

SENATE BILL NO. 421

March 10, 1999, Introduced by Senators JAYE and SHUGARS and referred to the Committee on Finance.

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 to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 CHAPTER 1

2 Sec. 3. (1) The governing body of a city, by a lawfully
3 adopted ordinance that incorporates by reference the uniform city
4 income tax ordinance set forth in chapter 2, may levy, assess,
5 and collect an excise tax on income as provided in the
6 ordinance. The ordinance shall state the rate of the tax which
7 shall be the rate authorized by ~~1 of the following: (a) The~~
8 THE uniform city income tax ordinance under section 11 of chapter
9 2.

~~(b) Subsection (2).~~

~~(c) Section 3a, 3b, or 3c of this chapter.~~

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

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

~~(b) Beginning July 1, 1999 and each July 1 after 1999, the maximum tax rate under this subsection on resident individuals shall be reduced by 0.1 until the rate on resident individuals is 2.0%. The tax rate imposed on nonresident individuals shall be 50% of the tax rate imposed on resident individuals each year.~~

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

~~(a) Funds have been withdrawn from the city's budget stabilization fund for 2 or more consecutive city fiscal years or there is a balance of zero in the city's budget stabilization fund.~~

~~(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~~
4 ~~to the most recent statistics available from the Michigan jobs~~
5 ~~commission.~~

6 ~~(4) If the state administrative board certifies within 60~~
7 ~~days 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 adminis-~~
10 ~~trative board's certification until the July 1 following the~~
11 ~~expiration of 1 year after the state administrative board's cer-~~
12 ~~tification unless the city applies for certification that the~~
13 ~~conditions continue to exist. Before the expiration of the cer-~~
14 ~~tification, 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~~
18 ~~state administrative board's certification that the conditions~~
19 ~~continue to exist. The city may continue to apply for certifica-~~
20 ~~tion until the conditions under subsection (3) no longer exist.~~

21 ~~(5) Notwithstanding any other provision of this section, if~~
22 ~~on July 1 the maximum tax rate on resident individuals is reduced~~
23 ~~under subsection (2) after a year or years in which the maximum~~
24 ~~tax 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~~
27 ~~rate on nonresident individuals shall be 50% of the rate imposed~~

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

4 (2) ~~-(6)-~~ The governing body of a city may adopt the uniform
5 city income tax ordinance with the alternative sections as set
6 forth in chapter 3 instead of the similarly numbered sections as
7 set forth in chapter 2. The uniform city income tax ordinance
8 may be lawfully adopted or rescinded by the governing body at any
9 time. The adoption of an ordinance is effective on and after
10 January 1 or July 1 following adoption of the ordinance, as spec-
11 ified in the ordinance, but an ordinance shall not become effec-
12 tive earlier than 45 days after adoption or until approved by the
13 electors if a referendum petition is filed as authorized in this
14 act or a referendum is otherwise required. The rescission of an
15 ordinance shall become effective on the following December 31.
16 The ordinance may be rescinded at any time by the governing body
17 in the same manner in which it was adopted and with appropriate
18 enforcement, collection, and refund provisions with respect to
19 liabilities incurred prior to the effective date of the rescis-
20 sion of the ordinance. The ordinance shall not be amended except
21 as provided by the legislature. ~~-A-~~ AFTER THE EFFECTIVE DATE OF
22 THE AMENDATORY ACT THAT REPEALED SECTIONS 3A, 3B, AND 3C, A city
23 ~~may~~ SHALL amend the ordinance to change the tax rate to ~~-a-~~ THE
24 TAX rate authorized by this act IF THE TAX RATE IN THE ORDINANCE
25 IS GREATER THAN THE TAX RATE AUTHORIZED BY THIS ACT, AND MAY
26 AMEND THE ORDINANCE TO CHANGE THE TAX RATE TO A TAX RATE LESS
27 THAN THE MAXIMUM TAX RATE AUTHORIZED BY THIS ACT.

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

1 measured by income. Notwithstanding any other provision of this
2 act, if an ordinance becomes effective on any date other than
3 January 1, each tax year shall end on December 31, and the provi-
4 sions of the ordinance based on a full tax year are modified
5 accordingly to be applicable to the partial tax year.

6 (4) ~~-(8)-~~ The city shall annualize the rates under this sec-
7 tion as necessary.

8 ~~-(9) As used in this section:~~

9 ~~(a) "Consumer price index" means the Detroit consumer price~~
10 ~~index for all urban consumers as defined and reported by the~~
11 ~~United States department of labor, bureau of labor statistics,~~
12 ~~and as certified by the state treasurer.~~

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

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

1 ~~(d) "Statewide tax base growth rate" means the total taxable~~
2 ~~value of real property and personal property in the state for the~~
3 ~~most recent year for which the data is available divided by the~~
4 ~~total taxable value of real property and personal property in the~~
5 ~~state for the second year immediately preceding the most recent~~
6 ~~year for which the data is available.~~

7 Enacting section 1. Sections 3a, 3b, and 3c of chapter 1 of
8 the city income tax act, 1964 PA 284, MCL 141.503a, 141.503b, and
9 141.503c, are repealed.