

HOUSE BILL No. 5574

April 26, 2012, Introduced by Reps. Nathan and Townsend and referred to the Committee on Tax Policy.

A bill to amend 1964 PA 284, entitled "City income tax act," by amending section 51 of chapter 2 (MCL 141.651), as amended by 1982 PA 124, and by adding section 51a to chapter 2.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 2

Sec. 51. (1) An employer doing business or maintaining an establishment within the city shall withhold from each payment to the employer's employees on and after the effective date of this ordinance the tax on their compensation subject to the tax, after giving effect to exemptions, as follows:

(a) Residents.

(i) At a rate equal to the rate set by ordinance to be levied against resident individuals under this ordinance, but not to exceed 3%, of all compensation paid to the employee who is a

1 resident of the city, if the employee is not subject to withholding
2 in any other city levying the tax.

3 (ii) At a rate equal to the difference in the percentage rate
4 of tax on resident individuals as set by ordinance to be levied
5 under this ordinance less the percentage rate of tax levied by any
6 other city in which the employee works, on all compensation earned
7 by the resident in another city.

8 (b) Nonresidents. At a rate equal to the rate set by ordinance
9 to be levied under this ordinance on nonresidents but not to exceed
10 50% of the percentage rate imposed on resident individuals of the
11 compensation paid to the employee for work done or services
12 performed in the city designated by the employee as the employee's
13 predominant place of employment. The withholding rate shall be
14 applied to the percentage of the employee's total compensation
15 equal to the employee's estimated percentage of work to be done or
16 services to be performed in the city for that employer, but no
17 withholding shall be required if the estimated percentage of work
18 is less than 25%.

19 (2) BEGINNING JANUARY 1, 2013, AN EMPLOYER LOCATED IN THIS
20 STATE THAT DOES NOT DO BUSINESS OR MAINTAIN AN ESTABLISHMENT WITHIN
21 A CITY IMPOSING A TAX UNDER A UNIFORM CITY INCOME TAX ORDINANCE BUT
22 HAS AN EMPLOYEE WHO IS A RESIDENT OF A CITY THAT IMPOSES A TAX
23 UNDER A UNIFORM CITY INCOME TAX ORDINANCE SHALL WITHHOLD FROM EACH
24 PAYMENT TO THOSE EMPLOYEES ON THEIR COMPENSATION SUBJECT TO THE
25 TAX, AFTER GIVING EFFECT TO EXEMPTIONS, AT A RATE EQUAL TO THE RATE
26 SET BY THAT ORDINANCE TO BE LEVIED AGAINST RESIDENT INDIVIDUALS
27 UNDER THE ORDINANCE, BUT NOT TO EXCEED 3%, OF ALL COMPENSATION PAID

1 TO THE EMPLOYEE.

2 (3) ~~(2)~~—An employer withholding the tax is deemed to hold the
3 tax as a trustee for the city.

4 (4) ~~(3)~~—An employer who is required to withhold and who fails
5 or refuses to deduct and withhold is liable for the payment of the
6 amount required to be withheld. The liability shall be discharged
7 upon payment of the tax by the employee but the employer is not
8 relieved of penalties and interest provided in this ordinance for
9 this failure or refusal.

10 SEC. 51A. BEGINNING JANUARY 1, 2013, EVERY EMPLOYER IN THIS
11 STATE SHALL REQUIRE EACH EMPLOYEE TO COMPLETE THE WITHHOLDING
12 CERTIFICATE DESCRIBED IN SECTION 54.