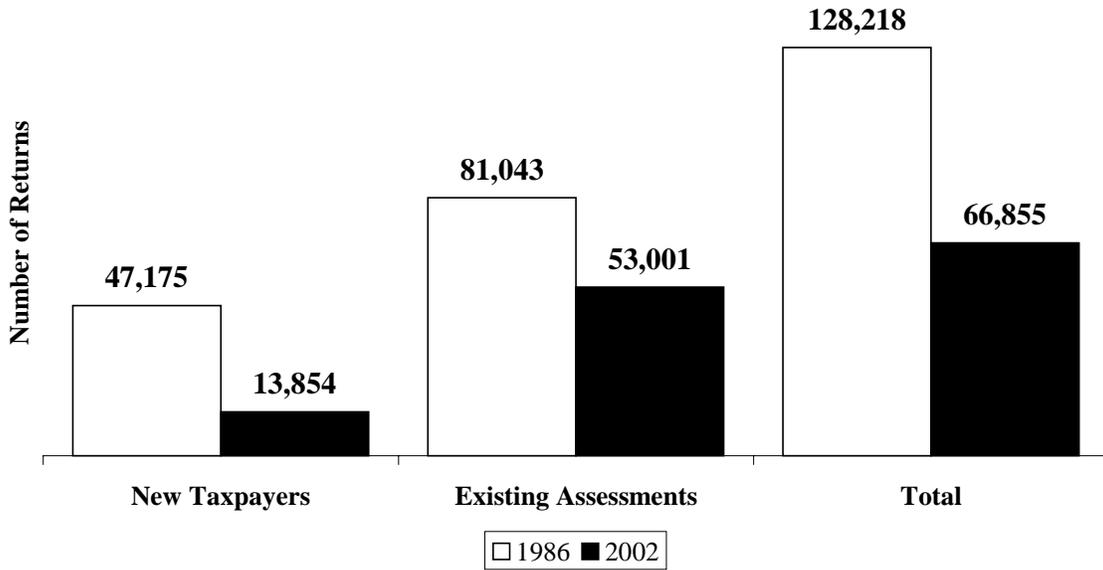
Economic theory predicts that tax compliance increases as the risk of being caught increases and as the penalties imposed for evasion increase. As might be expected, the 1986 tax amnesty's additional enforcement threat combined with greater publicity resulted in a larger response from taxpayers. The 1986 tax amnesty resulted in a total of 128,218 tax returns being counted as part of the amnesty program compared to 66,855 returns in 2002. There were 47,175 tax returns from new taxpayers in 1986 compared to the 2002 total of 13,854, and there were 81,043 returns filed for existing tax assessments compared to 53,001 returns for tax assessments in the 2002 tax amnesty (see Chart 12).

The difference is also reflected in receipts. The 1986 tax amnesty generated \$109.8 million, with \$44.6 million coming from new taxpayers and \$65.2 million coming from taxpayers with assessments. These totals were then adjusted for inflation to make them comparable to the 2002 totals. In 2002 dollars, the 1986 tax amnesty generated \$180.2 million with \$73.2 million coming from new taxpayers and \$107.0 million coming from existing assessments. These figures compare to the 2002 tax amnesty totals of \$81.9 million in collections with \$31.7 million coming from new taxpayers and \$50.2 million coming from taxpayers with assessments (see Chart 13).

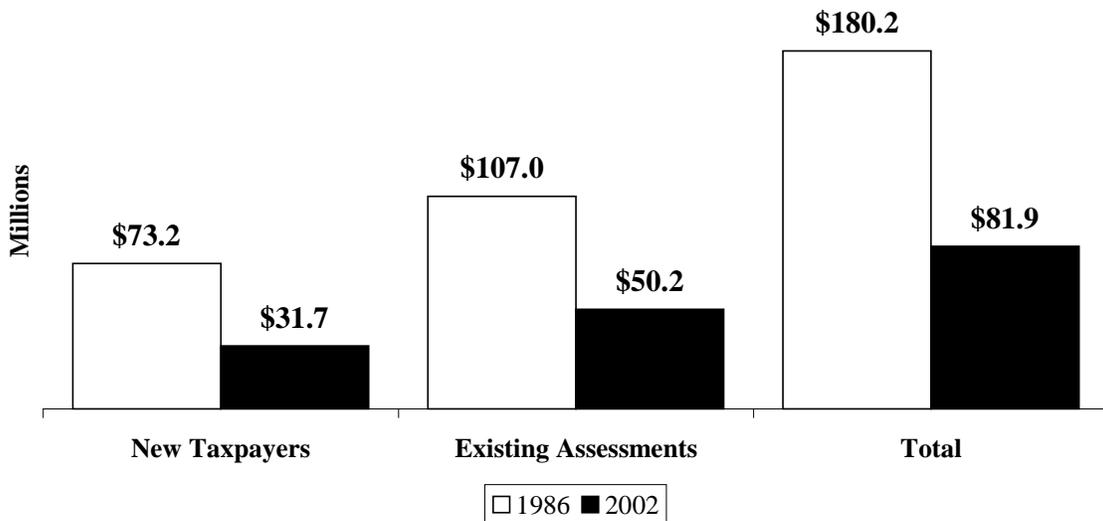
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<sup>1</sup> The source of information on the 1986 tax amnesty is from "Tax Amnesty in Michigan" by Ronald C. Fisher and John H. Goddeeris. This report is available from the Department of Treasury upon request.

