CITY OF ALBION

Resolution # 2016-64

RESOLUTION TO SUPPORT UNIVERSAL INCOME TAX WITHHOLDING

Whereas At the time of enacting the City Income Tax Act (Public Act 284 of 1964)(CITA), a substantial majority of residents worked within their own city limits; however, demographic and census data show a substantial majority of residents of income tax-levying cities now work outside their home city;

Whereas CITA does not require employers situated outside of income tax-levying cities to withhold local tax from the paychecks of their employees who live in those cities and remit said resources to the jurisdictions;

Whereas Withholding is the most effective mechanism for income tax payments. Data show the city income tax collection rate is about 98 percent among taxpayers who are subject to withholding. Federal and state agencies have similar experience data.

Whereas Employers can help their employees to pay taxes through their withholding. Residents working outside our respective municipalities often fail to file income tax returns because they cannot pay the lump sum tax owed at the end of the year; employees would benefit from their employer withholding directly so they do not become delinquent and incur added penalty and interest;

Whereas Nearly all leaders of the 22 Michigan cities that levy an income tax agree that employers with annual payrolls of over $500,000 and 10 or more employees should be required to withhold local income tax for employees residing in jurisdictions imposing a tax;

Whereas The proposed changes to state law would not raise income tax rates in any of the 22 cities with such a levy, but, rather, only seek to enhance overall collections and yield the locals’ payment for services from residents who used them;

Whereas The proposed amendment to CITA would provide millions in additional income tax money for cities to expend on basic city services, including policing and fire protection;

Whereas The Michigan Department of Treasury supports this public policy endeavor, as does the Michigan Municipal League; Now Therefore Be It

Resolved That the honorable City Council of the City of Albion respectfully asks the Michigan Legislature to pass SB1127 to help all income tax-levying cities augment their collection rates; Be It Further

Resolved That Governor Rick Snyder expeditiously approve said legislation once it is presented to him for his signature into law; and Be It Finally

Resolved That a copy of this resolution be sent to Governor Snyder; legislative caucus leaders; members of the House and Senate Local Government committees; members of the House
and Senate Government Operations, committees; members of the House Tax Policy Committee; and members of the Senate Finance Committee.

Council Member Barnes moved, supported by Council Member French, to approve the following resolution:

I hereby certify that the above resolution was adopted on November 7, 2016, in a regular session of the Albion City Council, and this is a true copy of that resolution.

Ayes 7
Nays 0
Absent 0

Jil Domingo, Clerk

November 7, 2016
Senate Bill 1127 (2016)

(Original Content Same As House Bill 4829)

Sponsor
Goeff Hansen
(click name to see bills sponsored by that person)

Categories
Individual income tax; city; Cities: income tax; Labor: hours and wages;

Individual income tax; city; reverse commuter withholding and administrative procedures for taxes administered by the state; require and revise. Amends secs. 6 & 9, ch. 1 & sec. 51, ch. 2 of 1964 PA 284 (MCL 141.506 et seq.).

Bill Documents
Bill Document Formatting Information
[X]
The following bill formatting applies to the 2015-2016 session:
- New language in an amendatory bill will be shown in **BOLD AND UPPERCASE**.
- Language to be removed will be strecen.
- Amendments made by the House will be blue with square brackets, such as: [House amended text].
- Amendments made by the Senate will be red with double greater/lesser than symbols, such as: < Senate amended text >.
(gray icons indicate that the action did not occur or that the document is not available)

Documents

- **Senate Introduced Bill**
  Introduced bills appear as they were introduced and reflect no subsequent amendments or changes.

- **As Passed by the Senate**
  As Passed by the Senate is the bill, as introduced, that includes any adopted Senate amendments.

- **As Passed by the House**
  As Passed by the House is the bill, as received from the Senate, that includes any adopted House amendments.

- **Senate Enrolled Bill**
  Enrolled bill is the version passed in identical form by both houses of the Legislature.

Bill Analysis

History
(House actions in lowercase, Senate actions in UPPERCASE)

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SENATE BILL No. 1127

October 20, 2016, Introduced by Senator HANSEN and referred to the Committee on Government Operations.

