Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4737 (Substitute S-1 as reported)
Sponsor: Representative George Cushingberry, Jr.
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the City Utility Users Tax Act to delete the requirement that the tax rate be lowered when more than $45.0 million in revenue is collected; and require a city to spend all of the revenue generated by the tax to hire and retain police officers.

Under the Act, the governing body of a city with a population of 750,000 or more (Detroit) may levy a tax on utility users of up to 5%. The Act requires the first $45.0 million of revenue generated from the tax to be used exclusively to retain or hire police officers. If the amount of revenue collected in a fiscal year exceeds $45.0 million and if the amount of excess funds collected equals or exceeds 5% of $45.0 million, the rate of the tax imposed for the following fiscal year must be lowered in decrements of one-fourth of 1% for each full 5% collected over $45.0 million. Also, the amount collected in excess of $45.0 million must be used exclusively to hire and retain additional police officers over the level of police officers employed November 1, 1984. The bill would delete these requirements.

Under the bill, the revenue generated from the city utility tax would have to be placed directly in the budget of the police department of the city and used exclusively to retain or hire police officers (officers, investigators, or sergeants.)

MCL 141.1152 Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill would affect only the City of Detroit. The bill essentially would have no impact if the city were to employ more police officers than were employed on November 1, 1984. The bill would have an impact only if the number of police officers employed by the city were to fall below the November 1, 1984, level and the tax were to generate more than $47.25 million ($45.0 million plus 5% of that amount). Under those circumstances, the bill would prevent the mandatory tax rate reduction and thus prevent the associated reduction of revenue to the city. Under current law, if the revenue under the tax were to total $49.5 million, 10% above the $45.0 million limit, and the city were required to lower the tax rate, then the tax rate would be lowered from 5% to 4.5% and the tax would generate approximately $40.5 million in the next fiscal year, a $9.0 million reduction. The bill would prevent such a reduction.

This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 10-7-05 Fiscal Analyst: David Zin