

Legislative Analysis



DETROIT TAXES: POPULATION REQUIREMENT

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House Bill 4623

Sponsor: Rep. David Nathan

House Bill 4624

Sponsor: Rep. Harvey Santana

Committee: Tax Policy

Complete to 5-18-11

A SUMMARY OF HOUSE BILLS 4623 & 4624 AS INTRODUCED 5-10-11

Both bills would revise the population requirement in acts that allow the City of Detroit to levy certain taxes. The population requirement would be revised downward from 750,000 to 500,000.

House Bill 4623 would amend the City Income Tax Act (MCL 141.503 and 503c). Under this act, a city with a population of more than 750,000 may levy taxes at a rate higher than other cities. The bill would freeze in place the current maximum rates of 2.5% on resident individuals and 1.25% on nonresident individuals, as of July 1, 2011. The provisions in current law that anticipate the eventual reduction in rates to 2% and 1% would no longer apply as of July 1, 2011. The rate reductions have been suspended in recent years due to economic factors, as is permitted in the act. (When legislation to gradually reduce rates took effect in 1999, the maximum rates were 3% and 1.5%.)

House Bill 4624 would amend the City Utility Users Tax Act (MCL 141.1152), which authorizes the City of Detroit (as a city with a population of 750,000 or more) to levy a tax of up to 5% on the amount paid for intrastate telephone communication services, electrical energy, steam, and natural and artificial gas provided by a public utility or a resale customer. The revenue from the tax is to be used to hire or retain police officers.

FISCAL IMPACT:

Revenue from Detroit's city income tax in FY2010 totaled \$216.5 million. If the rate fell to the default rate of 1% on residents and 0.5% on nonresidents, annual revenue could be expected to decrease by over \$100 million.

Revenues from the City Utility Users Tax in Detroit totaled \$44.2 million in FY2010.

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