

**SUBSTITUTE FOR
HOUSE BILL NO. 5391**

A bill to amend 1964 PA 284, entitled
"City income tax act,"
by amending sections 3 and 3c of chapter 1 (MCL 141.503 and
141.503c), section 3 of chapter 1 as amended and section 3c of
chapter 1 as added by 1988 PA 520.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1

CHAPTER 1

2

Sec. 3. (1) The governing body of a city, by a lawfully

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adopted ordinance that incorporates by reference the uniform city

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income tax ordinance set forth in chapter 2, may levy, assess,

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and collect an excise tax on income as provided in the

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ordinance. The ordinance shall state the rate of the tax which

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shall be the rate authorized by 1 of the following:

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(a) The uniform city income tax ordinance under section 11

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of chapter 2.

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1 (b) Subsection (2).

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

3 (2) ~~In~~ EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IN a
4 city with a population of more than ~~1,000,000~~ 750,000, the gov-
5 erning body may levy and collect a tax at a rate to be determined
6 from time to time, that rate to be not more than 2% on corpora-
7 tions ~~, not more than 3% on resident individuals, and not more~~
8 ~~than 1-1/2% on nonresident individuals but not to exceed 1/2 of~~
9 ~~the tax rate imposed on resident individuals.~~ AND THE FOLLOWING
10 RATES ON RESIDENT INDIVIDUALS AND NONRESIDENT INDIVIDUALS FOR THE
11 FOLLOWING YEARS:

12 (A) FOR TAX YEARS THAT BEGIN BEFORE JULY 1, 1999, 3.00% ON
13 RESIDENT INDIVIDUALS AND 1.50% ON NONRESIDENT INDIVIDUALS BUT NOT
14 TO EXCEED 50% OF THE TAX RATE IMPOSED ON RESIDENT INDIVIDUALS.

15 (B) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 1999 AND BEFORE
16 JULY 1, 2000, 2.90% ON RESIDENT INDIVIDUALS AND 1.45% ON NONRESI-
17 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
18 RESIDENT INDIVIDUALS.

19 (C) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2000 AND BEFORE
20 JULY 1, 2001, 2.80% ON RESIDENT INDIVIDUALS AND 1.40% ON NONRESI-
21 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
22 RESIDENT INDIVIDUALS.

23 (D) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2001 AND BEFORE
24 JULY 1, 2002, 2.70% ON RESIDENT INDIVIDUALS AND 1.35% ON NONRESI-
25 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
26 RESIDENT INDIVIDUALS.

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1 (E) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2002 AND BEFORE
2 JULY 1, 2003, 2.60% ON RESIDENT INDIVIDUALS AND 1.30% ON
3 NONRESIDENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE
4 IMPOSED ON RESIDENT INDIVIDUALS.

5 (F) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2003 AND BEFORE
6 JULY 1, 2004, 2.50% ON RESIDENT INDIVIDUALS AND 1.25% ON NONRESI-
7 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
8 RESIDENT INDIVIDUALS.

9 (G) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2004 AND BEFORE
10 JULY 1, 2005, 2.40% ON RESIDENT INDIVIDUALS AND 1.20% ON NONRESI-
11 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
12 RESIDENT INDIVIDUALS.

13 (H) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2005 AND BEFORE
14 JULY 1, 2006, 2.30% ON RESIDENT INDIVIDUALS AND 1.15% ON NONRESI-
15 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
16 RESIDENT INDIVIDUALS.

17 (I) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2006 AND BEFORE
18 JULY 1, 2007, 2.20% ON RESIDENT INDIVIDUALS AND 1.10% ON NONRESI-
19 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
20 RESIDENT INDIVIDUALS.

21 (J) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2007 AND BEFORE
22 JULY 1, 2008, 2.10% ON RESIDENT INDIVIDUALS AND 1.05% ON NONRESI-
23 DENT INDIVIDUALS BUT NOT TO EXCEED 50% OF THE TAX RATE IMPOSED ON
24 RESIDENT INDIVIDUALS.

25 (K) FOR TAX YEARS THAT BEGIN AFTER JUNE 30, 2008, 2.00% ON
26 RESIDENT INDIVIDUALS AND 1.00% ON NONRESIDENT INDIVIDUALS BUT NOT
27 TO EXCEED 50% OF THE TAX RATE IMPOSED ON RESIDENT INDIVIDUALS.

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1 (3) IF ANY 3 OF THE FOLLOWING CONDITIONS EXIST IN A CITY
2 WITH A POPULATION OF 750,000 OR MORE, THE CITY MAY APPLY TO THE
3 STATE ADMINISTRATIVE BOARD FOR CERTIFICATION THAT THOSE CONDI-
4 TIONS EXIST AND THE RATE REDUCTION UNDER SUBSECTION (2)(B) TO (K)
5 SHALL BE SUSPENDED AS PROVIDED IN SUBSECTION (4):

6 (A) FUNDS HAVE BEEN WITHDRAWN FROM THE CITY'S BUDGET STABI-
7 LIZATION FUND FOR 2 OR MORE CONSECUTIVE CITY FISCAL YEARS OR
8 THERE IS A BALANCE OF ZERO IN THE CITY'S BUDGET STABILIZATION
9 FUND.

