

SUBSTITUTE FOR
HOUSE BILL NO. 4618

A bill to amend 1964 PA 284, entitled
"City income tax act,"
by amending section 6 of chapter 1 and section 51 of chapter 2 (MCL
141.506 and 141.651), section 51 of chapter 2 as amended by 1982 PA
124, and by adding sections 86a, 86b, and 86c to chapter 2.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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CHAPTER 1

Sec. 6. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE**
uniform city income tax ordinance does not apply to a person or
corporation as to whom or which it is beyond the power of the city
to impose the tax ~~therein~~ **provided for IN THIS ACT. HOWEVER, AN**
EMPLOYER LOCATED IN THIS STATE THAT DOES NOT DO BUSINESS IN OR
MAINTAIN AN ESTABLISHMENT IN A CITY THAT HAS A POPULATION OF MORE
THAN 600,000 AND THAT IMPOSES AN INCOME TAX PURSUANT TO THIS ACT

1 MAY VOLUNTARILY REGISTER TO WITHHOLD TAXES ON COMPENSATION OF
2 CERTAIN EMPLOYEES IN ACCORDANCE WITH THIS ACT. IF AN EMPLOYER
3 VOLUNTARILY REGISTERS TO WITHHOLD TAXES PURSUANT TO THIS SECTION,
4 THE EMPLOYER IS REQUIRED TO WITHHOLD TAXES FROM ALL EMPLOYEES WHO
5 ARE RESIDENTS OF THAT CITY AND TO COMPLY WITH SECTIONS 51 THROUGH
6 61 OF CHAPTER 2 AND THE ALTERNATIVE PROVISIONS OF CHAPTER 3. AN
7 EMPLOYEE WHO IS A RESIDENT OF THAT CITY IS NOT PERMITTED TO OPT OUT
8 OF THE WITHHOLDING REQUIREMENTS VOLUNTARILY IMPOSED BY HIS OR HER
9 EMPLOYER PURSUANT TO THIS SECTION.

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CHAPTER 2

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Sec. 51. (1) An employer doing business or maintaining an
12 establishment within the city shall withhold from each payment to
13 the employer's employees on and after the effective date of this
14 ordinance the tax on their compensation subject to the tax, after
15 giving effect to exemptions, as follows:

16

(a) Residents.

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(i) At a rate equal to the rate set by ordinance to be levied
18 against resident individuals under this ordinance, but not to
19 exceed 3%, of all compensation paid to the employee who is a
20 resident of the city, if the employee is not subject to withholding
21 in any other city levying the tax.

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(ii) At a rate equal to the difference in the percentage rate
23 of tax on resident individuals as set by ordinance to be levied
24 under this ordinance less the percentage rate of tax levied by any
25 other city in which the employee works, on all compensation earned
26 by the resident in another city.

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(b) Nonresidents. At a rate equal to the rate set by ordinance

1 to be levied under this ordinance on nonresidents but not to exceed
2 50% of the percentage rate imposed on resident individuals of the
3 compensation paid to the employee for work done or services
4 performed in the city designated by the employee as the employee's
5 predominant place of employment. The withholding rate shall be
6 applied to the percentage of the employee's total compensation
7 equal to the employee's estimated percentage of work to be done or
8 services to be performed in the city for that employer, but no
9 withholding shall be required if the estimated percentage of work
10 is less than 25%.

11 (2) An employer withholding the tax is deemed to hold the tax
12 as a trustee for the city.

13 (3) An employer who is required to withhold and who fails or
14 refuses to deduct and withhold is liable for the payment of the
15 amount required to be withheld. The liability shall be discharged
16 upon payment of the tax by the employee but the employer is not
17 relieved of penalties and interest provided in this ordinance for
18 this failure or refusal.

