



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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House Bill 4588 (Substitute S-2 as reported)  
Sponsor: Representative Harold S. Voorhees  
House Committee: Tax Policy  
Senate Committee: Finance

## **CONTENT**

The bill would amend the City Income Tax Act to provide that for 1996 and each year thereafter a city that imposed a city income tax could enter into an agreement with the Department of Treasury, under which the Department could administer, enforce, or collect the tax on behalf of the city. City income taxes collected under an agreement would have to be kept in a separate account and paid to the city, except that the Department could retain an amount equal to the actual costs, which would be deposited into the General Fund. The amount to be retained by the Department would have to be included in the agreement.

If a city entered into an agreement with the State to collect income tax on behalf of the city, for the 1997 tax year and each tax year thereafter, the following would apply:

- The annual return and payment of city income tax would have to be filed with and made to the Department by April 15 each year.
- An employer would have to file a return, prescribed by the Department, and pay the full amount of tax withheld by the 15th day of the month following the month for which the tax was withheld.
- An employer would have to file taxes withheld by means of an electronic funds transfer method approved by the Department.

Further, when filing his or her annual return, if a taxpayer paid an amount that was less than the sum of the city income tax owed and the State income tax owed, the amount paid would be proportionately applied against the amounts owed under each tax.

Proposed MCL 141.508

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

This bill would lower the costs to the cities involved to the extent that the costs incurred by local units outweighed the costs the Department of Treasury would incur for handling city income tax collections.

The bill also could redistribute State and local income tax collections between the State and the local units of government if taxpayers paid less than their total State and local income taxes owed.

Date Completed: 11-27-96

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.