10 (B) THE CITY'S INCOME TAX REVENUE GROWTH RATE IS 0.95 OR
11 LESS.

12 (C) THE LOCAL TAX BASE GROWTH IS 0.8 OR LESS OF THE STATE-
13 WIDE TAX BASE GROWTH RATE.

14 (D) THE CITY'S UNEMPLOYMENT RATE IS 10% OR HIGHER ACCORDING
15 TO THE MOST RECENT STATISTICS AVAILABLE FROM THE MICHIGAN JOBS
16 COMMISSION.

17 (4) IF THE STATE ADMINISTRATIVE BOARD CERTIFIED THAT THE
18 CONDITIONS UNDER SUBSECTION (3) ARE MET, THE RATE REDUCTION UNDER
19 SUBSECTION (2) IS SUSPENDED FROM THE DATE OF THE STATE ADMINIS-
20 TRATIVE BOARD'S CERTIFICATION UNTIL THE JULY 1 FOLLOWING THE
21 EXPIRATION OF 1 YEAR AFTER THE STATE ADMINISTRATIVE BOARD'S CER-
22 TIFICATION UNLESS THE CITY APPLIES FOR CERTIFICATION THAT THE
23 CONDITIONS STILL EXIST. EACH YEAR THE CITY MAY APPLY TO THE
24 STATE ADMINISTRATIVE BOARD TO CERTIFY THAT THE CONDITIONS CON-
25 TINUE TO EXIST AND IF THE STATE ADMINISTRATIVE BOARD SO CERTI-
26 FIES, THE CERTIFICATION MAY CONTINUE UNTIL THE JULY 1 FOLLOWING
27 THE EXPIRATION OF 1 YEAR AFTER THE STATE ADMINISTRATIVE BOARD'S

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1 CERTIFICATION. THIS CERTIFICATION PROCESS MAY CONTINUE EACH YEAR
2 UNTIL THE CONDITIONS NO LONGER EXIST.

3 (5) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, IF
4 THE RATE REDUCTION UNDER SUBSECTION (2) IS SUSPENDED UNDER SUB-
5 SECTION (3), THE RATE FOR THE YEAR IN WHICH THE RATE REDUCTION IS
6 AGAIN IN EFFECT IS THE RATE FOR THE YEAR IMMEDIATELY AFTER THE
7 YEAR IN WHICH THE RATE REDUCTION WAS SUSPENDED.

8 (6) ~~(3)~~ The governing body of a city may adopt the uniform
9 city income tax ordinance with the alternative sections as set
10 forth in chapter 3 instead of the similarly numbered sections as
11 set forth in chapter 2. The uniform city income tax ordinance
12 may be lawfully adopted or rescinded by the governing body at any
13 time. The adoption of an ordinance is effective on and after
14 January 1 or July 1 following adoption of the ordinance, as spec-
15 ified in the ordinance, but an ordinance shall not become effec-
16 tive earlier than 45 days after adoption or until approved by the
17 electors if a referendum petition is filed as authorized in this
18 act or a referendum is otherwise required. The rescission of an
19 ordinance shall become effective on the following December 31.
20 The ordinance may be rescinded at any time by the governing body
21 in the same manner in which it was adopted and with appropriate
22 enforcement, collection, and refund provisions with respect to
23 liabilities incurred prior to the effective date of ~~its~~ THE
24 rescission OF THE ORDINANCE. The ordinance shall not be amended
25 except as provided by the legislature. A city may amend the
26 ordinance to change the tax rate to a rate authorized by this
27 act.

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

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

6 ~~-(5) For cities with a population of more than 1,000,000, an~~
7 ~~amendment to the ordinance to increase the rate of tax levied~~
8 ~~above that in effect for the 1980 tax year shall become effective~~
9 ~~on and after the first day of the month in which all of the fol-~~
10 ~~lowing conditions prevail or, if all the following conditions~~
11 ~~prevail on or before August 15, 1981, the amendment to the ordi-~~
12 ~~nance shall become effective July 1, 1981:~~

13 ~~(a) The increase in the rate of the tax has been approved by~~
14 ~~a majority of the qualified electors voting on the question.~~

