

CITY INCOME TAX ACT (EXCERPT)
Act 284 of 1964
Chapter 1
GENERAL PROVISIONS

141.501 City income tax act; short title.

Sec. 1.

This act shall be known and may be cited as the "city income tax act".

History: 1964, Act 284, Imd. Eff. June 12, 1964

141.502 Income tax; prohibited to villages; uniform city income tax ordinance; prior ordinance.

Sec. 2.

No village shall impose and collect any excise tax levied on or measured by income after January 1, 1964. Except as otherwise provided in this section, no city shall impose an excise tax levied on or measured by income until the lawful adoption by the city of the entire uniform city income tax ordinance as hereinafter set forth. No city shall impose and collect such an excise tax prior to January 1, 1965, except that a city which on January 1, 1964 had in effect a valid ordinance levying and imposing such an excise tax may continue to levy and impose the tax under such ordinance until the uniform city income tax ordinance becomes effective in such city, but in no case shall such ordinance or any other income tax ordinance, in effect in such city prior to the effective date of the uniform city income tax ordinance, continue in effect later than December 31, 1964. The enforcement, collection and refund provisions with respect to liabilities incurred under such prior income tax ordinance shall continue in effect for the period provided for in such prior ordinance.

History: 1964, Act 284, Imd. Eff. June 12, 1964

141.502a Imposition of excise tax; condition.

Sec. 2a.

Beginning January 1, 1995, a city shall not impose an excise tax on income under this act unless at least 1 of the following applies:

- (a) The city had in effect on January 1, 1995 an excise tax on income under this act.
- (b) The imposition of an excise tax on income under this act is approved by the qualified and registered electors of the city.

History: Add. 1995, Act 234, Imd. Eff. Dec. 19, 1995

141.503 Excise tax on income; levy, assessment, and collection; rates; deposit of amount by city forming lighting authority into city's police department budget; adoption, rescission, or amendment of uniform city income tax ordinance; petitions for referendum election; submitting question to city electors; election procedures; effective date of ordinance; delay; applicability; end of tax year.

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

(2) In a city with a population of more than 600,000, the governing body may levy and collect a tax at a rate to be determined from time to time, that rate to be not more than 2% on corporations and the following maximum tax rates on resident individuals and nonresident individuals for the following years:

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

(b) Beginning July 1, 1999 and each July 1 after 1999 through July 1, 2012, except for 2008 and 2009, the maximum tax rate under this subsection on resident individuals shall be reduced by 0.1 until the rate on resident individuals is 2.0%. The tax rate imposed on nonresident individuals shall be 50% of the tax rate imposed on resident individuals each year.

(c) Notwithstanding any other provision of this section, for the 2008 and 2009 calendar years, the city shall impose the same tax rate on resident individuals and nonresident individuals as the city had imposed for the 2007 calendar year.

(d) Except as otherwise provided under subdivision (e), beginning January 1, 2013 and each year after 2013, a rate of not more than 2.40% on resident individuals and 1.20% on nonresident individuals.

(e) Beginning January 1 of the year immediately succeeding the year that all bonds, obligations, and other evidence of indebtedness issued by a lighting authority have been fully paid and each year thereafter, a rate of not more than 2.20% on resident individuals and 1.10% on nonresident individuals.

(3) Notwithstanding any other provision of law or any ordinance of the city to the contrary, a city that forms a lighting authority shall deposit an amount equal to the sum of the revenue collected from 0.2% of the rate levied on resident individuals pursuant to subsection (2)(d) and 0.1% of the rate levied on nonresident individuals pursuant to subsection (2)(d) directly into the budget of the city's police department and use it exclusively to retain or hire police officers. The transfer and use of the revenue as provided under this subsection shall continue until all bonds, obligations, or other evidence of indebtedness issued by a lighting authority have been fully paid and revenue is no longer being pledged from taxes levied under the city utility users tax act, 1990 PA 100, MCL 141.1151 to 141.1177, to the lighting authority. As used in this subsection, "lighting authority" means a lighting authority incorporated under the municipal lighting authority act.

