



Senate Fiscal Agency
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Senate Bill 121 (as enrolled)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 5-19-03

RATIONALE

Under the revenue Act, the Department of Treasury may periodically issue bulletins that index and explain its interpretations of current State tax laws. According to the Department's website, a revenue administrative bulletin (RAB) is a directive issued to promote uniform application of tax laws throughout the State, and to provide information and guidance to taxpayers. An 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.

The Department also may issue letter rulings. According to RAB 2000-6, issued August 18, 2000, a letter ruling is published to give the public 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 Treasury's interpretation of tax law. It is not binding on either the Department or taxpayers; if it is used in a written response to a specific taxpayer's request, however, it is binding on the Department and that taxpayer. Letter rulings are withdrawn when they become obsolete or when they are likely to confuse rather than assist the public.

After the Department issued RAB 2000-6 (which withdrew over 150 outdated letter rulings issued between 1970 and 1995), it evidently published no letter rulings on its website in 2001, and placed only a half-dozen letter rulings on its website in 2002. (The Department's website, www.michigan.gov/treasury, does contain RABs from 1987 through 2002.) It has been pointed out that the revenue Act contains no requirement that the Department publish

RABs or letter rulings. Some people believe that such a requirement should be enacted, so that the Department's interpretation of tax laws is readily available.

CONTENT

The bill would amend the revenue Act to require the Department of Treasury to publish and make available to the public, in printed and electronic format, a bulletin or letter ruling issued by the Department on or after August 18, 2000. The new requirement would begin 90 days after the bill's effective date.

MCL 205.3

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Letter rulings and RABs are important informational statements from the Department. They not only directly affect an individual taxpayer who has asked for an interpretation of a tax statute, but also may assist other taxpayers (or their advisors) in similar situations. Letter rulings and RABs clarify complex tax laws, thus helping taxpayers to understand the laws and, ultimately, to comply with them. In the past, the Department reportedly published letter rulings, as well as RABs, on its website on a regular basis, but severely curtailed the publication of letter rulings, in 2001. This does a disservice to the taxpayers. Although all letter rulings (and RABs) are published in the Michigan Tax Guide each year, the Guide is expensive (over \$700) and not generally

available to the average taxpayer. The bill would ensure that RABs and letter rulings would be electronically available to the public.

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Bill Bowerman

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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.