

**SUBSTITUTE FOR  
HOUSE BILL NO. 4658**

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

2 Sec. 3. (1) The governing body of a city, by a lawfully  
3 adopted ordinance that incorporates by reference the uniform city  
4 income tax ordinance set forth in chapter 2, may levy, assess,  
5 and collect an excise tax on income as provided in the  
6 ordinance. The ordinance shall state the rate of the tax which  
7 shall be the rate authorized by 1 of the following:

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

10 (b) Subsection (2).

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

2 (2) Except as otherwise provided in subsections (3), (4), and  
3 (5), in a city with a population of more than 750,000, the  
4 governing body may levy and collect a tax at a rate to be  
5 determined from time to time, that rate to be not more than 2% on  
6 corporations and the following maximum tax rates on resident  
7 individuals and nonresident individuals for the following years:

8 (a) Before July 1, 1999, 3.00% on resident individuals and  
9 1.50% on nonresident individuals.

10 (b) ~~Beginning~~ **Except as otherwise provided in**  
11 **subdivision (c), beginning** July 1, 1999 and each July 1 after  
12 1999, the maximum tax rate under this subsection on resident  
13 individuals shall be reduced by 0.1 until the rate on resident  
14 individuals is ~~2.0%~~ **1.8%**. The tax rate imposed on nonresident  
15 individuals shall be 50% of the tax rate imposed on resident  
16 individuals. ~~each year.~~

17 **(c) For the 12-month period beginning January 1, 2004 only,**  
18 **the rate on resident individuals that was in effect on January 1,**  
19 **2003. The rate shall not be reduced under this subsection on**  
20 **July 1, 2004. Beginning January 1, 2005 and through June 30,**  
21 **2005, the rate that was in effect July 1, 2003.**

22 (3) If any ~~3~~ **2** of the following conditions exist in a city  
23 with a population of 750,000 or more, the city may apply to the  
24 state administrative board for certification that those  
25 conditions exist and the maximum tax rate under subsection (2)(b)  
26 shall not be further reduced as provided in subsections (4) and  
27 (5):

1 (a) Funds have been withdrawn from the city's budget  
2 stabilization fund for 2 or more consecutive city fiscal years or  
3 there is a balance of zero in the city's budget stabilization  
4 fund.

5 (b) The city's income tax revenue growth rate is 0.95 or  
6 less.

7 (c) The local tax base growth rate is 80% or less of the  
8 statewide tax base growth rate.

9 (d) The city's unemployment rate is 10% or higher according  
10 to the most recent statistics available from the Michigan jobs  
11 commission.

12 (4) If the state administrative board certifies within 60  
13 days of application that any ~~3~~ 2 of the conditions set forth  
14 under subsection (3) are met, the maximum tax rate under  
15 subsection (2) shall not be further reduced from the date of the  
16 state administrative board's certification until the July 1  
17 following the expiration of 1 year after the state administrative  
18 board's certification unless the city applies for certification  
19 that the conditions continue to exist. Before the expiration of  
20 the certification, the city may apply to the state administrative  
21 board to certify that the conditions continue to exist and if the  
22 state administrative board so certifies, the certification may  
23 continue until the July 1 following the expiration of 1 year  
24 after the state administrative board's certification that the  
25 conditions continue to exist. The city may continue to apply for  
26 certification until the conditions under subsection (3) no longer  
27 exist.

1           (5) Notwithstanding any other provision of this section, if  
2 on July 1 the maximum tax rate on resident individuals is reduced  
3 under subsection (2) after a year or years in which the maximum  
4 tax rate was not reduced because of subsections (3) and (4), the  
5 maximum tax rate on resident individuals shall be the maximum tax  
6 rate in effect on June 30 of that year reduced by 0.1 and the  
7 rate on nonresident individuals shall be 50% of the rate imposed  
8 on resident individuals. On each subsequent July 1, subsection  
9 (2) applies to the maximum tax rates, subject to subsections (3)  
10 and (4).

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

1 except as provided by the legislature. A city may amend the  
2 ordinance to change the tax rate to a rate authorized by this  
3 act.

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

1 delaying the effective date of the ordinance if petitions for a  
2 referendum are filed, are not applicable to a city that on  
3 January 1, 1964 had in effect a valid ordinance levying and  
4 imposing an excise tax levied on or measured by income.  
5 Notwithstanding any other provision of this act, if an ordinance  
6 becomes effective on any date other than January 1, each tax year  
7 shall end on December 31, and the provisions of the ordinance  
8 based on a full tax year are modified accordingly to be  
9 applicable to the partial tax year.

10 (8) The city shall annualize the rates under this section as  
11 necessary.

12 (9) As used in this section:

13 (a) "Consumer price index" means the Detroit consumer price  
14 index for all urban consumers as defined and reported by the  
15 United States department of labor, bureau of labor statistics,  
16 and as certified by the state treasurer.

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

26 (c) "Local tax base growth rate" means the total taxable  
27 value of real property and personal property in the city for the

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

5 (d) "Statewide tax base growth rate" means the total taxable  
6 value of real property and personal property in the state for the  
7 most recent year for which the data ~~is~~ **are** available divided by  
8 the total taxable value of real property and personal property in  
9 the state for the second year immediately preceding the most  
10 recent year for which the data ~~is~~ **are** available.