

Legislative Analysis



DETROIT TAXES: POPULATION REQUIREMENT

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

House Bill 4623 (Substitute H-2)
Sponsor: Rep. David Nathan

House Bill 4624 (Substitute H-2)
Sponsor: Rep. Harvey Santana
Committee: Tax Policy

Complete to 5-25-11

A SUMMARY OF HOUSE BILLS 4623 & 4624 AS REPORTED FROM COMMITTEE

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 600,000. In the most recent national census, Detroit's population fell below 750,000.

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 refer instead to a city with a population of more than 600,000. The current maximum city income tax rates for Detroit are 2.5% on resident individuals and 1.25% on nonresident individuals.

The provisions in current law that anticipate the eventual reduction in rates to 2% and 1% would continue to apply. 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. The bill would lower the population requirement so as to apply to a city with a population of 600,000 or more. The bill has an effective date of January 1, 2011, and says that its provisions are retroactive.

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.

POSITIONS:

Representatives of the City of Detroit testified in support of the city's being able to continue to levy these taxes. (5-18-11)

The Retired Detroit Police and Fire Fighters Association indicated support for the bills. (5-25-11)

DTE Energy indicated support for House Bill 4624.

The Department of Treasury indicated a position of neutrality on the bills to the House Tax Policy Committee. (5-18-11)

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ 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.