

**CITY INCOME TAX ACT (EXCERPT)**  
**Act 284 of 1964**

CHAPTER 2  
UNIFORM CITY INCOME TAX ORDINANCE

**141.601 Uniform city income tax ordinance; short title.**

Sec. 1. This ordinance shall be known and may be cited as the “uniform city income tax ordinance”.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.602 Uniform city income tax ordinance; rules of construction, definitions.**

Sec. 2. For the purposes of this ordinance, the words, terms and phrases set forth in sections 3 to 9 and their derivations have the meaning given therein. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and in the singular number include the plural. “Shall” is always mandatory and not merely directory. “May” is always directory.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.603 Definitions; A to D.**

Sec. 3. (1) “Administrator” means the official designated by the city to administer this ordinance or the duly authorized agent or representative of that official but does not mean the department of treasury.

(2) “Business” means an enterprise, activity, profession, or undertaking of any nature conducted or ordinarily conducted for profit or gain by any person, including the operation of an unrelated business by a charitable, religious, or educational organization.

(3) “Capital gains” and “capital losses” mean those terms as defined for federal income tax purposes.

(4) “Department” means the department of treasury for tax years after the 1996 tax year for which a city has entered into an agreement with the department of treasury pursuant to section 9 of chapter 1. Department includes a duly authorized agent or representative of the department.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.604 Definitions; C.**

Sec. 4. (1) “City” means the city adopting the ordinance.

(2) “Compensation” means salary, pay or emolument given as compensation or wages for work done or services rendered, in cash or in kind, and includes but is not limited to the following: salaries, wages, bonuses, commissions, fees, tips, incentive payments, severance pay, vacation pay and sick pay.

(3) “Corporation” means a corporation or a joint stock association organized under the laws of the United States, this state, or any other state, territory, or foreign country or dependency.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.605 Definitions; D.**

Sec. 5. “Doing business” means the conduct of any activity with the object of gain or benefit, except that it does not include:

(a) The solicitation of orders by a person or his representative in the city for sales of tangible personal property, which orders are sent outside the city for approval or rejection and, if approved, are filled by shipment or delivery from a point outside the city.

(b) The solicitation of orders by a person or his representative in the city in the name of or for the benefit of a prospective customer of a person, if orders by the customer to such person to enable the customer to fill orders resulting from the solicitation are orders described in paragraph (a).

(c) The mere storage of personal property in the city in a warehouse neither owned nor leased by the taxpayer.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.606 Definitions; E, F.**

Sec. 6. (1) “Employee” means a person from whom an employer is required to withhold for either federal income or federal social security taxes.

(2) “Employer” means an individual, partnership, association, corporation, nonprofit organization, governmental body or unit or agency including the state, or any other entity whether or not taxable under this ordinance, that employs 1 or more persons on a salary, bonus, wage, commission or other basis, whether or not the employer is in a business.

(3) “Federal internal revenue code” means the internal revenue code of the United States in effect on the

last day of the taxpayer's tax year.

(4) "Financial institution" means a bank, industrial bank, trust company, building and loan or savings and loan association, credit union, safety and collateral deposit company, regulated investment company as defined in section 851 and the following sections of the federal internal revenue code, under whatever authority organized, and any other association, joint stock company or corporation at least 90% of whose assets consist of intangible personal property and at least 90% of whose gross income consists of dividends or interest or other charges resulting from the use of money or credit.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971.

#### **141.607 Definitions; F to N.**

Sec. 7. (1) "Fiscal year" means an accounting period of 12 months ending on any day other than December 31. Only fiscal years accepted by the internal revenue service for federal income tax purposes may be used for city tax purposes.

(2) "Net profits" means the net gain from the operation of a business, profession or enterprise, after provision for all costs and expenses incurred in the conduct thereof, determined on either a cash or accrual method, on the same basis as provided for in the federal internal revenue code for federal income tax purposes, excluding items exempted under this ordinance, but without deduction of federal and city taxes based on income and without deduction of net operating loss carry-over or capital loss carry-over sustained prior to the effective date of this tax, except that net operating losses and capital losses sustained after the effective date of this tax may be carried over to the same extent and on the same basis as under the federal internal revenue code but shall not be carried back to prior years.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971.

#### **141.608 Definitions; N to P.**

Sec. 8. (1) "Nonresident" means an individual domiciled outside the city.

(2) "Person" means a natural person, partnership, fiduciary, association, corporation or other entity. When used in any provision imposing a criminal penalty, "person" as applied to an association means the parties or members thereof, and as applied to a corporation, the officers thereof.

(3) "Predominant place of employment" means that city imposing a tax under a uniform city income tax ordinance other than the city of residence, in which the employee estimates he will earn the greatest percentage of his compensation from the employer, which percentage is 25% or more.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.609 Definitions; R to T.**

Sec. 9. (1) "Resident" means an individual domiciled in the city. "Domicile" means a place where a person has his true, fixed and permanent home and principal establishment, to which, whenever absent therefrom, he intends to return, and domicile continues until another permanent establishment is established. If an individual, during the taxable year, being a resident becomes a nonresident or vice versa, taxable income shall be determined separately for income in each status.

(2) "Taxable year" means the calendar year, or the fiscal year, used as the basis on which net profits and other income subject to tax under this ordinance are to be computed, and in case of a return for a fractional part of a year, the period for which the return is required to be made.

(3) "Taxpayer" means a person required under this ordinance to file a return or to pay a tax.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.611 Excise tax on incomes; rates.**

Sec. 11. Subject to the exclusions, adjustments, exemptions, and deductions herein provided, an annual tax of 1% on corporations and resident individuals and of 1/2% on nonresident individuals for general revenue purposes and the purposes provided for in sections 11a and 11b is hereby imposed as an excise on income earned and received on and after the effective date of this ordinance. However, if the governing body of the city adopts a resolution to impose the tax at a lower rate, the tax is hereby imposed at that lower rate. If the tax is imposed at a lower rate, the rate on nonresident individuals shall not exceed 1/2 of the rate on corporations and resident individuals.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1992, Act 276, Imd. Eff. Dec. 18, 1992;—Am. 1993, Act 125, Eff. Jan. 1, 1994;—Am. 1995, Act 233, Imd. Eff. Dec. 19, 1995.

#### **141.611a Ordinance, resolution, or agreement to dedicate and transfer funds; purposes; commencement; amount; definitions.**

Sec. 11a. (1) For the 1993 tax year and each tax year after 1993, a city that is a qualified local unit of government, as defined by the federal facility development act, may adopt an ordinance or resolution, or may enter into an agreement with a qualified local unit of government other than the city, to dedicate and transfer funds in an amount determined pursuant to subsection (3) solely and to the extent necessary for the purposes authorized for use of the federal facility development fund created by the federal facility development act.

(2) When a city adopts an ordinance or resolution or enters into an agreement pursuant to subsection (1), the use or transfer of any funds dedicated or to be transferred shall commence and continue until any bonds, obligations, or other evidences of indebtedness for which the funds are pledged are fully paid.

(3) The amount dedicated or to be transferred by a city each year pursuant to subsection (1) shall equal the amount of withheld tax remitted by a qualified employer pursuant to section 60, as reconciled pursuant to section 61, for all qualified employees.

(4) As used in this section:

(a) "Qualified employee" means a person who meets both of the following criteria:

(i) Is employed by a qualified employer.

(ii) His or her principal workplace is a qualified facility.

(b) "Qualified employer" means the federal government.

(c) "Qualified facility" and "qualified local unit of government" mean those terms as defined in the federal facility development act.

**History:** Add. 1992, Act 276, Imd. Eff. Dec. 18, 1992.

#### **141.611b City as qualified local unit of government; dedication and transfer of funds; purposes; use of federal data facility fund; amount; definitions.**

Sec. 11b. (1) A city that is a qualified local unit of government, as defined by the federal data facility act, may adopt an ordinance or resolution, or may enter into an agreement with a qualified local unit of government other than the city, to dedicate and transfer funds in the 1994 through 2003 tax years in an amount determined pursuant to subsection (3) solely and to the extent necessary for the purposes authorized for the use of the federal data facility fund created by the federal data facility act.

(2) If a city adopts an ordinance or resolution or enters into an agreement pursuant to subsection (1), the use or transfer of any funds dedicated or to be transferred shall commence and continue until any bonds, obligations, or other evidences of indebtedness for which the funds are pledged are fully paid or the authorized purpose is otherwise completed but not after the 2003 tax year.

(3) The amount dedicated or to be transferred by a city each year pursuant to subsection (1) shall equal the amount of withheld tax remitted by a qualified employer pursuant to section 60, as reconciled pursuant to section 61, for all qualified employees.

(4) As used in this section:

(a) "Qualified employee" means a person who meets both of the following criteria:

(i) Is employed by a qualified employer.

(ii) His or her principal workplace is a qualified facility.

(b) "Qualified employer" means the federal government.

(c) "Qualified facility" and "qualified local unit of government" mean those terms as defined in the federal data facility act.

**History:** Add. 1993, Act 125, Eff. Jan. 1, 1994.

#### **141.612 Excise tax on incomes; application to resident individuals.**

Sec. 12. The tax shall apply on the following types of income of a resident individual to the same extent and on the same basis that the income is subject to taxation under the federal internal revenue code:

(a) On a salary, bonus, wage, commission and other compensation.

(b) On a distributive share of the net profits of a resident owner of an unincorporated business, profession, enterprise, undertaking or other activity, as a result of work done, services rendered and other business activities wherever conducted.

