

Fiscal Analysis

City of Detroit; income tax rate change



Bill/Sponsor **HOUSE BILL 4658 H-2**, Rep. Marsha G. Cheeks

House Committee Local Government and Urban Policy

Analysis **Summary**

House Bill (HB) 4658 (H-2) would amend the city income tax act to change the resident rate to 2.6% from January 1, 2004 through December 31, 2004, and would change the resident rate to 2.5% from January 1, 2005 through June 30, 2005, for the City of Detroit. Beginning July 1, 2005, the resident rate would be reduced by 0.1 percentage points each year, from the previous fiscal year (amendment needed to clarify intent), until the rate reached 1.8%. The non-resident rate is half of the resident rate.

Fiscal Impact

The following table shows the current law income tax rates and the rates under HB 4658 (H-2) on fiscal year (FY) basis for the City of Detroit (July-June). In addition, the table shows the fiscal impact of HB 4658 (H-2), which would increase the City of Detroit income tax revenue by an estimated \$5.7 million in FY 2003-04, \$17.6 million in FY 2004-05, and \$18.2 million in FY 2005-06.

Estimated Fiscal Impact of HB 4658 (H-2) millions of dollars					
	Current Law Rates		HB 4658 Rates		Fiscal
FY	Resident	Non-Resident	Resident	Non-Resident	Impact
2003-04	2.50%	1.25%	2.55%	1.275%	\$5.7
2004-05	2.40%	1.20%	2.55%	1.275%	\$17.6
2005-06	2.30%	1.15%	2.45%	1.225%	\$18.2

Analyst(s)
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