

HOUSE BILL No. 4829

August 18, 2015, Introduced by Rep. Pscholka and referred to the Committee on Tax Policy.

A bill to amend 1964 PA 284, entitled "City income tax act," by amending sections 6 and 9 of chapter 1 and section 51 of chapter 2 (MCL 141.506, 141.509, and 141.651), section 9 of chapter 1 as added by 1996 PA 478 and section 51 of chapter 2 as amended by 1982 PA 124.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 1

Sec. 6. ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE** uniform city income tax ordinance does not apply to a person or corporation as to whom or which it is beyond the power of the city to impose the tax ~~therein~~ **provided for IN THIS ACT. AN EMPLOYER LOCATED IN THIS STATE THAT HAS AN EMPLOYEE WHO IS A RESIDENT OF A CITY THAT HAS A POPULATION OF MORE THAN 600,000 AND THAT IMPOSES A CITY INCOME TAX PURSUANT TO THIS ACT IS SUBJECT TO THAT CITY'S**

1 WITHHOLDING PROVISIONS FOR THAT EMPLOYEE EVEN IF THE EMPLOYER IS
2 NOT DOING BUSINESS IN THAT CITY OR DOES NOT MAINTAIN AN
3 ESTABLISHMENT IN THAT CITY. HOWEVER, IF THAT EMPLOYER PAID
4 \$500,000.00 OR LESS IN TOTAL WAGES IN THE IMMEDIATELY PRECEDING
5 CALENDAR YEAR AND HAS FEWER THAN 10 EMPLOYEES, THAT EMPLOYER IS NOT
6 REQUIRED TO WITHHOLD TAXES FROM THAT EMPLOYEE PURSUANT TO THE
7 CITY'S WITHHOLDING REQUIREMENTS.

8 Sec. 9. (1) For the 1996 tax year and each year after 1996, a
9 city that imposes a city income tax pursuant to this act may enter
10 into an agreement with the department of treasury under which the
11 department of treasury shall administer, enforce, and collect the
12 city income tax on behalf of the city.

13 (2) City income taxes, interest, penalties, and collection
14 fees collected under an agreement entered into pursuant to
15 subsection (1) shall be kept in the city income tax trust fund and
16 shall be paid to the city, except that an amount of the taxes
17 collected as determined in the agreement may be retained by the
18 department of treasury to cover the cost of collection and
19 administration and that amount shall be deposited into the state
20 general fund. The department of treasury shall not charge to or
21 collect from a taxpayer any amount not otherwise authorized by law
22 in conjunction with the collection of city income tax pursuant to
23 an agreement entered into pursuant to this section.

24 (3) If the city enters into an agreement under subsection (1),
25 the agreement shall include provisions that relate to all of the
26 following:

27 (a) The development of and distribution of forms required by

1 the agreement and the ordinance under chapter 2.

2 (b) The processing of all payments.

3 (c) Enforcement procedures.

4 (d) Administrative and legal costs.

5 (e) Data exchange.

6 (f) Transfer and payment of funds.

7 (g) Termination of the agreement by either party.

8 (h) Any additional provisions as appropriate.

9 (4) IF THE CITY ENTERS INTO AN AGREEMENT UNDER SUBSECTION (1),
 10 THE DEPARTMENT SHALL ADMINISTER, ENFORCE, AND COLLECT THE CITY
 11 INCOME TAX ON BEHALF OF THE CITY PURSUANT TO 1941 PA 122, MCL 205.1
 12 TO 205.31. IF THE PROVISIONS OF 1941 PA 122, MCL 205.1 TO 205.31,
 13 AND THIS ACT OR ANY ORDINANCE OF THE CITY CONFLICT, THIS SUBSECTION
 14 APPLIES AND THE DEPARTMENT SHALL ADMINISTER THE TAX PURSUANT TO
 15 1941 PA 122, MCL 205.1 TO 205.31.

16 CHAPTER 2

17 Sec. 51. (1) An employer doing business or maintaining an
 18 establishment within the city shall withhold from each payment to
 19 the employer's employees on and after the effective date of this
 20 ordinance, **AND AN EMPLOYER REQUIRED TO WITHHOLD UNDER SECTION 6 OF**
 21 **CHAPTER 1 SHALL WITHHOLD FROM EACH PAYMENT TO THE EMPLOYER'S**
 22 **EMPLOYEES WHO ARE RESIDENTS OF A CITY WITH A POPULATION OF MORE**
 23 **THAN 600,000 ON AND AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT**
 24 **THAT ADDED THIS LANGUAGE,** the tax on their compensation subject to
 25 ~~the~~ tax, after giving effect to exemptions, as follows:

26 (a) Residents.

27 (i) At a rate equal to the rate set by ordinance to be levied

1 against resident individuals under this ordinance, but not to
2 exceed 3%, of all compensation paid to the employee who is a
3 resident of the city, if the employee is not subject to withholding
4 in any other city levying the tax.

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

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

21 (2) An employer withholding the tax is deemed to hold the tax
22 as a trustee for the city.

23 (3) An employer who is required to withhold and who fails or
24 refuses to deduct and withhold is liable for the payment of the
25 amount required to be withheld. The liability shall be discharged
26 upon payment of the tax by the employee but the employer is not
27 relieved of penalties and interest provided in this ordinance for

1 this failure or refusal.