

# HOUSE BILL No. 4808

May 18, 2005, Introduced by Reps. Lemmons, III, Lemmons, Jr., Cushingberry, Waters, McConico and Virgil Smith and referred to the Committee on Tax Policy.

A bill to amend 1964 PA 284, entitled  
"City income tax act,"  
by amending section 3 of chapter 1 (MCL 141.503), as amended by  
1998 PA 500, and by adding section 3e to chapter 1.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1  
2  
3  
4  
5  
6  
7

CHAPTER 1

Sec. 3. (1) The governing body of a city, by a lawfully  
adopted ordinance that incorporates by reference the uniform city  
income tax ordinance set forth in chapter 2, may levy, assess, and  
collect an excise tax on income as provided in the ordinance. The  
ordinance shall state the rate of the tax which shall be the rate  
authorized by 1 of the following:

1 (a) The uniform city income tax ordinance under section 11 of  
2 chapter 2.

3 (b) Subsection (2).

4 (c) Section 3a, 3b, ~~or~~ 3c, **OR 3E** of this chapter.

5 (2) Except as otherwise provided in subsections (3), (4), and  
6 (5), in a city with a population of more than 750,000, the  
7 governing body may levy and collect a tax at a rate to be  
8 determined from time to time, that rate to be not more than 2% on  
9 corporations and the following maximum tax rates on resident  
10 individuals and nonresident individuals for the following years:

11 (a) Before July 1, 1999, 3.00% on resident individuals and  
12 1.50% on nonresident individuals.

13 (b) Beginning July 1, 1999 and each July 1 after 1999, the  
14 maximum tax rate under this subsection on resident individuals  
15 shall be reduced by 0.1 until the rate on resident individuals is  
16 2.0%. ~~The~~ **BEFORE JULY 1, 2005, THE** tax rate imposed on  
17 nonresident individuals shall be 50% of the tax rate imposed on  
18 resident individuals each year.

19 (3) If any 3 of the following conditions exist in a city with  
20 a population of 750,000 or more, the city may apply to the state  
21 administrative board for certification that those conditions exist  
22 and the maximum tax rate under subsection (2)(b) **OR (3)** shall not  
23 be further reduced as provided in subsections (4) and (5):

24 (a) Funds have been withdrawn from the city's budget  
25 stabilization fund for 2 or more consecutive city fiscal years or  
26 there is a balance of zero in the city's budget stabilization fund.

27 (b) The city's income tax revenue growth rate is 0.95 or less.

1 (c) The local tax base growth rate is 80% or less of the  
2 statewide tax base growth rate.

3 (d) The city's unemployment rate is 10% or higher according to  
4 the most recent statistics available from the Michigan jobs  
5 commission.

6 (4) If the state administrative board certifies within 60 days  
7 of application that any 3 of the conditions set forth under  
8 subsection (3) are met, the maximum tax rate under subsection (2)  
9 shall not be further reduced from the date of the state  
10 administrative board's certification until the July 1 following the  
11 expiration of 1 year after the state administrative board's  
12 certification unless the city applies for certification that the  
13 conditions continue to exist. Before the expiration of the  
14 certification, the city may apply to the state administrative board  
15 to certify that the conditions continue to exist and if the state  
16 administrative board so certifies, the certification may continue  
17 until the July 1 following the expiration of 1 year after the state  
18 administrative board's certification that the conditions continue  
19 to exist. The city may continue to apply for certification until  
20 the conditions under subsection (3) no longer exist.

21 (5) Notwithstanding any other provision of this section, if on  
22 July 1 the maximum tax rate on resident individuals is reduced  
23 under subsection (2) after a year or years in which the maximum tax  
24 rate was not reduced because of subsections (3) and (4), the  
25 maximum tax rate on resident individuals shall be the maximum tax  
26 rate in effect on June 30 of that year reduced by 0.1 and the rate  
27 on nonresident individuals shall be 50% of the rate imposed on

1 resident individuals. On each subsequent July 1, subsection (2)  
2 applies to the maximum tax rates, subject to subsections (3) and  
3 (4).

4 (6) The governing body of a city may adopt the uniform city  
5 income tax ordinance with the alternative sections as set forth in  
6 chapter 3 instead of the similarly numbered sections as set forth  
7 in chapter 2. The uniform city income tax ordinance may be lawfully  
8 adopted or rescinded by the governing body at any time. The  
9 adoption of an ordinance is effective on and after January 1 or  
10 July 1 following adoption of the ordinance, as specified in the  
11 ordinance, but an ordinance shall not become effective earlier than  
12 45 days after adoption or until approved by the electors if a  
13 referendum petition is filed as authorized in this act or a  
14 referendum is otherwise required. The rescission of an ordinance  
15 shall become effective on the following December 31. The ordinance  
16 may be rescinded at any time by the governing body in the same  
17 manner in which it was adopted and with appropriate enforcement,  
18 collection, and refund provisions with respect to liabilities  
19 incurred prior to the effective date of the rescission of the  
20 ordinance. The ordinance shall not be amended except as provided by  
21 the legislature. A city may amend the ordinance to change the tax  
22 rate to a rate authorized by this act.

