

SUBSTITUTE FOR
HOUSE BILL NO. 5105

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:

1

CHAPTER 1

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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:

1 (a) The uniform city income tax ordinance under section 11 of
2 chapter 2.

3 (b) Subsection (2).

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

5 (2) ~~Except as otherwise provided in subsections (3), (4), and~~
6 ~~(5), in~~ **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
8 determined from time to time, that rate to be not more than 2% on
9 corporations and the following maximum tax rates on resident
10 individuals 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 **UNTIL**
14 **JUNE 30, 2007**, the maximum tax rate under this subsection on
15 resident individuals shall be reduced by 0.1 until the rate on
16 resident individuals is 2.0%. The tax rate imposed on nonresident
17 individuals shall be 50% of the tax rate imposed on resident
18 individuals each year.

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

24 ~~—— (a) Funds have been withdrawn from the city's budget~~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

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

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

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

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

(C) BEGINNING JULY 1, 2007, A RATE OF NOT MORE THAN THE MAXIMUM RATE THAT WAS APPROVED BY A MAJORITY OF THE QUALIFIED ELECTORS VOTING ON THE QUESTION ON JUNE 23, 1981 ON RESIDENT INDIVIDUALS. THE TAX RATE IMPOSED ON NONRESIDENT INDIVIDUALS SHALL BE 50% OF THE TAX RATE IMPOSED ON RESIDENT INDIVIDUALS EACH YEAR.

(3) ~~(6)~~—The governing body of a city may adopt the uniform city income tax ordinance with the alternative sections as set forth in chapter 3 instead of the similarly numbered sections as set forth in chapter 2. The uniform city income tax ordinance may be lawfully adopted or rescinded by the governing body at any time. The adoption of an ordinance is effective on and after January 1 or July 1 following adoption of the ordinance, as specified in the ordinance, but an ordinance shall not become effective earlier than 45 days after adoption or until approved by the electors if a referendum petition is filed as authorized in this act or a referendum is otherwise required. The rescission of an ordinance shall become effective on the following December 31. The ordinance may be rescinded at any time by the governing body in the same manner in which it was adopted and with appropriate enforcement, collection, and refund provisions with respect to liabilities incurred prior to the effective date of the rescission of the ordinance. The ordinance shall not be amended except as provided by the legislature. A city may amend the ordinance to change the tax rate to a rate authorized by this act.

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

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

5 ~~—— (8) The city shall annualize the rates under this section as~~
6 ~~necessary.~~

7 ~~—— (9) As used in this section:~~

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

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

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

27 ~~—— (d) "Statewide tax base growth rate" means the total taxable~~

1 ~~value of real property and personal property in the state for the~~
2 ~~most recent year for which the data is available divided by the~~
3 ~~total taxable value of real property and personal property in the~~
4 ~~state for the second year immediately preceding the most recent~~
5 ~~year for which the data is available.~~