



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5191 (Substitute H-2 as passed by the House)
Sponsor: Representative Beverly Bodem
House Committee: Tax Policy

CONTENT

The bill would amend the City Income Tax Act to provide that if a city or any part of a city that imposed a city income tax were within the boundaries of a renaissance zone designated under the Michigan Renaissance Zone Act, the city would have to amend its city income tax ordinance to include language specified in the bill. Under this language, to the extent and for the duration provided in the Renaissance Zone Act, a qualified taxpayer could deduct an amount from gross income in determining city income tax. The calculation of the amount would depend on whether the taxpayer was 1) an individual resident of the city who was domiciled in an area that was designated a renaissance zone for 183 consecutive days; 2) a taxpayer that was a corporation and was located and conducted business activity in a renaissance zone in the city; or 3) a person who was located in and conducted business activity as an unincorporated business, profession, or other activity in a renaissance zone and was not a qualified taxpayer under either of the preceding provisions. The deduction would continue through the tax year in which the renaissance zone designation expired.

For a nonindividual taxpayer, any portion of the income subject to tax derived from illegal activity conducted in a renaissance zone could not be used to calculate a deduction proposed by the bill. For an individual taxpayer, any portion of income derived from illegal activity conducted anywhere could not be used to calculate the proposed deduction.

Employers could not withhold any tax from a qualified taxpayer who was an individual. An employee would have to file a form with his or her employer stating whether or not the employee claimed status as a qualified taxpayer. If the employee claimed qualified taxpayer status, the employer would have to forward a copy of the form to the city.

MCL 141.652 et al.

Legislative Analyst: S. Margules

FISCAL IMPACT

Please see FISCAL IMPACT on House Bill 5190.

Date Completed: 12-4-96

Fiscal Analyst: J. Wortley

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