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

(5) Petitions for a referendum election on the question of adopting an ordinance adopted by the governing body may be filed with the city clerk not later than the sixth Monday following the adoption of the ordinance. The petitions shall be signed by a number of registered electors of the city equal to at least 10%, but not more than 20%, of the registered electors of the city voting in the last general municipal election prior to the adoption of the ordinance by the governing body. If proper petitions are filed, the question of adopting the ordinance shall be submitted by the governing body to the city electors at the next primary or general election or at a special election called for the purpose, in any case held not less than 45 days nor more than 90 days after the clerk has reported the filing of the referendum petition to the city's governing body. The checking of names on the petitions, the counting, canvassing, and return of the votes on the question, and other procedures for the election shall be as provided by law or charter. Upon a favorable vote of the city electors, the ordinance shall be effective as specified in the ordinance which may be amended by the governing body of the city following the election to specify July 1 or January 1 as the effective date of the ordinance, if the effective date originally specified in the ordinance is considered impractical or inconvenient for any reason. The provisions in this section for a referendum election, and for delaying the effective date of the ordinance if petitions for a referendum are filed, are not applicable to a city that on January 1, 1964 had in effect a valid ordinance levying and imposing an excise tax levied on or measured by income. Notwithstanding any other provision of this act, if an ordinance becomes effective on any date other than January 1, each tax year shall end on December 31, and the provisions of the ordinance based on a full tax year are modified accordingly to be applicable to the partial tax year.

History: 1964, Act 284, Imd. Eff. June 12, 1964 ;-- Am. 1967, Act 260, Eff. Nov. 2, 1967 ;-- Am. 1968, Act 307, Imd. Eff. July 1, 1968 ;-- Am. 1969, Act 42, Imd. Eff. July 17, 1969 ;-- Am. 1970, Act 149, Imd. Eff. Aug. 1, 1970 ;-- Am. 1981, Act 60, Imd. Eff. June 5, 1981 ;-- Am. 1987, Act 223, Imd. Eff. Dec. 28, 1987 ;-- Am. 1988, Act 520, Eff. Mar. 30, 1989 ;-- Am. 1998, Act 500, Eff. Jan. 12, 1999 ;-- Am. 2007, Act 209, Imd. Eff. Dec. 27, 2007 ;-- Am. 2011, Act 56, Imd. Eff. June 10, 2011 ;-- Am. 2012, Act 394, Imd. Eff. Dec. 19, 2012

141.503a Specific rates to be levied by city; establishment; limitations; increase in tax rate; approval; resolution; financial management consultant; duties; monitoring and reporting; termination of consultant services; recommendations of local emergency financial assistance loan board.

Sec. 3a.

(1) The specific rates to be levied by a city on corporations, resident individuals, and nonresident individuals shall be established within the applicable limitations allowed under this section and section 3 of this chapter in the ordinance which otherwise incorporates by reference the uniform city income tax ordinance set forth in chapter 2.

(2) The governing body of a city with a population of less than 1,000,000 persons may levy, assess, and collect an excise tax on income earned and received at a rate of not more than 2% on corporations, not more than 2% on resident individuals, and not more than 50% of the rate imposed on resident individuals on nonresident individuals if approved by a majority of the qualified electors of the city voting thereon before November 15, 1988, and if all of the following occurred in the calendar year immediately preceding the calendar year in which the increased rates allowed by this subsection initially would apply:

(a) The city levied more than 22 mills for city purposes and for payment of judgments ordered by a court of competent jurisdiction.

(b) More than 65 mills were levied in the city for all purposes.

(c) The city levied a tax pursuant to this act.

(3) Any increase in the tax rate permitted by this section shall not become effective until the governing body of the city, by resolution, provides for securing the services of a financial management consultant. The financial management consultant shall be selected by the mayor with the approval of the local emergency financial assistance loan board created under Act No. 243 of the Public Acts of 1980, as amended, being sections 141.931 to 141.942 of the Michigan Compiled Laws. The resolution shall further provide that the financial management consultant shall be paid from city funds. The duties of the financial management consultant shall be to monitor the fiscal condition of the city, to report the findings of this monitoring to the local governing body, the mayor, and the local emergency financial assistance loan board, and to provide financial management technical assistance to the city. The local emergency financial assistance loan board shall determine the form of monitoring and the frequency of reporting. The financial management consultant shall have full access to all fiscal and other records of the city. The services of a financial management consultant may be terminated subject to the approval of the local emergency financial assistance loan board at such time as improvement in the financial condition of the city warrants this action. The local emergency financial assistance loan board may make recommendations to the legislature that will assist in the attainment of further fiscal improvement for the city.