(c) On dividends, interest, capital gains less capital losses, income from estates and trusts and net profits from rentals of real and tangible personal property.

(d) On other income of a resident individual.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.613 Types of nonresident income to which tax applicable; extent and basis of tax.**

Sec. 13. The tax shall apply on the following types of income of a nonresident individual to the same extent and on the same basis that the income is subject to taxation under the federal internal revenue code:

(a) On a salary, bonus, wage, commission, and other compensation for services rendered as an employee for work done or services performed in the city. Income that the nonresident taxpayer receives as the result of disability and after exhausting all vacation pay, holiday pay, and sick pay is not compensation for services rendered as an employee for work done or services performed in the city. Vacation pay, holiday pay, sick pay and a bonus paid by the employer are considered to have the same tax situs as the work assignment or work location and are taxable on the same ratio as the normal earnings of the employee for work actually done or services actually performed.

(b) On a distributive share of the net profits of a nonresident owner of an unincorporated business, profession, enterprise, undertaking, or other activity, as a result of work done, services rendered, and other business activities conducted in the city.

(c) On capital gains less capital losses from sales of, and on the net profits from rentals of, real and tangible personal property, if the capital gains arise from property located in the city.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1988, Act 216, Imd. Eff. July 1, 1988.

#### **141.614 Excise tax on incomes; taxable net profits of a corporation, definition.**

Sec. 14. The tax shall apply on the taxable net profits of a corporation doing business in the city, being levied on such part of the taxable net profits as is earned by the corporation as a result of work done, services rendered and other business activities conducted in the city, as determined in accordance with this ordinance. "Taxable net profits of a corporation" means federal taxable income as defined in section 63 of the federal internal revenue code but taking into consideration all exclusions and adjustments provided in this ordinance. No deduction shall be allowed for:

- (a) Net operating losses and net capital losses sustained prior to the effective date of the tax.
- (b) The city income tax imposed by this ordinance.

A corporation may deduct income, war profits and excess profits taxes, imposed by a foreign country or possession of the United States, allocable to income included in taxable net income, any part of which would be allowable as a deduction in determining federal taxable income under the applicable provisions of the federal internal revenue code.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.615 Excise tax on incomes; unincorporated business, profession; sole proprietorship, partnership.**

Sec. 15. An unincorporated business, profession or other activity conducted by 1 or more persons subject to the tax as either a sole proprietorship or partnership shall not be taxable as such. The persons carrying on the unincorporated business, profession or other activity are liable for income tax only in their separate and individual capacities and on the following bases:

(a) A resident proprietor or partner is taxable upon his entire distributive share of the net profits of the activity regardless of where the activity is conducted.

(b) A nonresident proprietor or partner is taxable only upon his distributive share of the portion of the net profits of the activity which is attributable to the city under the allocation methods provided in this ordinance.

(c) In the hands of a proprietor or partner of an unincorporated activity, the character of any item of income taxable under this ordinance is determined as if such item were realized by the individual proprietor or partner directly from the source from which it is realized by the unincorporated activity. In computing his taxable income for a taxable year, a person who is required to file a return shall include therein his taxable distributive share of the net profits for any partnership year ending within or with his taxable year.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.616 Unincorporated business, profession, or activity; return.**

Sec. 16. An unincorporated business, profession or other activity owned by 2 or more persons shall file an annual information return setting forth:

(a) The entire net profit for the period covered by the return and the taxable portion of the net profit attributable to the city.

(b) The names and addresses of the owners of the unincorporated activity and each owner's taxable distributive share of the total net profit and each nonresident owner's share of the taxable net profit attributable to the city.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.617 Unincorporated business, profession, or activity; election to pay tax.**

Sec. 17. At the election of an unincorporated business, profession or other activity, the entity, on behalf of

the owners, may compute and pay the tax due with respect to each owner's share of the net profit of the activity after giving effect to exemptions to which each owner is entitled. This election is available to all unincorporated business entities having 2 or more owners regardless of the residence of the owners. The tax thus paid by the entity shall constitute all tax due with respect to each owner's distributive share of the net profits of the unincorporated business, profession or other activity.

If the unincorporated business, profession or other activity elects under this section to file a return and pay the tax on behalf of its owners, the election and filing are deemed to meet the requirements of this ordinance for the filing of a return for each owner who has no other income subject to the tax. However, a return is required from any such owner having taxable income other than his distributive share of the net profits of the entity. In such case the entire income subject to the tax shall be included in the return and credit taken thereon for the tax paid in his behalf by the unincorporated activity.

If the unincorporated business, profession or other activity elects to pay the tax on behalf of the owners, then the unincorporated business, profession or other activity assumes the status of a taxpayer and is liable to interest and penalty if payment is not made by the due date, in accordance with the calendar or fiscal year used by the unincorporated business, profession or other activity.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.618 Partial business activity in city; apportionment of net profit.**

Sec. 18. When the entire net profit of a business subject to the tax is not derived from business activities exclusively within the city, the portion of the entire net profit, earned as a result of work done, services rendered or other business activity conducted in the city, shall be determined under either section 19, sections 20 to 24, or section 25.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1969, Act 42, Imd. Eff. July 17, 1969.

#### **141.619 Partial business activity in city; separate accounting method.**

Sec. 19. The taxpayer may petition for and the administrator may grant approval of, or the administrator may require, the separate accounting method. If such method is petitioned for the administrator may require a statement, explaining the manner in which the apportionment will be made, in sufficient detail to determine whether the net profits attributable to the city will be apportioned with reasonable accuracy.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1969, Act 42, Imd. Eff. July 17, 1969.

#### **141.620 Partial business activity in city; business allocation percentage method.**

Sec. 20. The business allocation percentage method shall be used if such taxpayer is not granted approval to use the separate accounting method of allocation. The entire net profits of such taxpayer earned as a result of work done, services rendered or other business activity conducted in the city shall be ascertained by determining the total “in-city” percentages of property, payroll and sales. “In-city” percentages of property, payrolls and sales, separately computed, shall be determined in accordance with sections 21 to 24.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1969, Act 42, Imd. Eff. July 17, 1969.

#### **141.621 Partial business activity in city; percentage of average net book value; gross rental value of real property.**

Sec. 21. First, the taxpayer shall ascertain the percentage which the average net book value, of the tangible personal property owned and the real property, including leasehold improvements, owned or used by it in the business and situated within the city during the taxable period, is of the average net book value of all of such property, including leasehold improvements, owned or used by the taxpayer in the business during the same period wherever situated. Real property shall include real property rented or leased by the taxpayer and the value of such property shall be deemed to be 8 times the annual gross rental thereon. “Gross rental of real property” means the actual sum of money or other consideration payable, directly or indirectly, by the taxpayer for the use or possession of real property and includes but is not limited to:

(a) An amount payable for the use or possession of real property or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise.

(b) An amount payable as additional rent or in lieu of rent such as interest, taxes, insurance, repairs or other amount required to be paid by the terms of a lease or other arrangement.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.622 Partial business activity in city; percentage of compensation paid employees.**

Sec. 22. Second, the taxpayer shall ascertain the percentage which the total compensation paid to employees for work done or for services performed within the city is of the total compensation paid to all the

taxpayer's employees within and without the city during the period covered by the return. For allocation purposes, compensation shall be computed on the cash or accrual basis in accordance with the method used in computing the entire net income of the taxpayer.

If an employee performs services within and without the city, the following examples are not all inclusive but may serve as a guide for determining the amount to be treated as compensation for services performed within the city:

(a) In the case of an employee compensated on a time basis, the proportion of the total amount received by him which his working time within the city is of his total working time.

(b) In the case of an employee compensated directly on the volume of business secured by him, such as a salesman on a commission basis, the amount received by him for business attributable to his efforts in the city.

(c) In the case of an employee compensated on other results achieved, the proportion of the total compensation received which the value of his services within the city bears to the value of all his services.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.623 Partial business activity in city; percentage of gross revenue.**

Sec. 23. Third, the taxpayer shall ascertain the percentage which the gross revenue of the taxpayer derived from sales made and services rendered in the city is of the total gross revenue from sales and services wherever made or rendered during the period covered by the return.

(1) For the purposes of this section, "sales made in the city" means all sales where the goods, merchandise or property is received in the city by the purchaser, or a person or firm designated by him. In the case of delivery of goods in the city to a common or private carrier or by other means of transportation, the place at which the delivery has been completed is considered as the place at which the goods are received by the purchaser.

The following examples are not all inclusive but may serve as a guide for determining sales made in the city:

(a) Sales to a customer in the city with shipments to a destination within the city from a location in the city or an out-of-city location are considered sales made in the city.

(b) Sales to a customer in the city with shipments to a destination within the city directly from the taxpayer's in-city supplier or out-of-city supplier are considered sales made in the city.

(c) Sales to a customer in the city with shipments directly to the customer at his regularly maintained and established out-of-city location are considered out-of-city sales.

(d) Sales to an out-of-city customer with shipments or deliveries to the customer's location within the city are considered sales made in the city.

(e) Sales to an out-of-city customer with shipments to an out-of-city destination are considered out-of-city sales.

(2) In the case of public utilities, or businesses furnishing transportation services, "gross revenue" for the purposes of this section may be measured by such means as operating revenues, vehicle miles, revenue miles, passenger miles, ton miles, tonnage, or such other method as shall reasonably measure the proportion of gross revenue obtained in the city by such business.

