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BILL ANALYSIS

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House Bill 4120 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative Joan Bauer

House Committee: Tax Policy

Senate Committee: Finance

### **CONTENT**

The bill would amend the City Income Tax Act to authorize a city to amend its income tax ordinance to allow one or more check-offs on an annual city income tax return.

If a city adopted an ordinance to create a check-off fund, the ordinance would have to state the tax years to which it would apply as well as the specific charitable or public safety purposes for which the money designated by taxpayers to the check-off fund would be used.

The bill specifies that a city that had included one or more check-offs on its annual return form before January 1, 2007, would be considered to have complied with this bill. For each year the contribution designations remained in effect, those check-offs would be considered ratified, binding, and enforceable as if the amendment to the city ordinance were adopted according to the bill.

The bill is tie-barred with Senate Bill 53, which would amend the Act to specify the content of the city ordinance.

Proposed MCL 141.510

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

The bill would have no effect on State revenue or expenditures. The bill would have a likely negligible effect on local unit revenue and expenses. Of 1,775 local units, only 22 cities levy a city income tax and could potentially be affected by the bill; other local units would not be affected. To the extent that the bill resulted in increased contributions, the bill could increase local unit revenue in the affected cities. Similarly, to the extent that the bill reduced the number of refund checks a local unit must process, the bill would decrease local unit expenses. Under current law, taxpayers already may make contributions to a city and/or indicate that any refund be carried forward to reduce future liability. As a result, any change resulting from the bill is expected to be negligible.

Date Completed: 3-15-07

Fiscal Analyst: David Zin