History: Add. 1982, Act 124, Imd. Eff. Apr. 19, 1982 ;-- Am. 1984, Act 137, Imd. Eff. June 1, 1984 ;-- Am. 1987, Act 223, Imd. Eff. Dec. 28, 1987

141.503b Amending ordinance to increase tax; duration of increase; approval of amendment; applicability of section.

Sec. 3b.

A city that levied the tax authorized by this act before the effective date of this section may amend the ordinance to increase the rate to an annual tax of not more than 1.4% on corporations and resident individuals and not more than 0.7% on nonresident individuals. The increase in the tax authorized by this section shall be levied for not longer than 13 years as provided in the ballot proposal submitted to the electors. An amendment to the city income tax ordinance under this section is not effective unless the amendment is approved before July 1, 1988 by a majority vote of the registered and qualified electors of that city voting on the proposition. This section applies only to a city that has a population of more than 50,000 and that, within 6 years before the approval of the amendment

authorized by this section, annexes to the city an area containing more than 20 square miles.

History: Add. 1987, Act 223, Imd. Eff. Dec. 28, 1987

141.503c Amendment to city income tax ordinance.

Sec. 3c.

A city that levied the tax authorized by this act before March 30, 1989 may amend the ordinance to increase the rate to an annual tax of not more than 1-1/2% on corporations and resident individuals and not more than 3/4% on nonresident individuals, but not more than 1/2 of the tax rate imposed on resident individuals. An amendment to the city income tax ordinance under this section is not effective unless the amendment is approved by a majority of the qualified electors voting on the question. Before November 10, 1989, an amendment under this section shall not be placed before the voters for approval more than once in any 12-month period. This section applies only to a city with a population of more than 140,000 and less than 600,000 or a city with a population of more than 65,000 and less than 100,000 in a county with a population less than 300,000.

History: Add. 1988, Act 520, Eff. Mar. 30, 1989 ;-- Am. 1998, Act 500, Eff. Jan. 12, 1999 ;-- Am. 2011, Act 56, Imd. Eff. June 10, 2011

141.503d Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.

Sec. 3d.

A petition under section 3, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

History: Add. 1998, Act 156, Eff. Mar. 23, 1999

141.504 Rules governing form and manner of appeal from final determination; time for appeal; hearing; evidence; notice of hearing; order; copy of order and opinion.

Sec. 4.

The state commissioner of revenue shall promulgate uniform rules pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws, governing the form and manner of appeal from a final determination by a city affecting a taxpayer, employee, or other person and purporting to be made under or in administration of the uniform city income tax ordinance. The rules shall provide at least 30 days after notice of a final assessment, denial of claim for refund, special ruling, or rule of the city, in which the appeal may be filed. The rules shall provide to the taxpayer, employer, other person, or an authorized representative of the person and to the city an opportunity to present evidence and to examine witnesses relating to the matter under appeal. The hearing shall be held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the hearing shall be given in the manner required by Act No. 267 of the Public Acts of 1976. Promptly after completion of the hearing, the commissioner shall affirm, reverse, or modify by written order the action of the city which is the subject matter of the appeal, and shall furnish a copy of the order and opinion to the appellant and to the authorized official of the city.

History: 1964, Act 284, Imd. Eff. June 12, 1964 ;-- Am. 1977, Act 175, Imd. Eff. Nov. 17, 1977

141.505 Right of appeal from decision or order; establishment of city income tax trust fund; payment of recoveries as result of appeal; compliance with final order.

Sec. 5.

(1) A person liable for the tax imposed by the ordinance set forth in and adopted pursuant to this act, a city that imposes a tax pursuant to the ordinance set forth in and adopted pursuant to this act or the department has the right of appeal from a decision or order made under this act as set forth in chapter 2.