(3) In case the business of the taxpayer involves substantial business activities other than sales of goods and services such other method or methods of allocation shall be employed as shall reasonably measure the proportion of gross revenue obtained in the city by such business.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.624 Partial business activity in city; business allocation percentage.**

Sec. 24. Fourth, the taxpayer shall add the percentages determined in accordance with sections 21, 22 and 23 and divide the total by 3 and the result so obtained is the business allocation percentage. In determining this percentage, a factor shall be excluded from the computation only when the factor does not exist anywhere insofar as the taxpayer's business operation is concerned and, in such case, the total of the percentages shall be divided by the number of factors actually used. The business allocation percentage shall be applied to the entire net profits, wherever derived, of the taxpayer subject to the tax to determine the net profits allocable to the city.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1969, Act 42, Imd. Eff. July 17, 1969.

#### **141.625 Partial business activity in city; substitute methods.**

Sec. 25. An alternative method of accounting shall be used if the taxpayer or the administrator demonstrates that the net profits of the taxpayer allocable to the city cannot be justly and equitably determined

under the separate accounting method or the business allocation percentage method, or if undue expense to the taxpayer would result from complying therewith because of the taxpayer's manner of operations and methods of accounting. In such case the administrator, upon application of the taxpayer or upon his own initiative, may approve or specify factors or methods of determination as will effect a just, nondiscriminatory and reasonable result. Application to the administrator to substitute other factors in the formula or to use a different method to allocate net profits shall be made in writing and state the specific grounds on which the substitution of factors or use of a different method is requested and the relief sought. No specific form need be followed in making the application. Once a taxpayer has filed under a substitute method, he shall continue so to file until given permission by the administrator to change.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.626 Capital gains and losses; determination.**

Sec. 26. (1) Capital gains and capital losses, other than gains and losses on securities issued by the government of the United States, shall be included in income only to the extent of that portion of the gains or losses which occur after the effective date of this ordinance. In determining the amount of gain or loss, the taxpayer may use net proceeds from the sale or exchange less fair market value as of the effective date of this ordinance. The fair market value of property shall be determined by an appraisal or similar reliable evidence. The fair market value of a security shall be the last quoted price on the last business day prior to the effective date. For a security traded over the counter the last quoted price shall be the last bid price on the last business day prior to the effective date. The taxpayer may determine the gain or loss on a transaction in the same manner as for federal income tax purposes taking into account only that portion thereof which occurs after the effective date. The portion of that gain or loss includible in computing taxable income will be the same proportion of the total gain or loss as the period of time the property was held after the effective date of the ordinance bears to the total time the property was held. In any city adopting this ordinance which had a valid local income tax ordinance in effect on January 1, 1964, capital gains and losses shall be included to the extent of that portion of such gains or losses which occur after the effective date of the original city income tax ordinance.

(2) If capital losses exceed capital gains in a taxable year, the unused portion may be utilized to the same extent and on the same basis as under the federal internal revenue code.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.627 Estates or trusts, deemed nonresidents; definitions.**

Sec. 27. An estate or trust is not subject to tax under this ordinance, except that it shall be treated as a nonresident individual for purposes of section 11 of this ordinance to the extent income of the estate or trust described in section 13 is not includible in the return of a resident individual as "income from estates and trusts". A resident individual shall include "income from estates and trusts" in his income subject to tax under this ordinance without regard to the situs of the estate or trust. For this purpose, an "estate" means the estate of a deceased person during the period of administration or settlement and a "trust" means an inter vivos or testamentary trust created by an individual for the benefit of 1 or more persons.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1965, Act 10, Imd. Eff. Apr. 18, 1965.

#### **141.628 Income from estates and trusts.**

Sec. 28. (1) "Income from estates" means "income" as defined in section 643 (b) of the federal internal revenue code, properly paid, credited or distributed but not in excess of the resident individual's share of the distributable net income of the estate decreased by the amount of depreciation or depletion allowed the resident individual as a deduction under section 642 of the federal internal revenue code. The exceptions hereinafter set forth with respect to trusts are also applicable to income from estates. "Income from trusts" means the amount of "income" as defined in section 643 (b) of the federal internal revenue code, distributed or required to be distributed under sections 652 (a) or 662 (a) (1) of the federal internal revenue code, decreased by the amount of depreciation or depletion allowed the resident individual as a deduction by section 642 of the federal internal revenue code, with the following exceptions:

(a) Dividends on stock of state and national banks and trust companies.

(b) Interest from obligations of the United States, the states or subordinate units of government of the states.

(2) Income received by a resident individual from a fiduciary shall retain the character it held in the hands of the fiduciary. With respect to trusts where the income is taxed to the grantor or some other person under subpart E of subchapter J of the federal internal revenue code, the grantor or other person shall include in his return all items of income and deductions allowed by this ordinance.

(3) An individual shall include “income from estates and trusts” in his return in the same year as provided in the federal internal revenue code with respect to distributions of income from estates and trusts. The amount of income included in the return for the first tax year of a resident individual, with respect to estates and trusts, shall be computed as though the tax year of the estate or trust for federal income tax purposes began on the effective date of this ordinance and ended with the end of the tax year of the estate or trust for federal income tax purposes which ends next following the effective date.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.631 Exemptions.**

Sec. 31. (1) An individual taxpayer in computing his or her taxable income is allowed deductions for the full personal and dependency exemptions authorized by the federal internal revenue code or, on the passage of a further ordinance, a deduction of a minimum of \$600.00 for each personal and dependency exemption under the rules for determining exemptions and dependents as provided in the federal internal revenue code. The taxpayer may claim his or her spouse and dependents as exemptions, but if the taxpayer and the spouse are both subject to the tax imposed by this ordinance, the number of exemptions claimed by each of them when added together shall not exceed the total number of exemptions allowed under this ordinance.

(2) For tax years beginning after 1986, an additional exemption is allowed under subsection (1), upon passage of a further ordinance, for a taxpayer who is 65 years of age or older, or who is blind as defined in section 504 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.504 of the Michigan Compiled Laws, or if the taxpayer is both 65 years of age or older and blind, 2 additional exemptions are allowed under subsection (1). For tax years beginning after 1987, upon passage of a further ordinance, an additional exemption is allowed under subsection (1) for a taxpayer who is a paraplegic, quadriplegic, hemiplegic, or totally and permanently disabled person as defined in section 216 of title II of the social security act, 42 U.S.C. 416, or a taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws. If the taxpayer qualifies for an additional exemption under more than 1 of the following, an additional exemption is allowed for each of the following for which the taxpayer qualifies:

(a) A taxpayer who is a paraplegic, quadriplegic, or hemiplegic, or who is a totally or permanently disabled person as defined in section 216 of title II of the social security act, 42 U.S.C. 416.

(b) A taxpayer who is blind as defined in section 504 of the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being section 206.504 of the Michigan Compiled Laws.

(c) A taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws.

(d) A taxpayer who is 65 years of age or older.

(3) For tax years beginning after 1986 and upon passage of a further ordinance, a city, as determined by its governing body, may provide for either an exemption from the tax levied under this act if that person's adjusted gross income for that tax year is less than a certain amount to be as specified by the ordinance, or an exemption in an amount to be specified by the ordinance, for a person with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year and is therefore not considered to have a federal personal exemption under subsection (1).

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1970, Act 149, Imd. Eff. Aug. 1, 1970;—Am. 1988, Act 120, Imd. Eff. May 6, 1988.

#### **141.632 Payments and benefits not subject to tax.**

Sec. 32. The following payments and benefits received by any person are not subject to the tax:

(a) Gifts and bequests.

(b) Proceeds of insurance, annuities, pensions and retirement benefits. Amounts received for personal injuries, sickness or disability are excluded from taxable income only to the extent provided by the federal internal revenue code.

(c) Welfare relief, unemployment benefits including supplemental unemployment benefits, and workmen's compensation or similar payments from whatever source derived.

(d) Amounts received by charitable, religious, educational and other similar nonprofit organizations which are exempt from taxation under the federal internal revenue code.

(e) Amounts received by supplemental unemployment benefit trusts or pension, profit sharing and stock bonus trusts qualified and exempt under the federal internal revenue code.

(f) Interest from obligations of the United States, the states or subordinate units of government of the states and gains or losses on the sales of obligations of the United States.

(g) Net profits of financial institutions and insurance companies.

(h) Amounts paid to an employee as reimbursement for expenses necessarily and actually incurred by him in the actual performance of his services and deductible as such by the employer.

(i) Compensation received for service in the armed forces of the United States.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971.

#### **141.633 Deductible expenses generally.**

Sec. 33. Ordinary, necessary, reasonable and unreimbursed expenses paid or incurred by an individual in connection with the performance by him of services as an employee may be deducted from gross income in determining income subject to the tax to the extent the expenses are applicable to income taxable under this ordinance. The expenses are limited to the following:

(a) Expenses of travel, meals and lodging while away from home.

(b) Expenses as an outside salesman, away from his employer's place of business.

(c) Expenses of transportation.

(d) Expenses under a reimbursement or other expense allowance arrangement with his employer, where the reimbursement or allowance has been included in total compensation reported.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971.

#### **141.634 Deductible expenses; alimony, separate maintenance payments and principal sums payable in installments, moving expenses, and payments to retirement plan or account.**

Sec. 34. The following expenses paid or incurred by an individual may be deducted from gross income in determining income subject to tax to the extent the expenses are applicable to income taxable under this ordinance:

(a) An individual may deduct alimony, separate maintenance payments and principal sums payable in installments, to the extent includable in the spouse's adjusted gross income under the federal internal revenue code but only to the extent deductible by the individual under the federal internal revenue code. A nonresident individual may deduct only that proportion of his alimony, separate maintenance or principal sums payable in installments that his income taxable under this ordinance bears to his total federal adjusted gross income.