15 ~~(b) A commitment exists to purchase bonds or other obliga-~~
16 ~~tions of the city, in principal amount not to exceed~~
17 ~~\$125,000,000.00, under the fiscal stabilization act, Act No. 80~~
18 ~~of the Public Acts of 1981, being sections 141.1001 to 141.1011~~
19 ~~of the Michigan Compiled Laws, and employee wage and salary~~
20 ~~agreements and concessions have been secured or implemented,~~
21 ~~which in combination with the revenues from the tax rate autho-~~
22 ~~rized by the amendment to the ordinance result in a condition~~
23 ~~whereby, for the city's fiscal year beginning July 1, 1981, the~~
24 ~~total estimated expenditures, including an accrued deficit in the~~
25 ~~budget, do not exceed the total estimated revenues, including any~~
26 ~~available unappropriated surplus.~~

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1 ~~(c) The conditions provided in subdivisions (a) and (b) have~~
2 ~~been attested to in writing by the state administrative board for~~
3 ~~the fiscal year beginning July 1, 1981.~~

4 ~~(6) For cities with a population of 1,000,000 or more,~~
5 ~~unless the state administrative board attests by June 15, 1982~~
6 ~~that, for the city's fiscal year beginning July 1, 1982, the~~
7 ~~total estimated expenditures, including an accrued deficit in the~~
8 ~~budget, do not exceed the total estimated revenues, including any~~
9 ~~available unappropriated surplus, an increase in the rate above~~
10 ~~that in effect for the 1980 tax year shall not be levied after~~
11 ~~June 30, 1982.~~

12 (8) THE CITY SHALL ANNUALIZE THE RATES PROVIDED IN SUBSEC-
13 TION (2) AS NECESSARY FOR TAX YEARS THAT END AFTER JUNE 30, 1999.

14 (9) AS USED IN THIS SECTION:

15 (A) "CONSUMER PRICE INDEX" MEANS THE UNITED STATES CONSUMER
16 PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY
17 THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATIS-
18 TICS, AND AS CERTIFIED BY THE STATE TREASURER.

19 (B) "INCOME TAX REVENUE GROWTH RATE" MEANS A NUMBER THE
20 NUMERATOR OF WHICH IS THE INCOME TAX COLLECTIONS OF THE CITY FOR
21 THE CITY FISCAL YEAR IMMEDIATELY PRECEDING THE CITY'S APPLICATION
22 UNDER SUBSECTION (3) AND THE DENOMINATOR OF WHICH IS THE PRODUCT
23 OF THE INCOME TAX COLLECTIONS OF THE CITY FOR THE CITY FISCAL
24 YEAR IMMEDIATELY PRECEDING THE CITY FISCAL YEAR USED TO DETERMINE
25 THE NUMERATOR MULTIPLIED BY 1 PLUS THE CORRESPONDING PERCENTAGE
26 CHANGE IN THE CONSUMER PRICE INDEX FOR THE SAME PERIOD.

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1 [(C) "LOCAL TAX BASE GROWTH RATE" MEANS THE TOTAL TAXABLE
2 VALUE OF REAL PROPERTY AND PERSONAL PROPERTY IN THE CITY FOR THE
3 MOST RECENT YEAR FOR WHICH DATA IS AVAILABLE DIVIDED BY THE TOTAL
4 TAXABLE VALUE OF REAL PROPERTY AND PERSONAL PROPERTY IN THE CITY
5 FOR THE SECOND YEAR IMMEDIATELY PRECEDING THE MOST RECENT YEAR
6 FOR WHICH THE DATA IS AVAILABLE.

7 (D) "STATEWIDE TAX BASE GROWTH RATE" MEANS THE TOTAL TAXABLE
8 VALUE OF REAL PROPERTY AND PERSONAL PROPERTY IN THE STATE FOR THE
9 MOST RECENT YEAR FOR WHICH THE DATA IS AVAILABLE DIVIDED BY THE
10 TOTAL TAXABLE VALUE OF REAL PROPERTY AND PERSONAL PROPERTY IN THE
11 STATE FOR THE SECOND YEAR IMMEDIATELY PRECEDING THE MOST RECENT YEAR
12 FOR WHICH THE DATA IS AVAILABLE.

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14]

15 Sec. 3c. A city that levied the tax authorized by this act
16 before ~~the effective date of this section~~ MARCH 30, 1989 may
17 amend the ordinance to increase the rate to an annual tax of not
18 more than 1-1/2% on corporations and resident individuals and not
19 more than 3/4% on nonresident individuals, but not more than 1/2
20 of the tax rate imposed on resident individuals. An amendment to
21 the city income tax ordinance under this section is not effective
22 unless the amendment is approved by a majority of the qualified
23 electors voting on the question. Before November 10, 1989, an
24 amendment under this section shall not be placed before the
25 voters for approval more than once in any 12-month period. This
26 section applies only to a city with a population of more than
27 140,000 and less than ~~1,000,000~~ 750,000 or a city with a

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1 population of more than 65,000 and less than 100,000 in a county
2 with a population less than 300,000.

3 Enacting section 1. This amendatory act does not take
4 effect unless House Bill No. 5989 of the 89th Legislature is
5 enacted into law.