



Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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House Bill 4618 (Substitute H-2 as reported without amendment)  
House Bill 5025 (as reported without amendment)  
Sponsor: Representative Wendell Byrd  
House Committee: Tax Policy  
Senate Committee: Government Operations

**CONTENT**

House Bill 4618 (H-2) would amend the City Income Tax Act to do the following:

- Allow an employer that did not do business in a city with a population of more than 600,000, and that imposed an income tax under the Act to voluntarily register to withhold taxes on compensation of certain employees.
- Require an employer that registered to withhold taxes to do so from employees who were residents of that city based on the form the employees are required to file on their compensation subject to tax.
- Specify that employee who was a resident of that city would not be allowed to opt out of the withholding requirement imposed by his or her employer.
- Specify that, notwithstanding the Act's provision for recovery of past due tax, a city that had a population of more than 600,000 could recover the tax with interest and penalties without a judgment by imposing a lien.
- Specify that the city's authority to impose a lien would apply only to property owned by a natural person and wages, or other income reported on a Federal W-2 or 1099 form.
- Specify that a lien would be in favor of the city against all property and rights of property, and would take precedence over all other liens and encumbrances, except bona fide liens recorded before the date the lien was recorded.
- Specify that a purchaser or succeeding purchaser or property, from a taxpayer in other than the ordinary course of business, against which a lien was recorded would be personally liable for the unpaid taxes due on the property.
- Specify that, notwithstanding the Act's provision for recovery of past due tax, a city that had a population of more than 600,000 could cause a demand to be made on a taxpayer for payment of the taxes due, and to issue a warrant if the taxes were not paid within 10 days after the demand.
- Authorize the city, through any officer or agent authorized to serve process, to levy on all property belonging to the taxpayer, and to sell it for payment of the amount due, along with costs, penalties, and interest.
- Require a city that filed for recording a lien, and determined that the tax liability was satisfied, to file for recording a release regarding the property within 20 days after funds to satisfy the liability were applied to the taxpayer's account.

House Bill 5025 would amend the revenue Act to require the Department of Treasury to apply a taxpayer's refund to a known city income tax liability for a tax administered by the Department through an agreement between the Department and a city to administer, enforce, and collect the city's income tax.

MCL 141.506 et al. (H.B. 4618)  
205.30a (H.B. 5025)

Legislative Analyst: Jeff Mann

## **FISCAL IMPACT**

The bills would have no fiscal impact on the State and would have a positive fiscal impact on the City of Detroit, although the amount is unknown. The Department of Treasury already processes City of Detroit individual income tax returns, corporate income taxes, and employer withholding, so there would be no increased administrative costs because of the bill's provisions. However, the provisions would allow more employers to withhold city income taxes and would give the City of Detroit more options to recover taxes owed, so the city would see increased income tax revenue.

If additional cities signed agreements with the Department of Treasury to administer their city income tax, the Department would withhold State refunds for those liabilities as well, which would increase income tax collections for those cities.

Date Completed: 12-13-18

Fiscal Analyst: Ryan Bergan