**Chart 12**  
**Almost Twice as Many Tax Returns**  
**Filed Under 1986 Tax Amnesty Program**



**Chart 13**  
**More than Twice as Much Revenue**  
**Attributed to 1986 Tax Amnesty Program**  
**(All Figures Presented in 2002 Dollars)**



## Tax Amnesty Programs in Other States

Michigan is not alone in offering amnesty for past due taxes. Since 1982, 40 states and the District of Columbia have offered some form of tax amnesty. Of these, 16 have had multiple amnesty periods. A list of recent state tax amnesty programs is presented in Table 5.

**Table 5**  
**State Tax Amnesty Programs**  
*November 22, 1982 -- Present*

<u>State</u>	<u>Amnesty Period</u>	<u>Previous Assessments Allowed</u>	<u>Gross Collections (\$ Millions)</u>
Alabama	01/20/1984 - 04/01/1984	No	\$3.2
Arizona	11/22/1982 - 01/20/1983	No	\$6.0
	01/01/2002 - 02/28/2002	n.a.	n.a.
Arkansas	09/01/1987 - 11/30/1987	No	\$1.7
California	12/10/1984 - 03/15/1985	Yes	\$197.0
Colorado	09/16/1985 - 11/15/1985	No	\$6.4
Connecticut	09/01/1990 - 11/30/1990	Yes	\$54.0
	09/01/1995 - 11/30/1995	Yes	\$46.2
	09/01/2002 - 12/02/2002	n.a.	\$109.0
Florida	01/01/1987 - 06/30/1987	No	\$13.0
	01/01/1988 - 06/30/1988	No	\$8.4
Georgia	10/01/1992 - 12/05/1992	Yes	\$51.3
Idaho	05/20/1983 - 08/30/1983	No	\$0.3
Illinois	10/01/1984 - 11/30/1984	Yes	\$160.5
Iowa	09/02/1986 - 10/31/1986	Yes	\$35.1
Kansas	07/01/1984 - 09/30/1984	No	\$0.6
Kentucky	09/15/1988 - 09/30/1988	No	\$100.0
	08/01/2002 - 09/30/2002	No	\$100.0
Louisiana	10/01/1985 - 12/31/1985	No	\$1.2
	10/01/1987 - 12/15/1987	No	\$0.3
	10/01/1998 - 12/31/1998	No	\$1.3
	09/01/2001 - 10/30/2001	Yes	\$173.1
Maine	11/01/1990 - 12/31/1990	Yes	\$29.0
Maryland	09/01/1987 - 11/02/1987	Yes	\$34.6
	09/01/2001 - 10/31/2001	Yes	\$39.2

