

HOUSE BILL No. 4031

January 25, 2001, Introduced by Reps. Richner and Cassis and referred to the Committee on Tax Policy.

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.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 1

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

(a) ~~The~~ FOR ALL CITIES EXCEPT CITIES WITH A POPULATION OF
MORE THAN 750,000, THE uniform city income tax ordinance under
section 11 of chapter 2.

1 (b) ~~Subsection~~ FOR A CITY WITH A POPULATION OF MORE THAN
2 750,000, SUBSECTION (2).

3 (c) ~~Section~~ FOR ALL CITIES EXCEPT CITIES WITH A POPULATION
4 OF MORE THAN 750,000, SECTION 3a, 3b, or 3c of this chapter.

5 (2) Except as otherwise provided in subsections (3), (4),
6 and (5), in a city with a population of more than 750,000, the
7 governing body may levy and collect a tax at a rate to be deter-
8 mined from time to time, that rate to be not more than 2% on cor-
9 porations and the following maximum tax rates on resident indi-
10 viduals and nonresident individuals for the following years:

11 (a) Before July 1, 1999, 3.00% on resident individuals and
12 1.50% on nonresident individuals.

13 (b) Beginning July 1, 1999 and each July 1 after 1999, the
14 maximum tax rate under this subsection on resident individuals
15 shall be reduced by 0.1 until the rate on resident individuals is
16 2.0%. The tax rate imposed on nonresident individuals shall be
17 50% of the tax rate imposed on resident individuals each year
18 UNTIL JUNE 30, 2008.

19 (c) BEGINNING JULY 1, 2009, A CITY WITH A POPULATION OF MORE
20 THAN 750,000 SHALL NOT LEVY AND COLLECT A TAX UNDER THIS ACT ON
21 NONRESIDENT INDIVIDUALS.

22 (3) If any 3 of the following conditions exist in a city
23 with a population of 750,000 or more, the city may apply to the
24 state administrative board for certification that those condi-
25 tions exist and the maximum tax rate under subsection (2)(b)
26 shall not be further reduced as provided in subsections (4) and
27 (5):

1 (a) Funds have been withdrawn from the city's budget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

5 (b) The city's income tax revenue growth rate is 0.95 or
6 less.

7 (c) The local tax base growth rate is 80% or less of the
8 statewide tax base growth rate.

9 (d) The city's unemployment rate is 10% or higher according
10 to the most recent statistics available from the Michigan jobs
11 commission.

12 (4) If the state administrative board certifies within 60
13 days of application that any 3 of the conditions set forth under
14 subsection (3) are met, the maximum tax rate under subsection (2)
15 shall not be further reduced from the date of the state adminis-
16 trative board's certification until the July 1 following the
17 expiration of 1 year after the state administrative board's cer-
18 tification unless the city applies for certification that the
19 conditions continue to exist. Before the expiration of the cer-
20 tification, the city may apply to the state administrative board
21 to certify that the conditions continue to exist and if the state
22 administrative board so certifies, the certification may continue
23 until the July 1 following the expiration of 1 year after the
24 state administrative board's certification that the conditions
25 continue to exist. The city may continue to apply for certifica-
26 tion until the conditions under subsection (3) no longer exist.

1 (5) Notwithstanding any other provision of this section, if
2 on July 1 the maximum tax rate on resident individuals is reduced
3 under subsection (2) after a year or years in which the maximum
4 tax rate was not reduced because of subsections (3) and (4), the
5 maximum tax rate on resident individuals shall be the maximum tax
6 rate in effect on June 30 of that year reduced by 0.1 and the
7 rate on nonresident individuals shall be 50% of the rate imposed
8 on resident individuals UNTIL JUNE 30, 2008. On each subsequent
9 July 1, subsection (2) applies to the maximum tax rates, subject
10 to subsections (3) and (4).

11 (6) The governing body of a city may adopt the uniform city
12 income tax ordinance with the alternative sections as set forth
13 in chapter 3 instead of the similarly numbered sections as set
14 forth in chapter 2. The uniform city income tax ordinance may be
15 lawfully adopted or rescinded by the governing body at any time.
16 The adoption of an ordinance is effective on and after January 1
17 or July 1 following adoption of the ordinance, as specified in
18 the ordinance, but an ordinance shall not become effective ear-
19 lier than 45 days after adoption or until approved by the elec-
20 tors if a referendum petition is filed as authorized in this act
21 or a referendum is otherwise required. The rescission of an
22 ordinance shall become effective on the following December 31.
23 The ordinance may be rescinded at any time by the governing body
24 in the same manner in which it was adopted and with appropriate
25 enforcement, collection, and refund provisions with respect to
26 liabilities incurred prior to the effective date of the
27 rescission of the ordinance. The ordinance shall not be amended

1 except as provided by the legislature. A city may amend the
2 ordinance to change the tax rate to a rate authorized by this
3 act.

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

1 ordinance if petitions for a referendum are filed, are not
2 applicable to a city that on January 1, 1964 had in effect a
3 valid ordinance levying and imposing an excise tax levied on or
4 measured by income. Notwithstanding any other provision of this
5 act, if an ordinance becomes effective on any date other than
6 January 1, each tax year shall end on December 31, and the provi-
7 sions of the ordinance based on a full tax year are modified
8 accordingly to be applicable to the partial tax year.

9 (8) The city shall annualize the rates under this section as
10 necessary.

11 (9) As used in this section:

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

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

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

1 taxable value of real property and personal property in the city
2 for the second year immediately preceding the most recent year
3 for which the data is available.

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