23 (7) Petitions for a referendum election on the question of  
24 adopting an ordinance adopted by the governing body may be filed  
25 with the city clerk not later than the sixth Monday following the  
26 adoption of the ordinance. The petitions shall be signed by a  
27 number of registered electors of the city equal to at least 10%,

1 but not more than 20%, of the registered electors of the city  
2 voting in the last general municipal election prior to the adoption  
3 of the ordinance by the governing body. If proper petitions are  
4 filed, the question of adopting the ordinance shall be submitted by  
5 the governing body to the city electors at the next primary or  
6 general election or at a special election called for the purpose,  
7 in any case held not less than 45 days nor more than 90 days after  
8 the clerk has reported the filing of the referendum petition to the  
9 city's governing body. The checking of names on the petitions, the  
10 counting, canvassing, and return of the votes on the question, and  
11 other procedures for the election shall be as provided by law or  
12 charter. Upon a favorable vote of the city electors, the ordinance  
13 shall be effective as specified in the ordinance which may be  
14 amended by the governing body of the city following the election to  
15 specify July 1 or January 1 as the effective date of the ordinance,  
16 if the effective date originally specified in the ordinance is  
17 considered impractical or inconvenient for any reason. The  
18 provisions in this section for a referendum election, and for  
19 delaying the effective date of the ordinance if petitions for a  
20 referendum are filed, are not applicable to a city that on January  
21 1, 1964 had in effect a valid ordinance levying and imposing an  
22 excise tax levied on or measured by income. Notwithstanding any  
23 other provision of this act, if an ordinance becomes effective on  
24 any date other than January 1, each tax year shall end on December  
25 31, and the provisions of the ordinance based on a full tax year  
26 are modified accordingly to be applicable to the partial tax year.

27 (8) The city shall annualize the rates under this section as

1 necessary.

2 (9) As used in this section:

3 (a) "Consumer price index" means the Detroit consumer price  
4 index for all urban consumers as defined and reported by the United  
5 States department of labor, bureau of labor statistics, and as  
6 certified by the state treasurer.

7 (b) "Income tax revenue growth rate" means a number the  
8 numerator of which is the income tax collections of the city for  
9 the city fiscal year immediately preceding the city's application  
10 under subsection (3) and the denominator of which is the product of  
11 the income tax collections of the city for the city fiscal year  
12 immediately preceding the city fiscal year used to determine the  
13 numerator multiplied by 1 plus the corresponding percentage change  
14 in the average consumer price index for the calendar year ending in  
15 the city fiscal year used to determine the numerator.

16 (c) "Local tax base growth rate" means the total taxable value  
17 of real property and personal property in the city for the most  
18 recent year for which data is available divided by the total  
19 taxable value of real property and personal property in the city  
20 for the second year immediately preceding the most recent year for  
21 which the data is available.

22 (d) "Statewide tax base growth rate" means the total taxable  
23 value of real property and personal property in the state for the  
24 most recent year for which the data is available divided by the  
25 total taxable value of real property and personal property in the  
26 state for the second year immediately preceding the most recent  
27 year for which the data is available.

1           SEC. 3E. BEGINNING JULY 1, 2005, A CITY WITH A POPULATION OF  
2 MORE THAN 750,000 MAY AMEND THE ORDINANCE TO INCREASE THE RATE  
3 IMPOSED ON NONRESIDENT INDIVIDUALS SO THAT THE RATE IMPOSED ON  
4 NONRESIDENT INDIVIDUALS IS EQUAL TO THE RATE IMPOSED ON  
5 CORPORATIONS AND RESIDENT INDIVIDUALS, WHICH RATE SHALL NOT EXCEED  
6 THE MAXIMUM ALLOWABLE RATE FOR CORPORATIONS AND RESIDENT  
7 INDIVIDUALS UNDER THIS ACT. AN AMENDMENT TO THE CITY INCOME TAX  
8 ORDINANCE UNDER THIS SECTION IS NOT EFFECTIVE UNLESS THE AMENDMENT  
9 IS APPROVED BY A MAJORITY OF THE QUALIFIED ELECTORS VOTING ON THE  
10 QUESTION.