(2) The city income tax trust fund is established in the department of treasury and all of the following apply to the fund:

(a) The state is prohibited from borrowing from the fund.

(b) The interest earned on the money in the fund shall remain in the fund.

(c) After an agreement entered into pursuant to section 9 is terminated, any liabilities that relate to that agreement shall be paid from the fund and if there are insufficient funds to pay those liabilities, the city that entered into the agreement shall be responsible for paying those liabilities.

(3) If a taxpayer or employer, as the result of an appeal under this act, is found entitled to recover any sum paid, the taxpayer or employer shall be paid from the general fund of the city except that if the city has entered into an agreement pursuant to section 9, the amount to be paid shall be paid by the state from the city income tax trust fund established in subsection (2). Only recoveries based on taxes payable for a tax year for which a city has entered into an agreement under section 9 shall be paid by the state from the city income tax trust fund. The city or the department shall promptly and uniformly comply with a final order upon appeal.

History: 1964, Act 284, Imd. Eff. June 12, 1964 ;-- Am. 1996, Act 478, Eff. Jan. 1, 1997

141.505d Charge or collection of city income tax by department of treasury; limitation.

Sec. 5d.

The department of treasury shall not charge to or collect from a taxpayer any amount not otherwise authorized by law in conjunction with the collection of city income tax imposed under this act.

History: Add. 1996, Act 478, Eff. Jan. 1, 1997

141.506 Uniform city income tax ordinance; application; voluntary registration to withhold.

Sec. 6.

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 provided for in this act. However, an employer located in this state that does not do business in or maintain an establishment in a city that has entered into an agreement with the department pursuant to section 9 of this chapter may voluntarily register to withhold taxes on compensation of certain employees in accordance with this act. If an employer voluntarily registers to withhold taxes pursuant to this section, the employer is required to withhold taxes from all employees who are residents of that city and to comply with sections 51 through 61 of chapter 2 and the alternative provisions of chapter 3. An employee who is a resident of that city is not permitted to opt out of the withholding requirements voluntarily imposed by his or her employer pursuant to this section.

History: 1964, Act 284, Imd. Eff. June 12, 1964 ;-- Am. 2018, Act 456, Imd. Eff. Dec. 21, 2018 ;-- Am. 2023, Act 195, Eff. Feb. 13, 2024

141.507 Uniform city income tax ordinance; form.

Sec. 7.

The uniform city income tax ordinance is as set forth in chapter 2.

History: 1964, Act 284, Imd. Eff. June 12, 1964

141.508 Imposition of city income tax within renaissance zone; amendment of city income tax ordinance.

Sec. 8.

If a city or any part of a city that imposes a city income tax pursuant to this act is within the boundaries of a renaissance zone designated pursuant to the Michigan renaissance zone act, Act No. 376 of the Public Acts of 1996 , being sections 125.2681 to 125.2696 of the Michigan Compiled Laws, the city shall amend its city income tax ordinance to include section 35 of chapter 2. As used in this section, "renaissance zone" means that term as defined in Act No. 376 of the Public Acts of 1996.

History: Add. 1996, Act 442, Imd. Eff. Dec. 19, 1996

Compiler's Notes: Former MCL 141.508, which pertained to administering and collection of city income tax, was repealed by Act 149 of 1970, Imd. Eff. Aug. 1, 1970.

141.509 Administration, enforcement, and collection of city income tax by department of treasury; agreement; disposition of amounts collected; provisions.

Sec. 9.

(1) A city that imposes a city income tax pursuant to this act may enter into an agreement with the department of treasury under which the department of treasury shall administer, enforce, and collect the city income tax on behalf of the city.

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

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

- (a) The development of and distribution of forms required by the agreement and the ordinance under chapter 2.
- (b) The processing of all payments.
- (c) Enforcement procedures.
- (d) Administrative and legal costs.
- (e) Data exchange.
- (f) Transfer and payment of funds.
- (g) Termination of the agreement by either party.
- (h) Any additional provisions as appropriate.

History: Add. 1996, Act 478, Eff. Jan. 1, 1996 ;-- Am. 2023, Act 195, Eff. Feb. 13, 2024