(b) An employee or self-employed individual may deduct moving expenses to the extent provided in section 217 of the federal internal revenue code.

(c) A self-employed individual may deduct payments to a qualified retirement plan to the extent provided in section 404 of the federal internal revenue code.

(d) An individual may deduct payments to an individual retirement account established pursuant to the employee retirement income security act of 1974, 29 U.S.C. 1001 to 1381, to the extent provided in section 219 of the internal revenue code.

**History:** Add. 1971, Act 169, Imd. Eff. Dec. 2, 1971;—Am. 1978, Act 197, Imd. Eff. June 4, 1978.

#### **141.635 Qualified taxpayer within renaissance zone; determination of deductions claimed.**

Sec. 35. (1) Notwithstanding any other provision of this ordinance and to the extent and for the duration provided in the Michigan renaissance zone act, Act No. 376 of the Public Acts of 1996, being sections 125.2681 to 125.2696 of the Michigan Compiled Laws, for the 1997 tax year and each tax year after 1997, a qualified taxpayer may deduct from gross income in determining income subject to tax under this ordinance, to the extent a deduction is applicable to income subject to the tax under this ordinance, an amount equal to 1 of the following for the specified types of taxpayers:

(a) For a qualified taxpayer as defined in subsection (12)(c)(i):

(i) Except as provided in subparagraphs (ii) and (iii), income subject to the tax that is earned or received in the tax year during the period of time that the taxpayer was a qualified taxpayer.

(ii) Capital gains subject to the tax that are received during the tax year during the period of time that the taxpayer was a qualified taxpayer. The deduction allowed under this subdivision shall be prorated based on the percentage of time that the asset was held by the taxpayer while the taxpayer was a qualified taxpayer.

(iii) Income received by the qualified taxpayer from winning an on-line lottery game sponsored by this state but only if the date on which the drawing for that game was held is after the taxpayer became a qualified taxpayer of a renaissance zone and income received by the taxpayer from winning an instant lottery game sponsored by this state but only if the taxpayer was a qualified taxpayer of a renaissance zone on the validation date of the lottery ticket for that game.

(b) For a qualified taxpayer as defined in subsection (12)(c)(ii), the amount determined pursuant to section 14, 19, 20 to 24, or 25 of this ordinance multiplied by a fraction the numerator of which is the percentage that the average net book value of the tangible personal property owned and the real property, including leasehold improvements, owned or used by the qualified taxpayer in the business and situated within the renaissance

zone during the taxable period, is of the average net book value of all such property, including leasehold improvements, owned or used by the taxpayer in the business during the same period situated in the city plus the percentage that the total compensation paid to employees for work done or for services performed within the renaissance zone is of the total compensation paid to all the taxpayer's employees within the city during the period covered by the return and the denominator of which is 2. For allocation purposes, compensation shall be computed on the cash or accrual basis in accordance with the method used in computing the entire net income of the taxpayer. Real property includes real property rented or leased by the qualified taxpayer and the value of that property is considered to be 8 times the annual gross rental on the property. "Gross rental on the property" means gross rental of real property as that term is defined in section 21 of this ordinance.

(c) For a qualified taxpayer as defined in subsection (12)(c)(iii), the amount determined pursuant to section 15 of this ordinance multiplied by a fraction the numerator of which is the percentage that the average net book value of the tangible personal property owned and the real property, including leasehold improvements, owned or used by the qualified taxpayer in the business and situated within the renaissance zone during the taxable period, is of the average net book value of all such property, including leasehold improvements, owned or used by the taxpayer in the business during the same period situated in the city plus the percentage that the total compensation paid to employees for work done or for services performed within the renaissance zone is of the total compensation paid to all the taxpayer's employees within the city during the period covered by the return and the denominator of which is 2. For allocation purposes, compensation shall be computed on the cash or accrual basis in accordance with the method used in computing the entire net income of the taxpayer. Real property includes real property rented or leased by the qualified taxpayer and the value of that property is considered to be 8 times the annual gross rental on the property. "Gross rental on the property" means gross rental of real property as that term is defined in section 21 of this ordinance.

(2) For a qualified taxpayer as defined in subsections (12)(c)(ii) and (iii), any portion of income subject to tax under this ordinance derived from illegal activity conducted in a renaissance zone shall not be used to calculate a deduction allowed under this section. For a qualified taxpayer who is an individual, any portion of income subject to tax under this ordinance derived from illegal activity conducted anywhere shall not be used to calculate the deduction allowed under this section. For a qualified taxpayer as defined in subsection (12)(c)(ii) and (iii), any portion of the taxpayer's tax liability that is attributable to business activity related to the operation of a casino, and business activity that is associated or affiliated with the operation of a casino including, but not limited to, the operation of a parking lot, hotel, motel, or retail store, shall not be used to calculate a credit under this section. As used in this subsection, "casino" means a casino regulated by this state pursuant to the Michigan gaming control and revenue act, Initiated Law of 1996, being sections 432.201 to 432.216 of the Michigan Compiled Laws.

(3) Income used to calculate a deduction under any other section of this ordinance shall not be used to calculate a deduction under this section.

(4) If a qualified taxpayer completes the residency requirements under subsection (12)(c) before the end of the tax year in which the qualified taxpayer first resided in the renaissance zone, the qualified taxpayer may claim the deduction allowed under this section for that tax year. If the qualified taxpayer completes the residency requirements under subsection (12)(c) in a tax year subsequent to the tax year in which the qualified taxpayer first resided in the renaissance zone, the following apply:

(a) If the qualified taxpayer completes the residency requirement in a tax year subsequent to the tax year in which the taxpayer first resided in the renaissance zone and before the date for filing the annual return under this ordinance for the tax year in which the taxpayer first resided in the renaissance zone, the taxpayer may claim the deduction allowed under this section for the tax year in which the taxpayer first resided in the renaissance zone.

(b) If the qualified taxpayer completes the residency requirement in a tax year subsequent to the tax year in which the taxpayer first resided in the renaissance zone and after the date for filing the annual return under this ordinance for the tax year in which the taxpayer first resided in the renaissance zone, the qualified taxpayer may claim the deduction allowed under this section for the tax year in which the residency requirement is completed on the annual return for the tax year in which the residency requirement is completed and may claim the deduction for the tax year in which the qualified taxpayer first resided in the renaissance zone by filing an amended return for that tax year in which the qualified taxpayer first resided in the renaissance zone.

(5) To be eligible for the deduction under this section, a taxpayer shall file an annual return under this ordinance.

(6) A qualified taxpayer shall file a withholding form prescribed by the city with his or her employer after the date the qualified taxpayer completes the requirements under subsection (12)(c) or, at the option of the city, for taxpayers who claim to be qualified taxpayers under subsection (12)(c)(i), the taxpayer shall file a

form prescribed by the city with the city after the date the taxpayer completes the requirements under subsection (12)(c)(i). If the city verifies the information on the form, the city shall issue a certificate of qualification to the taxpayer which the taxpayer shall file with his or her employer. When a taxpayer who filed a form under this subsection is no longer a qualified taxpayer under subsection (12)(c)(i), the taxpayer shall send a written notice of that change in status to the city not more than 10 days after the change in status occurs.

(7) If the administrator finds that a taxpayer has claimed a deduction under this section to which he or she is not entitled, the taxpayer is subject to the interest and penalty provisions under this ordinance.

(8) The deduction allowed under this section continues through the tax year in which the renaissance zone designation expires.

(9) A net operating loss deduction allowed under this ordinance shall be calculated without regard to any deduction allowed under this section.

(10) If a taxpayer who was a qualified taxpayer during the tax year changes status and is not a qualified taxpayer or vice versa, income subject to tax under this ordinance shall be determined separately for income in each status.

(11) A qualified taxpayer as defined in subsection (12)(c)(i) is a resident of a renaissance zone for purposes of Act No. 376 of the Public Acts of 1996. A qualified taxpayer as defined in subsection (12)(c)(ii) or (iii) is located and conducts business in a renaissance zone for purposes of Act No. 376 of the Public Acts of 1996.

(12) As used in this section:

(a) "Conducts business activity" means doing business as defined in this ordinance.

(b) "Domicile" means a place where a person has his or her true, fixed, and permanent home and principal establishment to which, whenever absent, he or she intends to return, and domicile continues until another permanent establishment is established.

(c) "Qualified taxpayer" means 1 of the following:

(i) A taxpayer who is an individual, a resident of the city as determined under this ordinance, and is domiciled in an area of the city that is designated a renaissance zone for a period of 183 consecutive days. A taxpayer may begin calculating the 183-day period during the 183 days immediately preceding the designation of the area as a renaissance zone. Qualified taxpayer under this subparagraph includes the estate of an individual who was a qualified taxpayer at the time of death. After a taxpayer has completed the 183-day requirement under this subparagraph, the taxpayer is considered to have been a qualified taxpayer of that renaissance zone beginning from the first day used to determine if the 183-day requirement has been met.

(ii) A taxpayer that is a corporation and that is located and conducts business activity in a renaissance zone in the city.

(iii) A person who is located in and conducts business activity as an unincorporated business, profession, or other activity in a renaissance zone and is not a qualified taxpayer under subparagraph (i) or (ii).

(d) "Renaissance zone" means that term as defined in Act No. 376 of the Public Acts of 1996.

