

HOUSE BILL No. 4658

May 7, 2003, Introduced by Reps. Cheeks, Tobocman, Smith, Waters, Reeves, Stallworth, McConico, Hunter, Daniels and Hardman and referred to the Committee on Local Government and Urban Policy.

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:

CHAPTER 1

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

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

(b) Subsection (2).

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

27 (a) Funds have been withdrawn from the city's budget

1 stabilization fund for 2 or more consecutive city fiscal years or
2 there is a balance of zero in the city's budget stabilization
3 fund.

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

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

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

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

27 (5) Notwithstanding any other provision of this section, if

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

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

1 ordinance to change the tax rate to a rate authorized by this
2 act.

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

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

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

11 (9) As used in this section:

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

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

25 (c) "Local tax base growth rate" means the total taxable
26 value of real property and personal property in the city for the
27 most recent year for which data ~~is~~ **are** available divided by the

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

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