**Table 5 Continued**

<u>State</u>	<u>Amnesty Period</u>	<u>Previous Assessments Allowed</u>	<u>Gross Collections (\$ Millions)</u>
Massachusetts	10/17/1983 - 01/17/1984	Yes	\$86.5
	10/01/2002 - 11/30/2002	Yes	\$91.6
	01/01/2003 - 02/28/2003	Yes	n.a.
<b>Michigan</b>	<b>05/12/1986 - 06/30/1986</b>	<b>Yes</b>	<b>\$109.8</b>
	<b>05/15/2002 - 06/30/2002</b>	<b>Yes</b>	<b>\$81.9</b>
Minnesota	08/01/1984 - 10/31/1984	Yes	\$12.1
Mississippi	09/01/1986 - 11/30/1986	No	\$1.0
Missouri	09/01/1983 - 10/31/1983	No	\$0.9
	08/01/2002 - 10/31/2002	Yes	\$76.4
Nevada	02/01/2002 - 06/30/2002	n.a.	\$7.3
New Hampshire	12/01/1997 - 02/17/1998	Yes	\$13.5
	12/01/2001 - 02/15/2002	Yes	\$13.5
New Mexico	08/16/1999 - 11/12/1999	Yes	\$45.0
New Jersey	09/10/1987 - 12/08/1987	Yes	\$186.5
	03/15/1996 - 06/01/1996	Yes	\$359.0
	04/15/2002 - 06/10/2002	Yes	\$276.9
New Mexico	08/15/1985 - 11/13/1985	No	\$13.6
New York	11/01/1985 - 01/31/1986	Yes	\$401.3
	11/01/1996 - 01/31/1997	Yes	n.a.
	11/18/2002 - 01/31/2003	Yes	n.a.
North Carolina	09/01/1989 - 12/01/1989	Yes	\$37.6
North Dakota	09/01/1983 - 11/30/1983	No	\$0.2
Ohio	10/15/2001 - 01/15/2002	No	\$48.5
Oklahoma	07/01/1984 - 12/31/1984	Yes	\$13.9
	08/15/2002 - 11/15/2002	Yes	n.a.
Pennsylvania	10/13/1995 - 01/10/1996	Yes	n.a.
Rhode Island	10/15/1986 - 01/12/1987	No	\$0.7
	04/15/1996 - 06/28/1996	Yes	\$7.9
South Carolina	09/01/1985 - 11/30/1985	Yes	\$7.1
	10/15/2002 - 11/30/2002	Yes	\$30.0
South Dakota	04/01/1999 - 05/15/1999	Yes	\$0.5
Texas	02/01/1984 - 02/29/1984	No	\$0.5
Vermont	05/15/1990 - 06/25/1990	Yes	\$1.0
Virginia	02/01/1990 - 03/31/1990	Yes	\$32.2
West Virginia	10/01/1986 - 12/31/1986	Yes	\$15.9
Wisconsin	09/15/1985 - 11/22/1985	Yes	\$27.3
	06/15/1998 - 08/14/1998	Yes	\$30.9
Wash. D.C.	07/01/1987 - 09/30/1987	Yes	\$24.3
	07/10/1995 - 08/31/1995	Yes	\$19.5

**Source:** *The Federation of Tax Administrators.*

## **Conclusion**

Michigan's 2002 tax amnesty program was a mixed success. On the positive side, the program allowed 20,220 taxpayers to pay past due taxes without penalty and over 4,000 new taxpayers were identified and brought into the system. The program generated \$30.2 million in net new revenue, \$7.4 million more than was expected. However, the program generated far less revenue than the 1986 tax amnesty as substantially more effort was devoted to generating revenue in 1986 and this was reflected in both the number of taxpayers participating and in the revenue generated.

While \$30.2 million in net new revenue was brought in by the 2002 tax amnesty program, the cost of collecting the new revenue was high. Over \$22 million in penalties owed to the State were waived. Much of the \$22 million in penalties would have been collected eventually.

Finally, although some new taxpayers were brought into the system, tax amnesties may make it more difficult to collect from delinquent taxpayers in the future. These taxpayers may be reluctant to pay late penalties hoping instead for a new tax amnesty to be enacted so that they can pay their late taxes penalty free.

# Appendix

## Michigan Tax Amnesty

Issued under authority of P.A. 168 of 2001. Filing is voluntary. However, amnesty will not be granted if this form is not filed.

See instructions on Page 2.

Amnesty  
Information: **1-866-410-0002**

### PART 1

<b>FOR INDIVIDUALS ONLY</b>	1. Taxpayer Name (First, Middle Initial, Last)		2. Social Security Number	
	3. Spouse's Name (First, Middle Initial, Last)		4. Social Security Number	
	5. Mailing Address (No., Street, P.O. Box or Rural Route) City State ZIP Code			
<b>FOR BUSINESSES ONLY</b>	6. Business Name (DBA)		7. Federal Employer Identification Number (FEIN)	
	8. Contact Person	9. Business Title	10. State Where Incorporated	
	11. Mailing Address (No., Street, P.O. Box or Rural Route) City State ZIP Code			

### PART 2

Type of Tax	Assessment Number	C	Taxable Period Covered (MM/YYYY)	Amount of Tax Due	Interest	Total	X
▶ 12.							
▶ 13.							
▶ 14.							
▶ 15.							
▶ 16.							
▶ 17.							
▶ 18.							
<b>SUBTOTAL</b>						19.	
▶ 20. <input type="checkbox"/> Check here if you have continued Part 2 on the Supplemental Schedule and enter schedule total here.....						21.	
▶ 23. <input type="checkbox"/> Check here if you qualify for and are requesting an installment plan. (See instructions on page 2 to see if you qualify.)						22.	
<b>TOTAL AMOUNT .....</b>						24.	
<b>TOTAL AMOUNT PAID WITH THIS FORM .....</b>							

### PART 3

I declare under penalty of perjury that I am eligible for amnesty under the conditions listed on the back of this form and that the information on this form and any accompanying returns and schedules is, to the best of my knowledge, true, correct and complete.	Signature (Taxpayer or Authorized Business Official)	Date
	Taxpayer's Spouse's Signature	Date

**Mail this form with your returns and payment to:**

Tax Amnesty  
Michigan Department of Treasury  
P.O. Box 30477  
Lansing, Michigan 48909-7977

**Michigan Tax Amnesty  
Ends July 1, 2002**

[www.treasury.state.mi.us](http://www.treasury.state.mi.us)

## Instructions For Michigan Tax Amnesty (Form 3855)

### General Information

Tax amnesty is a special program for individual taxpayers and businesses to pay delinquent taxes and interest on taxes due on or before June 1, 2001. Amnesty will be in effect from May 15 through July 1, 2002. There will be no penalty assessed or prosecution for delinquent returns filed with this form during this time period. Your tax returns and amnesty form, with payment, must be received by or postmarked no later than July 1, 2002.

