

# Legislative Analysis

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## **CITY INCOME TAX ENFORCEMENT; WITHHOLDING FOR DETROIT CITY TAX**

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4829 as introduced**  
**Sponsor: Rep. Al Pscholka**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4706 as introduced**  
**Sponsor: Rep. Wendell L. Byrd**  
**Committee: Tax Policy**  
**Complete to 8-18-15**

### **SUMMARY:**

House Bill 4829 would amend the City Income Tax Act (MCL 205.13) to require employers, regardless of where located in Michigan or where doing business in the state, to withhold city income taxes from the compensation of employees who are residents of the city of Detroit. However, this would not apply to employers who paid \$500,000 or less in total wages in the preceding calendar year and had fewer than 10 employees.

The bill also would specify that if a city entered into an agreement with the Department of Treasury for the department to administer, enforce, and collect its city income tax on its behalf, then the department would do so under provisions in the Revenue Act (Public Act 122 of 1941). If provisions in the Revenue Act conflicted with provisions in the City Income Tax Act or with a city ordinance, the department would administer the tax under the Revenue Act. (The City Income Tax already permits the Department of Treasury to enter into such agreements with cities that impose income taxes.)

Specifically, the withholding provision refers to "city that has a population of more than 600,000 and that imposes a city income tax." Only Detroit meets the criteria. The bill says that it applies to an employer "even if the employer is not doing business in that city or does not maintain an establishment in that city."

House Bill 4706 would amend the Revenue Act (MCL 141.506 et al.) to specify that the Department of Treasury is authorized to use the procedures of administration, audit, assessment, interest, penalty, and appeal provided in Sections 21 to 30 of the act for city income taxes collected under an agreement entered into with a city under the City Income Tax Act.

### **FISCAL IMPACT:**

As written, the bills would be expected to increase Detroit city income tax revenue to the extent that residents working outside the city do not file tax returns or submit quarterly estimated payments. However, without additional information it is not possible to determine a fiscal impact.

Legislative Analyst: Chris Couch  
Fiscal Analyst: Jim Stansell

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