

Legislative Analysis



INCOME TAX REFUND OFFSET FOR CERTAIN COUNTY DEBTS

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<http://www.house.mi.gov/hfa>

House Bill 5016 as introduced
Sponsor: Rep. Sarah L. Lightner
Committee: Local Government and Municipal Finance
Complete to 10-23-19

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5016 would amend 1941 PA 122, which governs revenue collection by the Department of Treasury, to allow for the offset of a taxpayer's income tax refund to pay liabilities that the taxpayer owes to a county.

Currently under the act, a taxpayer's income tax refund is applied to pay debts, listed in the act, that the taxpayer owes to the state (e.g., previously unpaid taxes) or to other entities (e.g., through a writ of garnishment). These are known as tax offsets. The Department of Treasury applies the amount of a refund to these liabilities before the balance of the refund is paid to the taxpayer.

The bill would add debts owed to counties to the list of liabilities that may be offset. Under the bill, the Department of Treasury would have to work with a nonprofit association that represents counties to develop a program that would allow counties to offset tax refunds for liabilities that are owed to them by taxpayers, except for ad valorem property taxes. The program would have to require the county or its designated representative to provide notice to the taxpayer and allow him or her the opportunity for a hearing before beginning the offset process.

MCL 205.30a

FISCAL IMPACT:

Because the bill allows an offset from a taxpayer's state income tax refund for a liability owed to a county, there would be no fiscal impact for the state. County revenue would increase to the extent that previously uncollected revenue was now realized, although there is no way to quantify the impact without knowing which taxpayers both have outstanding county liabilities and receive income tax refunds.

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