After the amnesty filing period, an individual taxpayer/business who failed to file a return and/or pay a tax that was due on or before June 1, 2001, will incur an **additional 25% penalty**.

Amnesty is available to both individuals and businesses who:

- Are not the subject of a current tax-related court case or criminal investigation.
- Are not eligible to enter into a voluntary disclosure agreement with the state.
- Have failed to file a Michigan tax return for the following tax types:

Other Tobacco Products (OTP)	Withholding (WTH)
Individual Income (IIT)	Sales (SAL)
Liquified Petroleum Gas (LPG)	Use (USE)
Single Business (SBT)	Estate (EST)
Supplier Gasoline (GSU)	Cigarette (CIG)
Supplier Aviation Fuel (ASU)	Inheritance (INH)
Severance (SEV)	Supplier Diesel (DSU)
Intangibles (INT)	Wholesale Diesel (DWS)
Marine Diesel Fuel (MRN)	Retail Diesel (DRT)
Wholesale Gasoline (GWS)	
Wholesale Aviation Fuel (AWS)	
Intrastate Motor Carrier Diesel (MCR)	
Interstate Motor Carrier Diesel (IFR)	

- Have under-reported income or over-reported exemptions, deductions and/or credits.
- Are delinquent in paying a past due debt for any of the taxes listed above.

### How To Apply

Before you complete the form, you must complete all past due Michigan tax returns for which amnesty is requested and disclose all income. Amend any incorrect returns by disclosing all unreported income and correcting overstated deductions, credits and exemptions. On each return, enter your **current** mailing address. For all other information (spouse's name, filing status, dependents, etc.), use the correct information for that year.

Complete Form 3855, *Michigan Tax Amnesty*, as follows:

#### PART 1

**Individuals Only.** Enter current information. If this is a joint form, enter spouse's name and Social Security number also.

**Businesses Only.** Enter exact business name and name of the authorized official. Enter the Federal Employer Identification Number (FEIN) or the Treasury assigned number (TR or ME prefix). Enter other State ID if applicable.

### PART 2

Complete one line for each tax and each tax year/period (attach the Supplemental Schedule, if necessary).

**Type of Tax.** Enter the type of tax using the code in parenthesis from the list found under "General Information."

**Assessment Number.** If there is an outstanding assessment, enter the assessment number.

"C". Enter "C" if the assessment was computed by Treasury.

**Taxable Period.** Enter the month and year (MM/YYYY) for which the tax is due.

**Amount of Tax Due.** Enter the amount of tax due.

**Interest.** Enter the amount of interest due. Go to our Web site to see Revenue Administrative Bulletin 2001-3 for interest rates.

**Total.** Enter the total amount of tax and interest due for each line. "X". Enter "X" if you have entered a corrected assessment amount.

**Continued Box.** Check here if continued on the Supplemental Schedule and enter the total amount of tax and interest due from the schedule.

**Installment Plan Box.** Check here if you are requesting an installment plan.

A taxpayer/business may pay tax and interest due in three installments if one of the following conditions exist:

1. An individual taxpayer submits the greater of \$10,000.00 or 50% of the tax and interest due with the amnesty form.
2. A business submits the greater of \$100,000.00 or 50% of the tax and interest due with the amnesty form.

After the initial amnesty payment, the last two installments must be made for equal amounts. The first installment must be postmarked by August 15, 2002 and the second by September 16, 2002. Submit each payment with a copy of your completed amnesty form.

**Total Amount Paid.** Add Total column amounts plus the schedule total and enter the total amount paid in box.

### PART 3

Review, sign and date the form. For joint returns, both husband and wife must sign for individuals; authorized official must sign and indicate business title for the business.

#### When You Have Finished

Attach a completed tax return for each type of tax and each tax period for which you are applying. Enclose your check or money order payable to the "State of Michigan" for the total amount of tax and interest due. Write your account number or social security number on your remittance as well as the word "Amnesty".

If the business is not registered, complete Form 518, *Registration for Michigan Taxes*, and submit it with this form.

Mail the amnesty form with tax returns and payment to:

Tax Amnesty  
Michigan Department of Treasury  
P.O. Box 30477  
Lansing, Michigan 48909-7977

If you have any questions, call the toll free number: 1-866-410-0002.