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CITY UTILITY USERS TAX: POPULATION FIGURE

Senate Bill 1370 as passed by the Senate First Analysis (12-9-98)

Sponsor: Sen. Virgil Smith
House Committee: Tax Policy
Senate Committee: Finance (Discharged)

THE APPARENT PROBLEM:

Under the City Utility Users Tax Act, the city of Detroit is authorized to impose by ordinance a tax of up to five percent on the cost of intrastate telephone services, electrical energy and steam, and gas, when they are provided by a public utility or resale customer. The act requires the first \$45 million of revenue to be used exclusively to retain or hire police officers. Any amounts collected above that figure must be used exclusively to hire and retain additional police officers over the level of police officers employed on November 1, 1984. The city is allowed to levy this tax under a provision that refers "a city having a population of 1 million or more." Legislation has been introduced to reduce that figure to 750,000 to avoid complications should the city's population fall below the 1 million mark as determined by the next census.

THE CONTENT OF THE BILL:

The bill would amend the City Utility Users Tax Act to lower the population requirement for a city to adopt the tax from 1 million or more to 750,000 or more.

The bill is tie-barred to House Bill 5391, which would amend the City Income Tax act to reduce the city of Detroit's maximum income tax rate over ten years from 3 percent on residents and 1.5 percent on non-residents to 2 percent on residents and 1 percent on non-residents.

MCL 141.1152

BACKGROUND INFORMATION

The City Utility Users Tax Act was first enacted with the passage of Public Act 168 of 1972 and was re-enacted with the passage of Public Act 100 of 1990.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would simply ensure that Detroit's nearly 30-year-old city utility users tax would remain in place regardless of the results of the 2000 census. The tax raises revenue dedicated to funding vital police services. It is essential that the utility tax revenue not be lost to the city budget. This is one of a number of bills making this population adjustment.

Against:

This has long been a controversial tax. Critics charge it is a regressive tax on basic services in a city whose residents are already overtaxed. They say that there ought to be alternative ways to fund police services.

Response:

It should be noted that the bill is tie-barred to other proposed legislation that would gradually reduce the city's income tax. (The city income tax bill, moreover, is tied to proposed legislation establishing a new revenue sharing formula.)

POSITIONS:

There are no positions on the bill.

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.