19 (4) **AN EMPLOYER THAT VOLUNTARILY REGISTERS TO WITHHOLD TAXES**
20 **IN ACCORDANCE WITH SECTION 6 OF CHAPTER 1 SHALL WITHHOLD FROM ALL**
21 **EMPLOYEES WHO ARE RESIDENTS OF THAT CITY BASED ON THE FORM REQUIRED**
22 **TO BE FILED BY EACH EMPLOYEE UNDER SECTION 54 ON THEIR COMPENSATION**
23 **SUBJECT TO TAX, AFTER GIVING EFFECT TO EXEMPTIONS AS PROVIDED UNDER**
24 **SUBSECTION (1) (A) . IF AN EMPLOYER NO LONGER WISHES TO VOLUNTARILY**
25 **WITHHOLD TAXES UNDER SECTION 6 OF CHAPTER 1, THE EMPLOYER SHALL**
26 **FILE A WRITTEN NOTICE WITH THE CITY, AND WITH THE ADMINISTRATOR IF**
27 **THE ADMINISTRATOR IS NOT THE CITY, INDICATING THAT THE EMPLOYER**

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1 WILL NO LONGER VOLUNTARILY WITHHOLD TAXES FROM EMPLOYEES WHO ARE
2 RESIDENTS OF THAT CITY.

3 SEC. 86A. (1) NOTWITHSTANDING SECTION 86, [A CITY THAT HAS A
4 POPULATION OF MORE THAN 600,000

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6] MAY RECOVER THE TAX WITH INTEREST AND PENALTIES
7 WITHOUT A JUDGMENT OR ORDER FROM A COURT OF COMPETENT JURISDICTION
8 BY IMPOSING A LIEN AS PROVIDED UNDER THIS SECTION. HOWEVER, THE
9 CITY'S AUTHORITY TO IMPOSE A LIEN UNDER THIS SECTION ONLY APPLIES
10 TO PROPERTY OWNED BY A NATURAL PERSON AND WAGES, OR OTHER INCOME,
11 THAT ARE REPORTED ON A FEDERAL W-2 OR 1099 FORM. A LIEN IMPOSED
12 PURSUANT TO THIS SECTION IS A LIEN IN FAVOR OF THE CITY AGAINST ALL
13 PROPERTY AND RIGHTS OF PROPERTY, BOTH REAL AND PERSONAL, TANGIBLE
14 AND INTANGIBLE, OWNED AT THE TIME THE LIEN ATTACHES, OR AFTERWARDS
15 ACQUIRED BY ANY PERSON LIABLE FOR THE TAX, TO SECURE THE PAYMENT OF
16 THE TAX. THE LIEN SHALL ATTACH TO THE PROPERTY FROM AND AFTER THE
17 DATE THAT ANY REPORT OR RETURN ON WHICH THE TAX IS LEVIED IS
18 REQUIRED TO BE FILED AND SHALL CONTINUE FOR 7 YEARS AFTER THE DATE
19 OF ATTACHMENT. THE LIEN MAY BE EXTENDED FOR ANOTHER 7 YEARS BY
20 REFILING UNDER SUBSECTION (2) IF THE REFILING IS DONE WITHIN 6
21 MONTHS PRIOR TO THE EXPIRATION DATE OF THE ORIGINAL 7-YEAR PERIOD.

22 (2) THE LIEN IMPOSED BY THIS SECTION SHALL TAKE PRECEDENCE
23 OVER ALL OTHER LIENS AND ENCUMBRANCES, EXCEPT BONA FIDE LIENS
24 RECORDED BEFORE THE DATE THE LIEN UNDER THIS ORDINANCE IS RECORDED.
25 HOWEVER, BONA FIDE LIENS RECORDED BEFORE THE LIEN UNDER THIS
26 ORDINANCE IS RECORDED SHALL TAKE PRECEDENCE ONLY TO THE EXTENT OF
27 DISBURSEMENTS MADE UNDER A FINANCING ARRANGEMENT BEFORE THE FORTY-

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1 SIXTH DAY AFTER THE DATE OF THE TAX LIEN RECORDING OR BEFORE THE
2 PERSON MAKING THE DISBURSEMENTS HAD ACTUAL KNOWLEDGE OF A TAX LIEN
3 RECORDING UNDER THIS ORDINANCE, WHICHEVER IS EARLIER. A LIEN SHALL
4 BE RECORDED AND DISCHARGED IN THE SAME MANNER REQUIRED FOR A STATE
5 TAX LIEN UNDER THE STATE TAX LIEN REGISTRATION ACT, 1968 PA 203,
6 MCL 211.681 TO 211.687.