**History:** Add. 1996, Act 442, Imd. Eff. Dec. 19, 1996.

#### **141.641 Annual return; joint return.**

Sec. 41. (1) Every corporation doing business in the city and every other person having income taxable under this ordinance in any year before the 1997 tax year or in any tax year after the 1996 tax year for which the city has not entered into an agreement with the department of treasury pursuant to section 9 of chapter 1, shall make and file with the city an annual return for that year, on a form furnished or approved by the city, on or before the last day of the fourth month for the same calendar year, fiscal year, or other accounting period, that has been accepted by the internal revenue service for federal income tax purposes for the taxpayer. For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, the annual return required by this subsection shall be filed with the city or the department as provided by the agreement on or before the fifteenth day of the fourth month for the same calendar year, fiscal year, or other accounting period that has been accepted by the internal revenue service for federal income tax purposes for the taxpayer.

(2) A husband and wife may file a joint return and, in such case, the tax liability is joint and several.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.642 Returns; contents.**

Sec. 42. The annual return shall set forth:

(a) The number of exemptions, place of residence, place of employment and other pertinent information as shall reasonably be required.

- (b) The aggregate amount of compensation, dividends, interest, net profit from rentals, capital gains less capital losses, net profits from business and other income, subject to the tax.
- (c) The total amount of the tax imposed by this ordinance.
- (d) The amount of the tax previously withheld or paid.
- (e) Credits provided in this ordinance.
- (f) The balance of the tax due or to be refunded.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.643 Payment of tax; refund; interest; allocation of payment; notice; nonobligated spouse; form; filing; release of liability; definitions.**

Sec. 43. (1) A balance of the tax that is due the city at the time of filing an annual return shall be paid with the return unless the balance is less than \$1.00, in which case payment is not required.

(2) If the annual return reflects an overpayment of the tax, the declaration of the overpayment on the return constitutes a claim for refund. Subject to subsection (6), if the city or the department agrees that a claim is valid, the city or the department shall apply the overpayment first to a delinquent tax liability under this ordinance of the taxpayer to the city. The city shall apply any remaining overpayment against a subsequent liability under this ordinance or, at the election of the taxpayer and if indicated on the return, shall refund the overpayment. However, the city shall not pay a refund of less than \$1.00.

(3) If a valid claim for a refund of taxes, except a refund under section 61, due for the taxable year 1992 or a taxable year after 1992 is filed, interest at the rate established in section 30(3) of Act No. 122 of the Public Acts of 1941, being section 205.30 of the Michigan Compiled Laws, shall be added to the refund beginning 45 days after the claim is filed or 45 days after the date established under this ordinance for the filing of the return, whichever is later. For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, a claim for refund shall be paid from money in the city income tax trust fund.

(4) For tax years after the 1995 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, if a taxpayer pays, when filing his or her annual return, an amount less than the sum of the declared tax liability under this act, and the declared tax liability under the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being sections 206.1 to 206.532 of the Michigan Compiled Laws, and there is no indication of the allocation of payment between the tax liabilities against which the payment should be applied, the amount paid shall first be applied against the taxpayer's tax liability under this act and any remaining amount of payment shall be applied to the taxpayer's tax liability under Act No. 281 of the Public Acts of 1967. The taxpayer's designation of a payee on a payment is not a dispositive determination of the allocation of that payment under this subsection.

(5) If the claim for refund is reflected on a joint tax return, the administrator shall allocate to each joint taxpayer his or her share of the refund. The amount allocated to each taxpayer shall be applied to his or her respective liabilities under this ordinance.

(6) If the administrator or the department determines that all or a portion of a refund claimed on a joint tax return is subject to application to a liability of an obligated spouse, the administrator or the department shall notify the joint taxpayers by first class mail sent to the address shown on the joint return. The notice shall be accompanied by a nonobligated spouse allocation form. The notice shall state all of the following:

(a) That all or a portion of the refund claimed by the joint taxpayers is subject to interception to satisfy a liability or liabilities of 1 or both spouses.

(b) The nature of the liability and the name of the obligated spouse or spouses.

(c) That a nonobligated spouse may claim his or her share of the refund by filing a nonobligated spouse allocation form with the city or the department not more than 30 days after the date the notice was mailed.

(d) A statement of the penalties under subsection (9).

(7) A nonobligated spouse who wishes to claim his or her share of a tax refund shall file with the city or the department a nonobligated spouse allocation form. The nonobligated spouse allocation form shall be in a form specified by the administrator or the department and shall require the spouses to state the amount of income or other tax base and all adjustments to the income or other tax base, including all subtractions, additions, deductions, credits, and exemptions, stated on the joint tax return that is the basis for the claimed refund, and an allocation of those amounts between the obligated and nonobligated spouse. In allocating these amounts, all of the following apply:

(a) Individual income shall be allocated to the spouse who earned the income. Joint income shall be allocated equally between the spouses.

(b) Each spouse shall be allocated the personal exemptions he or she would be entitled to claim if separate federal returns had been filed, except that dependency exemptions shall be prorated according to the relative

income of the spouses.

(c) Adjustments resulting from a business shall be allocated to the spouse who claimed income from the business.

(d) Ownership of other assets relevant to the allocation shall be disclosed upon request of the administrator or the department.

(8) A nonobligated spouse allocation form shall be signed by both joint taxpayers. However, the form may be submitted without the signature of the obligated spouse if his or her signature cannot be obtained. The nonobligated spouse shall certify that he or she has made a good faith effort to obtain the signature of the obligated spouse and shall state the reason that the signature was not obtained.

(9) A person who knowingly makes a false statement on a nonobligated spouse allocation form is subject to a penalty of \$25.00 or 25% of the excessive claim for his or her share of the refund, whichever is greater, and other penalties as provided in this ordinance.

(10) A nonobligated spouse to whom the administrator or the department has sent a notice under subsection (6), who fails to file a nonobligated spouse allocation form within 30 days after the date the notice was mailed, shall be barred from commencing any action against the city or the department to recover an amount withheld to satisfy a liability of the obligated spouse to which a joint tax refund is applied under this section. The payment by the city or the department of any amount applied to a liability of a taxpayer under this section shall release the department or the city and the administrator from all liability to the obligated spouse, the nonobligated spouse, and any other person having or claiming any interest in the amount paid. A payment by the department of treasury under this subsection shall be made from the city income tax trust fund created in section 5 of chapter 1.

(11) As used in this section:

(a) "Nonobligated spouse" means a person who has filed a joint city income tax return and who is not liable for an obligation of his or her spouse described in this ordinance.

(b) "Obligated spouse" means a person who has filed a joint city income tax return and who is liable for an obligation described in this ordinance for which his or her spouse is not liable.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971;—Am. 1991, Act 198, Eff. Mar. 30, 1992;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.644 Federal income tax return; eliminations.**

Sec. 44. Where total income, total deductions, net profits, or other figures are derived from the taxpayer's federal income tax return, any item of income not subject to the city income tax and unallowable deductions shall be eliminated in determining net income subject to the city tax. The fact that a taxpayer is not required to file a federal income tax return does not relieve him from filing a city tax return.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.645 Net profits; consolidated returns.**

Sec. 45. For the purpose of determining net profit allocable to the city under this ordinance, a corporate taxpayer may elect to file a consolidated return including subsidiaries whose voting stock is more than 50% owned by the taxpayer, if such return will more properly reflect the net profits and activities of the taxpayer in the city. The city may require a consolidated return if necessary to properly determine net profits of the taxpayer allocable to the city.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.646 Amended return; change of method of accounting.**

Sec. 46. An amended return shall be filed with the city or the department, on a form obtainable from the city or the department, if necessary to report additional income and pay an additional tax due, or to claim a refund of tax overpaid. Within 90 days after final determination of a federal tax liability that also affects the computation of a taxpayer's city income tax liability, the taxpayer shall prepare and file with the city or the department an amended city income tax return showing income subject to the city tax based upon the final determination of federal income tax liability, and pay any additional tax shown due on the return or make a claim for refund of an overpayment. A taxpayer shall not change the method of accounting or apportionment of net profits after the due date for filing the original return or any extensions for the filing of the original return.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.651 Withholding of tax by employer; employer as trustee; failure or refusal to deduct and withhold tax; liability; discharge.**

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.

(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.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1981, Act 60, Imd. Eff. June 5, 1981;—Am. 1982, Act 124, Imd. Eff. Apr. 19, 1982.

#### **141.652 Tax withheld; payments or persons excepted.**

Sec. 52. Employers shall not withhold any tax from the following payments or persons:

(a) Compensation paid to domestic help.

(b) Compensation paid to a person who is not an employee, including an independent contractor.

(c) An amount allowed and paid to an employee as reimbursement for expenses necessarily and actually incurred by the employee in the actual performance of his or her services, and that is deductible by the employer.

(d) A qualified taxpayer. "Qualified taxpayer" means that term as defined in section 35(12)(c)(i).

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 442, Imd. Eff. Dec. 19, 1996.

#### **141.653 Tax withheld; payment by employee or employer.**

Sec. 53. If the tax is not withheld, an employee is not excused from filing a return and paying the tax on his compensation. If the tax is withheld but an employer fails to pay the tax to the city, the employee is not liable for the tax so withheld.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.654 Tax withheld; exemptions claimed; percentage of work done at predominant place of employment; qualified taxpayer within renaissance zone.**

Sec. 54. An employee with compensation subject to tax shall file with his or her employer a form on which the employee states the number of exemptions claimed, the city of residence, the predominant place of employment, whether or not the employee claims status as a qualified taxpayer of a renaissance zone, and the percentage of work done or services performed in the predominant place of employment. The percentage shall be expressed as "less than 25%", "40%", "60%", "80%", or "100%". The employer shall retain the form, rely on the information on the form for withholding purposes unless directed by the city to withhold on another basis, and, if the employee claims status as a qualified taxpayer based on residency in a renaissance zone, the employer shall forward a copy of the form to the city. If information submitted by the employee is not believed to be true, correct, and complete, the city shall be advised. As used in this section, "Renaissance zone" means that term as defined in section 35.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 442, Imd. Eff. Dec. 19, 1996.

