

# Legislative Analysis

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## DETROIT CITY INCOME TAX

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### Senate Bill 970

**Sponsor: Sen. Bert Johnson**

**House Committee: Tax Policy**

**Senate Committee: Government Operations**

**Complete to 12-13-12**

### A SUMMARY OF SENATE BILL 970 AS PASSED BY THE SENATE

The bill would amend the City Income Tax Act to do the following:

**\*\*Set Detroit city income tax rates on individuals at 2.4% for residents and 1.2% for nonresidents as of January 1, 2013 and each year thereafter.**

**\*\* Lower the rates to 2.2% on residents and 1.1% on non-residents on January 1 of the year immediately succeeding the year that the debt issued by a lighting authority has been fully paid.**

**\*\* Dedicate an amount equal to 0.2% of the tax on residents and 0.1% of the nonresident tax to the city police budget until the lighting authority debt is fully paid and revenues levied under the City Utility Users Tax were no longer pledged to the lighting authority.**

Senate Bill 970 is tie-barred to (1) House Bill 5688, which would allow the City of Detroit to incorporate a lighting authority for the purpose of acquiring, owning, improving, constructing, operating, or maintaining a lighting system and providing lighting services; and (2) House Bill 5705, which would amend the City Utility Users Tax to direct \$12.5 million annually to the lighting authority (if created), which could be used to support bonds. The City Utility Users Tax levies up to 5% on certain utility services with the revenue to be used to hire or retain police officers.

### FISCAL IMPACT:

Because the tax rates specified in the bill would simply maintain the current rates, overall city income tax revenue would not be expected to change. Using FY 2011 Detroit city income tax collections as a base, approximately \$15.0 million to \$20.0 million would be earmarked to retain or hire police officers.

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