7 (3) A PURCHASER OR SUCCEEDING PURCHASER OF PROPERTY, FROM A
8 TAXPAYER IN OTHER THAN THE ORDINARY COURSE OF BUSINESS, AGAINST
9 WHICH A LIEN HAS BEEN PROPERLY RECORDED AS PROVIDED UNDER
10 SUBSECTION (2) IS PERSONALLY LIABLE FOR THE UNPAID TAXES THAT ARE
11 DUE ON THE LIEN. THE PURCHASER'S LIABILITY IS LIMITED TO THE VALUE
12 OF THE PROPERTY LESS ANY PROCEEDS THAT WERE APPLIED TO BALANCES DUE
13 ON SECURED INTERESTS WHICH ARE SUPERIOR TO THE LIEN RECORDED UNDER
14 SUBSECTION (2).

15 SEC. 86B. (1) NOTWITHSTANDING SECTION 86, [A CITY THAT HAS A
16 POPULATION OF MORE THAN 600,000

17] MAY CAUSE A DEMAND TO BE MADE ON A TAXPAYER FOR THE
18 PAYMENT OF A TAX DUE UNDER THIS ORDINANCE. HOWEVER, THE CITY'S
19 AUTHORITY TO CAUSE A DEMAND FOR PAYMENT UNDER THIS SECTION ONLY
20 APPLIES TO PROPERTY OWNED BY A NATURAL PERSON AND WAGES, OR OTHER
21 INCOME, THAT ARE REPORTED ON A FEDERAL W-2 OR 1099 FORM. IF THE
22 LIABILITY REMAINS UNPAID FOR 10 DAYS AFTER THE DEMAND AND
23 PROCEEDINGS ARE NOT TAKEN TO REVIEW THE LIABILITY, A WARRANT MAY BE
24 ISSUED. EXCEPT AS PROVIDED IN THIS SECTION, THE CITY, THROUGH ANY
25 OFFICER OR AGENT OR PERSON AUTHORIZED TO SERVE PROCESS OR THROUGH
26 AUTHORIZED EMPLOYEES, MAY LEVY ON ALL PROPERTY AND RIGHTS TO
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1 PROPERTY, REAL AND PERSONAL, TANGIBLE AND INTANGIBLE, BELONGING TO
2 THE TAXPAYER OR ON WHICH A LIEN IS PROVIDED BY LAW FOR THE AMOUNT
3 OF THE DEFICIENCY, AND SELL THE REAL AND PERSONAL PROPERTY OF THE
4 TAXPAYER FOUND WITHIN THE STATE FOR THE PAYMENT OF THE AMOUNT DUE,
5 THE COST OF EXECUTING THE WARRANT, AND THE ADDITIONAL PENALTIES AND
6 INTEREST. EXCEPT AS PROVIDED IN SUBSECTION (6), THE OFFICER OR
7 AGENT OR PERSON SERVING THE WARRANT SHALL PROCEED UPON THE WARRANT
8 IN ALL RESPECTS AND IN THE SAME MANNER AS PRESCRIBED BY LAW IN
9 RESPECT TO EXECUTIONS ISSUED AGAINST PROPERTY UPON JUDGMENTS BY A
10 COURT OF RECORD. A CITY, THROUGH ITS AUTHORIZED REPRESENTATIVE, MAY
11 BID FOR AND PURCHASE ANY PROPERTY SOLD PURSUANT TO THIS SECTION.