#### **141.655 Tax withheld; revised form; time for filing; qualified taxpayer within renaissance zone.**

Sec. 55. (1) Except as provided in subsection (2), an employee shall file with his or her employer a revised

form within 10 days after the number of exemptions decreases when a change in residence from or to a taxing city occurs. The employee may file a revised form when the number of exemptions increases. An employee shall file a revised form by December 1 of each year, if his or her predominant place of employment, estimate of the percentage of work done or services to be rendered in the city, or status as a qualified taxpayer of a renaissance zone will change for the ensuing year. Revised withholding certificates shall not be given retroactive effect.

(2) an employee shall file a revised form with his or her employer within 10 days after the employee completes the residency requirements under section 35(12), and when a change of status occurs from resident of a renaissance zone to nonresident of a renaissance zone. The employer shall forward a copy of a revised form filed under this subsection to the city.

(3) As used in this section, "renaissance zone" means that term as defined in section 35.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 442, Imd. Eff. Dec. 19, 1996.

#### **141.656 Refusal by employee to furnish withholding certificate; withholding by employer; report.**

Sec. 56. If an employee refuses to furnish a withholding certificate upon the request of his or her employer, the employer shall withhold a percentage of the employee's total compensation equal to the percentage rate of tax on resident individuals as set by ordinance to be levied under this ordinance, and report and pay the withholding on the basis of the best information in the possession of the employer.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1981, Act 60, Imd. Eff. June 5, 1981;—Am. 1982, Act 124, Imd. Eff. Apr. 19, 1982.

#### **141.657 Tax withheld; withholding tables; first compensation taxable.**

Sec. 57. (1) The city shall provide withholding tables establishing the amounts to be withheld for various tax rates, wage brackets, numbers of exemptions and pay periods. An employer who uses the tables fully discharges his duty to withhold. An employer may elect not to use the tables, in which case to discharge fully his duty to withhold he shall withhold the applicable per cent of taxable compensation after provision for exemptions.

(2) The first compensation paid an employee on or after the effective date of the tax levy is subject to withholding on either of the following bases at the option of the employer:

(a) On the full amount of compensation paid.

(b) On the proportion of compensation paid for work done or services performed on or after the effective date of the levy.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.658 Tax withheld; overwithheld tax, refund.**

Sec. 58. If an employer withholds more than the apparent tax liability of an employee due to an increase in the number of exemptions claimed during the year, or due to the actual percentage of work performed in the city by a nonresident being less than the estimated percentage, or due to a change of residence during the year to or from a taxing city, or due to any reason other than the employer's error, the employer shall neither refund the excess to the employee nor offset the excess by under-withholding in a subsequent period. The employee shall claim his refund from the city on his annual return.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.659 Tax withheld; correction of error, refund.**

Sec. 59. Correction of an over or an under-withholding as a result of an employer's error shall be made as follows:

(a) If the error is discovered in the same quarter in which it is made, the employer shall make the necessary adjustment on a subsequent pay and include only the corrected amount on the quarterly return.

(b) If the error is discovered in a subsequent quarter of the same calendar year, the employer shall make the necessary adjustment on a subsequent pay and report it as an adjustment on the quarterly return.

(c) If the error is discovered in the following calendar year, or if the employer-employee relationship has terminated, the procedure shall be as follows:

(i) The employee or former employee shall apply to the city for a refund in case of an over-withholding. Upon proper verification the city shall refund to him the amount of the over-withholding.

(ii) If a deficiency is discovered, the employer shall notify the city and the employee or former employee, who shall pay the city the additional tax due in his annual return.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

**141.660 Tax withheld; payment by employer; return; electronic funds transfer.**

Sec. 60. (1) Except as provided in subsection (2), an employer shall file a return, furnished by or obtainable on request from the city, and pay to the city the full amount of the tax withheld on or before the last day of the month following the close of each calendar quarter.

(2) For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, an employer shall file a return and pay the tax withheld for each calendar month on or before the fifteenth day of the month following the close of each calendar month to the department by means of an electronic funds transfer method approved by the state commissioner of revenue.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.661 Tax withheld; employer's reconciliation of quarterly returns; deficiency; refund; information return; cessation of business.**

Sec. 61. (1) An employer shall file with the city or the department a reconciliation of quarterly returns on or before the last day of February following each calendar year in which the employer has withheld from an employee's compensation. A deficiency is due when the reconciliation is filed. If the employer made quarterly payments in excess of the amount withheld from an employee's compensation, the city or the department upon proper verification shall refund the excess to the employer.

(2) In addition to the reconciliation, the employer shall file with the city or the department an information return for each employee from whom the city income tax has been withheld and each employee subject to withholding under this ordinance, setting forth his or her name, address, and social security number, the total amount of compensation paid him or her during the year, and the amount of city income tax withheld. The information return shall be on a copy of the federal W-2 form or on a form furnished or approved by the city or the department. A copy of the information return shall be furnished to the employee.

(3) Except as provided in subsection (4), if an employer goes out of business or otherwise ceases to be an employer, reconciliation forms and the information return forms shall be filed with the city by the date the final withholding return and payment are due.

(4) For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, if an employer goes out of business or otherwise ceases to be an employer, reconciliation forms and the information return forms shall be filed with the department within 30 days after the employer goes out of business or ceases to be an employer.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.662 Declaration of estimated tax; filing; form; time; exceptions.**

Sec. 62. (1) A person who anticipates taxable income from which the city income tax will not be withheld with the city or the department shall file a declaration of estimated tax on a form furnished by or obtainable on request from the city or from the department if the city has entered into an agreement pursuant to section 9 of chapter 1. A calendar year taxpayer shall file a declaration on or before each April 30 or for tax years after the 1996 tax year and for which a city has entered into an agreement with the department of treasury pursuant to section 9 of chapter 1, on or before each April 15. A taxpayer on a fiscal year basis or other accounting period shall file with the department a declaration within 4 months after the beginning of each fiscal year or other accounting period.

(2) If a taxpayer has not previously been required to file, the declaration shall be filed on or before the first date for making a quarterly payment that occurs after the taxpayer becomes subject to the requirement to file a declaration. A taxpayer shall file a declaration for the same calendar year, fiscal year, or other accounting period that has been accepted by the federal internal revenue service for federal income tax purposes. A declaration by an individual or unincorporated entity is not required if the total estimated tax, less any credits applicable to the tax, does not exceed \$100.00. A declaration by a corporation is not required if the total estimated tax, less any credits applicable to the tax, does not exceed \$250.00. A declaration by or on behalf of an estate or trust is not required.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1990, Act 249, Imd. Eff. Oct. 12, 1990;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.663 Declaration of estimated tax not withheld; computation; payment; installments.**

Sec. 63. (1) A taxpayer's annual return for the preceding year may be used as the basis for computing a declaration of estimated tax for the current year, or the taxpayer may use the same figures used for estimating federal income tax adjusted to exclude any income or deductions not taxable or permissible under this ordinance.

(2) Except as otherwise provided, the estimated tax may be paid in full with the declaration or in 4 equal installments on or before the last day of the fourth, sixth, ninth, and thirteenth months after the beginning of the taxpayer's taxable year. For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, the estimated tax shall be paid in 4 equal installments on or before the fifteenth day of the fourth, sixth, ninth, and thirteenth months after the beginning of the taxpayer's taxable year.

(3) An amended declaration may be filed when making a quarterly payment, and the unpaid balance shown due shall be paid in equal installments over the remaining payment dates.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.664 Annual return; filing; extension of time; failure to file; penalty.**

Sec. 64. (1) The filing of a declaration of estimated tax does not excuse the taxpayer from filing an annual return even though there is no change in the declared tax liability. An annual return shall be filed with the city by the end of the fourth month or for tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, filed with the department on or before the fifteenth day of the fourth month of the year following that for which the declaration was filed. Upon written request of a taxpayer the administrator or the department may extend the time for filing the annual return for not to exceed 6 months. The administrator or the department may require a tentative return and payment of the estimated tax.

(2) A penalty or interest shall not be assessed if the return is filed and the final tax paid within the extended time and all other filing and payment requirements of this ordinance are satisfied, and the estimated tax paid equals 70% or more of the tax shown due on the final return or 70% or more of the tax shown due on the taxpayer's return for the immediately preceding taxable year.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.664a Sale of business or stock of goods or quitting business; liability for tax; escrow by purchaser; release to purchaser of known tax liability; failure to comply with escrow requirements; liability of corporation officers.**

Sec. 64a. (1) If a person liable for the tax imposed under this ordinance sells a business or the stock of goods of a business or quits a business, the person shall make a final return to the city or the department within 15 days after the date the business or stock of goods is sold or the person quits the business. The purchaser or succeeding purchasers, if any, who purchase a going or closed business or stock of goods of a going or closed business shall escrow sufficient money to cover the amount of taxes, interest, and penalties that may be due and unpaid until the former owner produces a receipt from the administrator that shows that the taxes due have been paid, or a certificate that states that taxes are not due. If the owner provides a written waiver of confidentiality, the administrator may release to a purchaser a business's known tax liability for the purposes of establishing an escrow account for the payment of taxes. If the purchaser or succeeding purchasers of a business or stock of goods of a business fail to comply with the escrow requirements of this subsection, the purchaser is personally liable for the payment of the taxes, interest, and penalties accrued and unpaid by the business of the former owner. The purchaser's or succeeding purchaser's personal liability is limited to the fair market value of the business less the amount of any proceeds applied to balances due on secured interests that are superior to any lien provided for in this ordinance.

