

SFA

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

• (517) 373-5383

Senate Bill 800

Sponsor: Senator John F. Kelly

Committee: Finance

Date Completed: 2-20-90

RECEIVED

MAR 26 1990

SUMMARY OF SENATE BILL 800 as introduced 2-13-90:

Mich. State Law Library

The bill would create a new act to repeal the City Utility Users Tax Act (which allows Detroit to collect a tax on utility users), allow the city to retain revenue from the tax under certain conditions, ratify the collection of the tax through February 2, 1990, and provide a statement of legislative intent regarding the City Utility Users Tax Act.

Detroit has levied a tax on all utility bills within the city since 1970, under authority granted to it by the City Utility Users Tax Act. (The Act limits imposition of the tax to cities with 1 million or more population.) The Act contains a provision for its expiration on June 30, 1988. The city continued to collect the tax based on an Attorney General Opinion (No. 6438, May 21, 1987), however, which found that the expiration dates in several acts (including the City Utility Users Tax Act) were invalid because they were not referred to in the Act's titles. On February 2, 1990, a Wayne County circuit judge ruled that the Act had in fact expired on June 30, 1988, and that the city had improperly collected the tax since that date.

S.B. 800 (2-20-90)

The bill would ratify all actions taken by the city relative to the imposition, collection, and enforcement of City Utility Users Tax Act from July 1, 1988, through February 2, 1990. The bill provides that the city could not retain the revenue from the tax, however, unless: 1) the revenues were used only for the retention or hiring of certified law enforcement officers, and; 2) the city maintained employment of law enforcement officers through June 30, 1991, in a number at least as great as the number of officers employed on December 31, 1989.

The bill would repeal the City Utility Users Tax Act (Public Act 198 of 1970), and provide the following statement:

The legislature's original intent in including an expiration provision in Act No. 198 of the Public Acts of 1970 was that this act be repealed. This section is included in this act to assure that the legislature's intent is effectuated regardless of any decision in the matter of Ace Tex Corp v Detroit, opinion granting in part and denying in part plaintiff's motion for summary disposition in the circuit court for the county of Wayne, decided February 2, 1990 (Case No. 88-807858-NZ) or in any subsequent appeals of that decision.

Legislative Analyst: G. Towne

FISCAL IMPACT

The passage of Senate Bill 800 would allow the City of Detroit to retain city utility users taxes collected during the period June 30, 1988, and February 2, 1990. The tax would then expire on February 2, 1990. Passage of the bill would allow the City of Detroit to avoid refunding to taxpayers the approximately \$126.4 million of utility users taxes collected during the July 1, 1988, through February 2, 1990 period. The estimated annual revenue loss to the City of Detroit from not extending the tax permanently is approximately \$58.7 million.

Fiscal Analyst: G. Olson

S8990\S800SA

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

LEGISLATIVE
ANALYSES

MICHIGAN
SENATE BILLS
NOS. 801 - 1142
SENATE JOINT RESOLUTIONS

1989 - 90

Please note: The State Law Library collection does not contain
analyses for all bills.