12 (2) A PERSON THAT REFUSES OR FAILS TO SURRENDER ANY PROPERTY
13 OR RIGHTS TO PROPERTY SUBJECT TO LEVY, UPON DEMAND BY THE CITY, IS
14 PERSONALLY LIABLE TO THE CITY IN A SUM EQUAL TO THE VALUE OF THE
15 PROPERTY OR RIGHTS NOT SURRENDERED, BUT NOT EXCEEDING THE AMOUNT
16 DUE FOR WHICH THE LEVY WAS MADE, TOGETHER WITH COSTS AND INTEREST
17 ON THE SUM AT THE RATE PROVIDED IN SECTION 82 FROM THE DATE OF THE
18 LEVY. ANY AMOUNT, OTHER THAN COSTS, RECOVERED UNDER THIS SUBSECTION
19 SHALL BE CREDITED AGAINST THE LIABILITY FOR THE COLLECTION OF WHICH
20 THE LEVY WAS MADE.

21 (3) IN ADDITION TO THE PERSONAL LIABILITY IMPOSED BY
22 SUBSECTION (2), IF A PERSON REQUIRED TO SURRENDER PROPERTY OR
23 RIGHTS TO PROPERTY FAILS OR REFUSES TO SURRENDER THE PROPERTY OR
24 RIGHTS TO PROPERTY WITHOUT REASONABLE CAUSE, THE PERSON SHALL BE
25 LIABLE FOR A PENALTY EQUAL TO 50% OF THE AMOUNT RECOVERABLE UNDER
26 SUBSECTION (2), NONE OF WHICH PENALTY SHALL BE CREDITED AGAINST THE
27 LIABILITY FOR THE COLLECTION OF WHICH THE LEVY WAS MADE.

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1 (4) A PERSON IN POSSESSION OF, OR OBLIGATED WITH RESPECT TO,
 2 PROPERTY OR PROPERTY RIGHTS SUBJECT TO LEVY AND UPON WHICH A LEVY
 3 HAS BEEN MADE WHO, UPON DEMAND OF THE CITY, SURRENDERS THE PROPERTY
 4 OR RIGHTS TO PROPERTY OR DISCHARGES THE OBLIGATION TO THE CITY OR
 5 WHO PAYS A LIABILITY UNDER SUBSECTION (1) SHALL HAVE THAT
 6 OBLIGATION TO A PERSON DELINQUENT IN PAYMENT OF A TAX REDUCED IN AN
 7 AMOUNT EQUAL TO THE PROPERTY OR RIGHTS TO PROPERTY SURRENDERED OR
 8 AMOUNTS PAID TO THE CITY.

9 (5) PROPERTY DESCRIBED IN SECTION 6334 OF THE INTERNAL REVENUE
 10 CODE OF 1986, 26 USC 6334, IS EXEMPT FROM LEVY UNDER THIS SECTION
 11 FOR AN UNPAID TAX. THE EFFECT OF A LEVY ON SALARY OR WAGES SHALL BE
 12 CONTINUOUS FROM THE DATE THE LEVY IS FIRST MADE UNTIL THE LIABILITY
 13 OUT OF WHICH THE LEVY AROSE IS SATISFIED.

14 (6) A WARRANT NOTICE OF LEVY MAY BE SERVED BY CERTIFIED MAIL,
 15 RETURN RECEIPT REQUESTED, ON ANY PERSON IN POSSESSION OF, OR
 16 OBLIGATED WITH RESPECT TO, PROPERTY AND RIGHTS TO PROPERTY, REAL
 17 AND PERSONAL, TANGIBLE AND INTANGIBLE, BELONGING TO THE TAXPAYER OR
 18 ON WHICH A LIEN IS PROVIDED BY LAW. THE DATE OF DELIVERY ON THE
 19 RECEIPT SHALL BE THE DATE THE LEVY IS MADE. A PERSON MAY, UPON
 20 WRITTEN NOTICE TO THE DEPARTMENT, ON BEHALF OF THE CITY, HAVE ALL
 21 NOTICES OF LEVY SENT TO 1 DESIGNATED OFFICE.