(2) If a corporation that is liable for the tax imposed under this ordinance fails for any reason to file the required returns or to pay the tax due, any officers of the corporation that have control or supervision of, or who are charged with the responsibility for, making the returns or payments are personally liable for the failure to file or pay. The signature of any corporate officer on a return or negotiable instrument submitted in payment of a tax is prima facie evidence of the officer's responsibility for making the returns and payments. The dissolution of a corporation does not discharge an officer's liability for a prior failure of the corporation to make a return or remit a tax due. The sum due for a liability may be assessed and collected under this ordinance.

**History:** Add. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.665 Credit for city income tax paid another city.**

Sec. 65. An individual who is a resident of the city and received net profits from a business, profession or rental of real or tangible personal property, gains from the sale or exchange of real or tangible personal property, or salaries, wages, commissions or other compensation for work done or services performed or rendered, in each case outside the city, and is subject to and has paid an income tax on this income to another municipality, shall be allowed a credit against the city income tax for the amount paid to the other

municipality. The credit shall not exceed the amount of taxes which would be assessed under this ordinance on the same amount of income of a nonresident.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.666 Fractional part of a cent or dollar.**

Sec. 66. In withholding the tax due under this ordinance, a fractional part of a cent shall be disregarded unless it amounts to 1/2 cent or more, in which case it shall be increased to 1 cent. For tax years after the 1996 tax year in paying the tax due under this ordinance if any amount other than a whole dollar amount is used, the administrator, or the department shall disregard the fractional part of the dollar unless the fractional part amounts to 1/2 dollar or more, in which case the amount shall be increased by \$1.00.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.671 Rules and regulations; adoption; enforcement; forms; collection of tax.**

Sec. 71. (1) The administrator may adopt, amend, and repeal rules and regulations relating to the administration and enforcement of this ordinance subject to the approval of the city governing body. The rules and regulations, amendments, and repeals, after approval by the city governing body, shall become effective when published in the official newspaper of the city.

(2) The administrator shall enforce this ordinance and the rules and regulations approved as provided in subsection (1). The administrator or the department shall prepare, adopt, and make available to taxpayers, employers, and other persons all forms necessary for compliance with this ordinance.

(3) For tax years before the 1997 tax year and for tax years after the 1996 tax year and for which a city has not entered into an agreement pursuant to section 9 of chapter 1, the city treasurer shall collect all taxes and payments due under this ordinance and deposit them in a designated city depository. For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, the department shall collect taxes and payments due under this ordinance and deposit them in the city income tax trust fund established in section 5 of chapter 1.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.672 Special ruling; appeal to income tax board of review.**

Sec. 72. A taxpayer or employer desiring a special ruling on a matter pertaining to this ordinance or rules and regulations shall submit in writing to the administrator all the facts involved and the ruling sought. A taxpayer or employer aggrieved by a special ruling may appeal the special ruling in writing to the income tax board of review within 30 days.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.673 Examination of books and records; witnesses; additional provisions relating to dispute resolution; protest to notice of intent to assess tax.**

Sec. 73. (1) If a taxpayer or employer fails or refuses to make a return or payment as required, in whole or in part, or if the administrator or the department has reason to believe that a return made does not supply sufficient information for an accurate determination of the amount of tax due, the administrator or the department may obtain information on which to base an assessment of the tax. The administrator or the department may examine the books, papers, and records of any person, employer, taxpayer, or agent or representative of any person, employer, or taxpayer or audit the accounts of any person, employer, or taxpayer or any other records pertaining to the tax, to verify the accuracy and completeness of a return filed, or, if no return was filed, to ascertain the tax, withholding, penalties, or interest due under this ordinance.

(2) The administrator or the department may examine any person, under oath, concerning income which was or should have been reported for taxation under this ordinance, and for this purpose may compel the production of books, papers, and records and the attendance of all parties before him or her, whether as parties or witnesses, if he or she believes those persons have knowledge of the income. In addition, for tax years after the 1996 tax year and for which a city has entered into an agreement with the department of treasury pursuant to section 9 of chapter 1, all of the following apply to implement this section:

(a) The department of treasury shall send to the taxpayer or employer a letter of inquiry stating, in a courteous and unthreatening manner, the department's opinion that the taxpayer or employer needs to furnish further information or owes taxes to the city, and the reason for that opinion. A letter of inquiry shall also explain the procedure by which the taxpayer or employer may initiate communication with the department to resolve any dispute. A letter of inquiry may be served on the taxpayer in any manner determined appropriate by the department of treasury. This subdivision does not apply in any of the following circumstances:

(i) The taxpayer or employer files a return that shows a tax due and fails to pay that tax.

(ii) The deficiency resulted from an audit of the taxpayer's or employer's books and records by the city or the department.

(iii) The taxpayer or employer otherwise affirmatively admits that a tax is due and owing.

(b) If the dispute is not resolved within 30 days after the department of treasury sends the taxpayer or employer a letter of inquiry or if a letter of inquiry is not required under subdivision (a), the department, after determining the amount of tax due from a taxpayer or employer, shall give notice to the taxpayer or employer of the department of treasury's notice of intent to assess the tax. The notice shall include all of the following:

(i) The amount of the tax the department of treasury claims the taxpayer or employer owes.

(ii) The reason for the deficiency.

(iii) A statement advising the taxpayer or employer of his or her right to file a protest and to a hearing with the department of treasury.

(3) A taxpayer or employer has 30 days after receipt of a notice of intent to assess within which to file a written protest with the department of treasury. If a written protest is received, the department of treasury shall give the taxpayer or employer or duly authorized representative of the taxpayer or employer an opportunity to be heard and present evidence and arguments in his or her behalf.

(4) If a protest to the notice of intent to assess the tax under subsection (2) is determined by the department of treasury to be a frivolous protest or a desire by the taxpayer or employer to delay or impede the administration of the tax under this ordinance, a penalty of \$25.00 or 25% of the amount of tax under protest, whichever is greater, shall be added to the tax.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.674 Information confidential; divulgence, penalty, discharge from employment.**

Sec. 74. (1) Information gained by the administrator, city treasurer or any other city official, agent or employee as a result of a return, investigation, hearing or verification required or authorized by this ordinance is confidential, except for official purposes in connection with the administration of the ordinance and except in accordance with a proper judicial order.

(2) Any person who divulges this confidential information, except for official purposes, is guilty of a misdemeanor and subject to a fine not exceeding \$500.00 or imprisonment for a period not exceeding 90 days, or both, for each offense. In addition, an employee of the city who divulges this confidential information is subject to discharge for misconduct.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.681 Repealed. 1996, Act 478, Eff. Jan. 1, 1996.**

**Compiler's note:** The repealed section pertained to examination and investigation.

#### **141.682 Payment of tax; interest; "adjusted prime rate" defined; penalty for delay; waiver of penalty for reasonable cause.**

Sec. 82. (1) All taxes imposed in a taxable year before the 1992 taxable year on a taxpayer and money withheld by an employer under this ordinance and remaining unpaid after the taxes or money withheld are due bear interest from the due date at the rate of 1/2 of 1% per month until paid. For the 1992 taxable year and each subsequent taxable year before the 1997 taxable year, all taxes imposed on a taxpayer and money withheld by an employer under this ordinance and remaining unpaid after the taxes or money withheld are due bear interest from the due date at the current monthly rate of 1 percentage point above the adjusted prime rate per annum per month until the tax or money is paid. For taxable years after the 1996 taxable year, if the amount of a tax paid is less than the amount that should have been paid or an excessive claim for credit has been made, the deficiency and interest on the deficiency at the current monthly interest rate of 1 percentage point above the adjusted prime rate per annum from the time the tax was due, and until paid, are due and payable after a final assessment as provided in section 85. A deficiency in an estimated payment required by this ordinance shall be treated in the same manner as a tax due and is subject to the same current monthly interest rate of 1 percentage point above the adjusted prime rate per annum from the time the payment was due, until paid. The term "adjusted prime rate" means the average predominant prime rate quoted by not less than 3 commercial banks to large businesses, as determined by the department of treasury. For tax years before the 1997 tax year, the adjusted prime rate is to be based on the average prime rate charged by not less than 3 commercial banks during the 12-month period ending on September 30. One percentage point shall be added to the adjusted prime rate, and the resulting sum shall be divided by 12 to establish the current monthly interest rate. The resulting current monthly interest rate based on the 12-month period ending September 30 becomes effective on January 1 of the following year. For tax years after the 1996 tax year, "adjusted prime rate" means that term as defined in and determined under section 23(2) of Act No. 122 of the Public Acts of

1941, being section 205.23 of the Michigan Compiled Laws.

(2) A person who fails to file a return, pay the tax, or remit withholding, when due, is liable, in addition to the interest, to a penalty of 1% of the amount of the unpaid tax for each month or fraction of a month, not to exceed a total penalty of 25% of the unpaid tax. If a return is filed or remittance is paid after the time specified and it is shown to the satisfaction of the city or the department that the failure was due to reasonable cause and not to willful neglect, the penalty shall be waived by the administrator or the department. If the total interest or interest and penalty to be assessed is less than \$2.00, the administrator or the department shall instead assess \$2.00.

