

Detailed Fiscal Analysis

Municipal income tax return filing deadline

Under current law, the municipal income tax return filing deadline for all taxpayers is the fifteenth day of the fourth month following the end of the taxpayer's taxable year. The bill distinguishes between taxpayers with no business or professional income or profit to declare and other taxpayers with such income. It proposes that the municipal income tax return filing deadline for taxpayers with no business or professional income or profit shall not be earlier than the federal income tax filing date. For all other taxpayers the filing deadline shall continue to be the fifteenth day of the fourth month following the end of the taxpayer's taxable year. As the taxable year may vary among the taxpayers, especially for those with business incomes, the deadlines also will vary.

Table 1 summarizes the current provisions and the proposed changes for these two groups of individual taxpayers and also includes the possible fiscal impacts of the proposed changes.

Table 1: H.B. 224 – Municipal tax deadline change

	Individual taxpayers with <u>no</u> business income	Individual taxpayers with business income
Current provision	15th day of the 4th month after their tax year ended (but not earlier than April 15th)	15th day of the 4th month after their tax year ended (but not earlier than April 15th)
Proposed change	Any date (but not earlier than April 15th)	15th day of the 4th month after their tax year ended
Fiscal impact	Minimal impact, as the majority of individual taxpayers with no business income are expected to have tax years coinciding with the calendar year, and hence their tax deadline will remain April 15th	Could advance the receipt of current tax revenue, because those taxpayers whose tax years ended more than four months before April 15th would not have paid until after April 15th under current law. They would now be paying their taxes in the months of January through March in the current year itself. However, the net fiscal effect in the long run will be negligible.

Other changes

Municipal corporations that require taxpayers to file income tax returns requiring the signature of the return preparer must accept a facsimile of such a signature. Further, the tax return forms shall provide a box the taxpayer may check to indicate his authorizing the tax administrator to communicate with the tax preparer in regard to the filed return. LSC does not foresee any significant fiscal impacts due to these two proposals.

LSC fiscal staff: Isabel Louis, Economist