22 SEC. 86C. (1) [IF A CITY THAT HAS A POPULATION OF MORE THAN
 23 600,000

24] FILES FOR
 25 RECORDING A LIEN IMPOSED PURSUANT TO THIS ORDINANCE AGAINST
 26 PROPERTY OR RIGHTS OF PROPERTY TO SATISFY A TAX LIABILITY AND THE
 27 CITY DETERMINES THAT THE TAX LIABILITY OUT OF WHICH THE LIEN AROSE

1 IS SATISFIED, THE CITY SHALL FILE FOR RECORDING A RELEASE REGARDING
2 THE PROPERTY OR RIGHTS OF PROPERTY IN THE SAME MANNER REQUIRED FOR
3 A STATE TAX LIEN UNDER THE STATE TAX LIEN REGISTRATION ACT, 1968 PA
4 203, MCL 211.681 TO 211.687, NOT MORE THAN 20 BUSINESS DAYS AFTER
5 FUNDS TO SATISFY THE TAX LIABILITY OUT OF WHICH THE LIEN AROSE HAVE
6 BEEN APPLIED TO THE TAXPAYER'S ACCOUNT.

7 (2) IF THE CITY FILES FOR RECORDING A LIEN IMPOSED PURSUANT TO
8 THIS ORDINANCE AGAINST PROPERTY OR RIGHTS OF PROPERTY TO SATISFY A
9 TAX LIABILITY AND UPON REQUEST THE CITY DETERMINES THAT THE
10 TAXPAYER NAMED ON THE RECORDED LIEN DOES NOT HAVE ANY INTEREST IN
11 CERTAIN PROPERTIES OWNED BY ANOTHER PERSON, THE CITY SHALL FILE FOR
12 RECORDING A CERTIFICATE OF NONATTACHMENT REGARDING THE PROPERTY OR
13 RIGHTS OF PROPERTY, IN THE SAME MANNER AS REQUIRED FOR A STATE TAX
14 LIEN UNDER THE STATE TAX LIEN REGISTRATION ACT, 1968 PA 203, MCL
15 211.681 TO 211.687, WITH ALL DUE HASTE BUT NOT MORE THAN 5 BUSINESS
16 DAYS AFTER THE CITY DETERMINES THAT THE LIEN IS RECORDED OR FILED
17 AGAINST PROPERTY OR RIGHTS OF PROPERTY TO WHICH THE CITY DOES NOT
18 HAVE A LIEN INTEREST UNDER SECTION 86A. THE CITY SHALL CLEARLY
19 INDICATE ON THE CERTIFICATE OF NONATTACHMENT THAT THE TAXPAYER
20 NAMED ON THE RECORDED LIEN DOES NOT HAVE ANY INTEREST IN THE
21 PROPERTY OR RIGHTS OF PROPERTY OF THE OTHER PERSON.

22 (3) IF A WARRANT OR WARRANT-NOTICE OF LEVY IS ISSUED AND
23 SERVED UPON A PERSON TO LEVY ON PROPERTY OR RIGHTS OF PROPERTY TO
24 SATISFY A TAX LIABILITY AND THE CITY DETERMINES THAT THE TAX
25 LIABILITY OUT OF WHICH THE WARRANT OR WARRANT-NOTICE OF LEVY AROSE
26 IS SATISFIED, THE CITY SHALL SERVE A RELEASE OF LEVY REGARDING THE
27 PROPERTY OR RIGHTS OF PROPERTY ON THE PERSON THAT WAS SERVED THE

1 WARRANT OR WARRANT-NOTICE OF LEVY NOT MORE THAN 10 BUSINESS DAYS
2 AFTER FUNDS TO SATISFY THE TAX LIABILITY OUT OF WHICH THE WARRANT
3 OR WARRANT-NOTICE OF LEVY AROSE HAVE BEEN APPLIED TO THE TAXPAYER'S
4 ACCOUNT.

