

HOUSE BILL No. 5704

July 16, 2014, Introduced by Rep. Hobbs and referred to the Committee on Tax Policy.

A bill to amend 1964 PA 284, entitled
"City income tax act,"
by amending sections 51 and 54 of chapter 2 (MCL 141.651 and
141.654), section 51 as amended by 1982 PA 124 and section 54 as
amended by 1996 PA 442.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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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 the tax on their compensation subject to the tax, after
giving effect to exemptions, as follows:

(a) Residents.

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

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

11 (b) Nonresidents. At a rate equal to the rate set by ordinance
12 to be levied under this ordinance on nonresidents but not to exceed
13 50% of the percentage rate imposed on resident individuals of the
14 compensation paid to the employee for work done or services
15 performed in the city designated by the employee as the employee's
16 predominant place of employment. The withholding rate shall be
17 applied to the percentage of the employee's total compensation
18 equal to the employee's estimated percentage of work to be done or
19 services to be performed in the city for that employer, but no
20 withholding shall be required if the estimated percentage of work
21 is less than 25%.

22 **(2) BEGINNING JANUARY 1, 2014, AN EMPLOYER LOCATED IN THIS**
23 **STATE THAT DOES NOT DO BUSINESS OR MAINTAIN AN ESTABLISHMENT WITHIN**
24 **A CITY IMPOSING A TAX UNDER A UNIFORM CITY INCOME TAX ORDINANCE BUT**
25 **HAS AN EMPLOYEE WHO IS A RESIDENT OF A CITY THAT IMPOSES A TAX**
26 **UNDER A UNIFORM CITY INCOME TAX ORDINANCE SHALL WITHHOLD THE TAX**
27 **FROM EACH PAYMENT TO THOSE EMPLOYEES ON THEIR COMPENSATION SUBJECT**

1 TO THE TAX, AFTER GIVING EFFECT TO EXEMPTIONS, AT A RATE EQUAL TO
2 THE RATE SET BY THAT ORDINANCE TO BE LEVIED AGAINST RESIDENT
3 INDIVIDUALS UNDER THE ORDINANCE, BUT NOT TO EXCEED 3%, OF ALL
4 COMPENSATION PAID TO THE EMPLOYEE.

5 (3) ~~(2)~~—An employer withholding the tax is deemed to hold the
6 tax as a trustee for the city.

7 (4) ~~(3)~~—An employer who is required to withhold and who fails
8 or refuses to deduct and withhold is liable for the payment of the
9 amount required to be withheld. The liability shall be discharged
10 upon payment of the tax by the employee but the employer is not
11 relieved of penalties and interest provided in this ordinance for
12 this failure or refusal.

13 Sec. 54. ~~An employee with compensation subject to tax shall~~
14 **BEGINNING JANUARY 1, 2014, EVERY EMPLOYER IN THIS STATE SHALL**
15 **REQUIRE EACH EMPLOYEE TO** file with his or her employer a form on
16 which the employee states the number of exemptions claimed, the
17 city of residence, the predominant place of employment, whether or
18 not the employee claims status as a qualified taxpayer of a
19 renaissance zone, and the percentage of work done or services
20 performed in the predominant place of employment. The percentage
21 shall be expressed as "less than 25%", "40%", "60%", "80%", or
22 "100%". The employer shall retain the form, rely on the information
23 on the form for withholding purposes unless directed by the city to
24 withhold on another basis, and, if the employee claims status as a
25 qualified taxpayer based on residency in a renaissance zone, the
26 employer shall forward a copy of the form to the city. If
27 information submitted by the employee is not believed to be true,

1 correct, and complete, the city shall be advised. As used in this
2 section, "Renaissance zone" means that term as defined in section
3 35.