A bill to amend 1964 PA 284, entitled "City income tax act," by amending sections 6 and 9 of chapter 1 and section 51 of chapter 2 (MCL 141.506, 141.509, and 141.651), section 9 of chapter 1 as added by 1996 PA 478 and section 51 of chapter 2 as amended by 1982 PA 124.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 1

Sec. 6. The—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 therein provided for IN THIS ACT. AN EMPLOYER LOCATED IN THIS STATE THAT HAS AN EMPLOYEE WHO IS A RESIDENT OF A CITY THAT IMPOSES A CITY INCOME TAX PURSUANT TO THIS ACT IS SUBJECT TO THAT CITY'S WITHHOLDING PROVISIONS FOR THAT EMPLOYEE EVEN IF THE
EMPLOYER IS NOT DOING BUSINESS IN THAT CITY OR DOES NOT MAINTAIN AN
ESTABLISHMENT IN THAT CITY. HOWEVER, IF THAT EMPLOYER PAID
$500,000.00 OR LESS IN TOTAL WAGES IN THE IMMEDIATELY PRECEDING
CALENDAR YEAR AND HAS FEWER THAN 10 EMPLOYEES, THAT EMPLOYER IS NOT
REQUIRED TO WITHHOLD TAXES FROM THAT EMPLOYEE PURSUANT TO THE
CITY'S WITHHOLDING REQUIREMENTS.

Sec. 9. (1) For the 1996 tax year and each year after 1996, 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.

(4) IF THE CITY ENTERS INTO AN AGREEMENT UNDER SUBSECTION (1), THE DEPARTMENT SHALL ADMINISTER, ENFORCE, AND COLLECT THE CITY INCOME TAX ON BEHALF OF THE CITY PURSUANT TO 1941 PA 122, MCL 205.1 TO 205.31. IF THE PROVISIONS OF 1941 PA 122, MCL 205.1 TO 205.31, AND THIS ACT OR ANY ORDINANCE OF THE CITY CONFLICT, THIS SUBSECTION APPLIES AND THE DEPARTMENT SHALL ADMINISTER THE TAX PURSUANT TO 1941 PA 122, MCL 205.1 TO 205.31.

CHAPTER 2

Sec. 51. (1) An employer doing business or maintaining an establishment within the city shall withhold from each payment to the employer's employees on and after the effective date of this ordinance, AND AN EMPLOYER REQUIRED TO WITOLD UNDER SECTION 6 OF CHAPTER 1 SHALL WITOLD FROM EACH PAYMENT TO THE EMPLOYER'S EMPLOYEES WHO ARE RESIDENTS OF A CITY THAT IMPOSES A CITY INCOME TAX ON AND AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS LANGUAGE, the tax on their compensation subject to the tax, after giving effect to exemptions, as follows:

(a) Residents.

(i) At a rate equal to the rate set by ordinance to be levied against resident individuals under this ordinance, but not to
exceed 3%, of all compensation paid to the employee who is a
resident of the city, if the employee is not subject to withholding
in any other city levying the tax.

(ii) At a rate equal to the difference in the percentage rate
of tax on resident individuals as set by ordinance to be levied
under this ordinance less the percentage rate of tax levied by any
other city in which the employee works, on all compensation earned
by the resident in another city.

(b) Nonresidents. At a rate equal to the rate set by ordinance
to be levied under this ordinance on nonresidents but not to exceed
50% of the percentage rate imposed on resident individuals of the
compensation paid to the employee for work done or services
performed in the city designated by the employee as the employee's
predominant place of employment. The withholding rate shall be
applied to the percentage of the employee's total compensation
equal to the employee's estimated percentage of work to be done or
services to be performed in the city for that employer, but no
withholding shall be required if the estimated percentage of work
is less than 25%.

(2) An employer withholding the tax is deemed to hold the tax
as a trustee for the city.

(3) An employer who is required to withhold and who fails or
refuses to deduct and withhold is liable for the payment of the
amount required to be withheld. The liability shall be discharged
upon payment of the tax by the employee but the employer is not
relieved of penalties and interest provided in this ordinance for
this failure or refusal.