5 (4) IF A WARRANT OR WARRANT-NOTICE OF LEVY IS ISSUED AND
6 SERVED UPON A PERSON TO LEVY ON PROPERTY OR RIGHTS OF PROPERTY TO
7 SATISFY A TAX LIABILITY AND THE CITY DETERMINES THAT THE PROPERTY
8 OR RIGHTS OF PROPERTY ARE NOT SUBJECT TO LEVY UNDER SECTION 86A,
9 THE CITY SHALL SERVE A RELEASE OF LEVY REGARDING THE PROPERTY OR
10 RIGHTS OF PROPERTY ON THE PERSON THAT WAS SERVED THE WARRANT OR
11 WARRANT-NOTICE OF LEVY WITH ALL DUE HASTE BUT NOT MORE THAN 5
12 BUSINESS DAYS AFTER THE CITY DETERMINES THAT THE PROPERTY OR RIGHTS
13 OF PROPERTY ARE NOT SUBJECT TO LEVY UNDER SECTION 86A, THE CITY
14 SHALL CLEARLY INDICATE ON THE RELEASE OF LEVY THAT THE PROPERTY OR
15 RIGHTS OF PROPERTY WERE NOT SUBJECT TO LEVY UNDER SECTION 86A.

16 (5) IF A PERSON IS REQUIRED TO PAY A FEE TO THE CITY, A BANK,
17 OR OTHER FINANCIAL INSTITUTION AS THE RESULT OF AN ERRONEOUS
18 RECORDING OR FILING OF A LIEN AS DESCRIBED IN SUBSECTION (2), OR AN
19 ERRONEOUS ISSUANCE AND SERVICE OF A WARRANT OR WARRANT-NOTICE OF
20 LEVY AS DESCRIBED IN SUBSECTION (4), THE CITY SHALL REIMBURSE THE
21 FEE TO THAT PERSON.

22 (6) IF THE CITY RECEIVES MONEY TO SATISFY A TAX LIABILITY OR
23 LIABILITIES OR RECEIVES INFORMATION THAT WOULD CANCEL THAT TAX
24 LIABILITY OR THOSE LIABILITIES AND SUBSEQUENTLY FILES A LIEN FOR
25 RECORDING SPECIFYING THAT TAX LIABILITY OR THOSE LIABILITIES, THE
26 CITY, UPON REQUEST AND UPON A DETERMINATION BY THE CITY THAT THE
27 LIEN WAS FILED AND RECORDED IN ERROR, WITH ALL DUE HASTE, BUT NOT

1 MORE THAN 5 BUSINESS DAYS AFTER THE CITY DETERMINES THAT IT HAS
2 ERRONEOUSLY FILED A LIEN FOR RECORDING, SHALL FILE FOR RECORDING A
3 CERTIFICATE OF WITHDRAWAL FOR THAT TAX LIABILITY OR THOSE
4 LIABILITIES WHICH WERE SATISFIED WHICH STATES THAT THE RECORDED
5 LIEN FOR THAT TAX LIABILITY OR THOSE LIABILITIES WAS FILED IN
6 ERROR.

7 (7) IF THE CITY RECEIVES MONEY TO SATISFY A TAX LIABILITY OR
8 LIABILITIES OR RECEIVES INFORMATION THAT WOULD CANCEL THAT TAX
9 LIABILITY OR THOSE LIABILITIES AND SUBSEQUENTLY ISSUES A WARRANT OR
10 WARRANT-NOTICE OF LEVY SPECIFYING THAT LIABILITY OR THOSE
11 LIABILITIES PURSUANT TO THIS ORDINANCE, UPON REQUEST AND UPON A
12 DETERMINATION BY THE CITY THAT THE WARRANT OR WARRANT-NOTICE OF
13 LEVY WAS ISSUED IN ERROR, WITH ALL DUE HASTE, BUT NOT MORE THAN 5
14 BUSINESS DAYS AFTER THE DEPARTMENT DETERMINES THAT IT HAS
15 ERRONEOUSLY ISSUED A WARRANT OR WARRANT-NOTICE OF LEVY, THE CITY
16 SHALL ISSUE A RELEASE OF LEVY FOR THAT TAX LIABILITY OR THOSE
17 LIABILITIES WHICH WERE SATISFIED WHICH STATES THAT THE LEVY FOR
18 THAT TAX LIABILITY OR THOSE LIABILITIES WAS ISSUED IN ERROR.