

Legislative Analysis



PROHIBITION OF CITY EXCISE TAX ON NONRESIDENTS

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House Bill 4513 as introduced
Sponsor: Rep. Pamela Hornberger
Committee: Tax Policy
Complete to 6-8-21

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4513 would amend the City Income Tax Act to prohibit cities from imposing an excise tax on income on individuals who are not residents of that city. It would also make complementary changes throughout the act, including prohibiting employers from withholding the amount of that tax from nonresident employees' compensation.

All eligible residents of Michigan are subject to federal and state income taxes. Twenty-four Michigan cities (listed below) also tax the income of corporations and those who live in the city at one rate and those who work in the city but live elsewhere at half that rate. The bill would remove the ability to impose a city income tax on nonresidents.

MCL 141.502a et seq.

BACKGROUND:

For 2020, the following Michigan cities levy an income tax of 1% on residents and 0.5% on nonresidents:¹

- | | | |
|-----------------|-------------|--------------------|
| • Albion | • Hamtramck | • Muskegon Heights |
| • Battle Creek | • Hudson | • Pontiac |
| • Benton Harbor | • Ionia | • Port Huron |
| • Big Rapids | • Jackson | • Portland |
| • East Lansing | • Lansing | • Springfield |
| • Flint | • Lapeer | • Walker |
| • Grayling | • Muskegon | |

The following cities levy an income tax at different rates:

City	Residents	Nonresidents
Detroit	2.4%	1.2%
Grand Rapids	1.5%	0.75%
Highland Park	2%	1%
Saginaw	1.5%	0.75%

¹ Michigan Department of Treasury: https://www.michigan.gov/taxes/0,4676,7-238-75545_43715-153955--,00.html

FISCAL IMPACT:

Based on TY 2019 city income tax returns, exempting nonresidents would reduce total city income tax collections in excess of \$200 million.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.