(3) Except as provided in subsection (4), if any part of the deficiency or an excessive claim for credit is due to negligence, but without intent to defraud, a penalty of \$10.00 or 10% of the total amount of the deficiency in the tax, whichever is greater, plus interest as provided in subsection (1), shall be added. The penalty becomes due and payable after a final assessment is issued as provided in section 85. If a taxpayer subject to a penalty under this subsection demonstrates to the satisfaction of the administrator or the department that the deficiency or excess claim for credit was due to reasonable cause, the administrator or the department shall waive the penalty.

(4) If any part of the deficiency or an excessive claim for credit is due to intentional disregard of this ordinance, but without intent to defraud, a penalty of \$25.00 or 25% of the total amount of the deficiency in the tax, whichever is greater, plus interest as provided in subsection (1), shall be added. The penalty becomes due and payable after a final assessment is issued as provided in section 85. If a penalty is imposed under this subsection and the taxpayer subject to the penalty successfully disputes the penalty, the administrator or the department shall not impose a penalty prescribed by subsection (3) to the tax otherwise due.

(5) If any part of the deficiency or an excessive claim for credit is due to fraudulent intent to evade the tax imposed under this ordinance, or to obtain a refund for a fraudulent claim, a penalty of 100% of the deficiency, plus interest as provided in subsection (1), shall be added. The penalty becomes due and payable after a final assessment is issued as provided in section 85 .

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1991, Act 198, Eff. Mar. 30, 1992;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.683 Additional tax assessment; when interest and penalty not imposed.**

Sec. 83. (1) Interest or a penalty shall not be imposed on an additional tax assessment if, within 90 days from final determination of a federal tax liability which also affects the computation of the taxpayer's city income tax liability, the taxpayer prepares and files an amended city income tax return showing income subject to the city tax based upon the final determination of federal income tax liability, and pays the additional tax shown due thereon or makes claim for refund of an overpayment. Interest shall not be allowed on a refund of the city income tax resulting from a final determination of federal tax liability.

(2) Interest and a penalty shall not be imposed for underestimating the tax if the total amount of tax withheld and paid by declaration, equals at least 70% or more of the tax shown due on the final return or 70% or more of the tax shown on the taxpayer's return for the preceding taxable year.

(3) An employee shall not be penalized because of the failure of his employer to report or pay tax withheld from the employee when the employer has in fact withheld the proper amount of tax.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964.

#### **141.684 Due and unpaid assessment; determination; procedure.**

Sec. 84. (1) For tax years before the 1997 tax year and for tax years after the 1996 tax year and for which a city has not entered into an agreement pursuant to section 9 of chapter 1, if the administrator determines that a taxpayer or an employer subject to the provisions of this ordinance has failed to pay the full amount of the tax due or tax withheld, he or she shall issue a proposed assessment showing the amount due and unpaid, together with interest and penalties that may have accrued thereon. The proposed assessment shall be served upon the taxpayer or employer in person or by registered or certified mail to the last known address of the taxpayer or employer. Proof of mailing the proposed assessment is prima facie evidence of a receipt of the proposed assessment by the addressee.

(2) A taxpayer or employer has 30 days after receipt of a proposed assessment within which to file a written protest with the administrator or 30 days after receipt of a notice of intent to assess from the department of treasury to file a written protest with the department of treasury, who shall then give the taxpayer or employer or his or her duly authorized representative an opportunity to be heard and present evidence and arguments in his or her behalf.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.685 Final assessment; protest.**

Sec. 85. (1) After the hearing as provided in section 84, the administrator or the department shall issue a final assessment setting forth the total amount found due in the proposed assessment or notice of intent to assess and any adjustment he or she may have made as a result of the protest. The final assessment shall be served in the same manner as a proposed assessment or notice of intent to assess. Proof of mailing of the final assessment is prima facie evidence of receipt of the final assessment by the addressee.

(2) If a protest under section 73(3) or 84(2) is not filed in respect to a proposed assessment or notice of intent to assess, a taxpayer or employer is considered to have received a final assessment 30 days after receipt of the proposed assessment.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.686 Failure to pay tax; demand; recovery; prosecution.**

Sec. 86. If an employer or taxpayer files a return showing the amount of tax or withholding due the city or the department, but fails to pay the amount to the city or the department, the administrator or the department is not required to issue a proposed assessment, notice of intent to assess, or a final assessment. The administrator or the department shall issue a 10-day demand for payment and if no payment or satisfactory evidence of payment is made in the 10 days the administrator or the department may recover the tax with interest and penalties in the name of the city in any court of competent jurisdiction as other debts are recoverable, or prosecute for violation of this ordinance under section 99, or both.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1971, Act 169, Imd. Eff. Dec. 2, 1971;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.687 Jeopardy assessment; procedure.**

Sec. 87. (1) If the administrator or the department believes that collection of the tax withheld from an employee's compensation as imposed under this ordinance will be jeopardized by delay, the administrator or the department, whether or not the time otherwise prescribed by the ordinance for making the return and paying the tax has expired, shall immediately assess the tax and interest and additions provided by the ordinance. The tax, interest, and additions shall become immediately due and payable, and the administrator or the department shall make an immediate notice and demand for payment, notwithstanding when the withheld tax is otherwise due and payable.

(2) If the administrator or the department finds that a person liable for the tax administered under this ordinance intends quickly to depart from the city or to remove property from this city, to conceal the person or the person's property in the city, or to do any other act tending to render wholly or partly ineffectual proceedings to collect the tax unless proceedings are brought without delay, the administrator or the department of treasury shall give notice of the findings to the person, together with a demand for an immediate return and immediate payment of the tax. A warrant or warrant-notice of levy may issue immediately upon issuance of a jeopardy assessment. When the warrant or warrant-notice is issued, the tax shall become immediately due and payable. If the person is not in default in making a return or paying a tax prescribed by this ordinance, and furnishes evidence satisfactory to the administrator or the department that the return will be filed and the tax to which the finding relates will be paid, then the tax shall not be payable before the time otherwise fixed for payment.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.688 Statute of limitations; waiver; payment of tax.**

Sec. 88. (1) Except in case of fraud, failure to file a return, failure to comply with the withholding provisions of this ordinance, or omission of substantial portions of income subject to the tax, an additional assessment shall not be made after 4 years from the date the return was due, including extensions, or from the date the return was filed, or the tax was paid, whichever is later. An omission of more than 25% of gross income is considered a substantial omission of income. Under this section a declaration of estimated tax is not considered a return.

(2) If the federal internal revenue service and a taxpayer execute a waiver of the federal statute of limitations, as to a taxable year, the expiration of the period within which an additional assessment may be made by the administrator or the department or a claim for refund filed by the taxpayer for such taxable year for city income tax purposes shall be 6 months from the date of expiration of the waiver.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.689 Statute of limitations; refund.**

Sec. 89. (1) Except as otherwise provided in this ordinance, a tax erroneously paid shall not be refunded unless a claim for refund is made within 4 years from the date the payment was made or the original final

return was due, including extensions, whichever is later, unless the administrator or the department and the taxpayer mutually agree to extend the time for assessment or refund. Under this section a declaration of estimated tax is not considered a return. Upon denial of a refund a taxpayer may follow the same procedure for appeal as provided in the case of a deficiency assessment.

(2) A tax deficiency as finally determined and interest or penalties thereon shall be paid within 30 days after receipt of a final assessment if no appeal is made.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.691 Income tax board of review; appointment of city residents; selection of officers; adoption, filing, inspection, and copies of rules of procedure; quorum; conflict of interests; record of transactions and proceedings; availability of record and other writings to public; conducting business at public hearing; notice of hearing.**

Sec. 91. (1) The governing body of the city shall appoint an income tax board of review consisting of 3 residents of the city who are not city officials or city employees.

(2) The board shall select a chairperson, secretary, and other officers as the board considers necessary and shall adopt rules governing the procedure for hearings and other procedures. The rules shall be filed in the office of the city clerk and shall be available for inspection by an interested person. A copy of the rules shall be furnished on request to an interested person.

(3) A majority of the board members shall constitute a quorum for an action by or hearing before the board, or for any other purpose. A member of the board shall not act on a matter in which the member has a financial interest other than the common public interest. A record shall be kept of the board's transactions and proceedings. The record and any other writing prepared, owned, used, in the possession of, or retained by the board of review in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976.

(4) The business which the board may perform shall be conducted at a public hearing of the commission held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the hearing shall be given in the manner required by Act No. 267 of the Public Acts of 1976.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1977, Act 175, Imd. Eff. Nov. 17, 1977.

**141.692 Income tax board of review; notice of appeal; transcript; hearing; confidential tax data; payment of deficiency or refund.**

Sec. 92. (1) A taxpayer or employer may file a written notice of appeal with the secretary of the income tax board of review not more than 30 days after receipt by the taxpayer or employer of a final assessment, denial in whole or part of a claim for refund, decision, order, or special ruling of the administrator or the department. Upon receipt of the notice of appeal, the income tax board of review shall notify the administrator or the department, who shall forward within 15 days to the income tax board of review a certified transcript of all actions and findings taken by the administrator or the department that relate to the matter under appeal. The appellant or his or her duly authorized representative may inspect the transcript.

(2) The income tax board of review shall grant the appellant a hearing at which the appellant or his or her duly authorized representative and the administrator or the department have an opportunity to present evidence that relates to the matter under appeal. After conclusion of the hearing, the income tax board of review by a majority vote of its 3 members shall affirm, reverse, or modify the final assessment, denial, decision, or order under appeal and furnish a copy of the decision to the appellant and to the administrator or the department.

(3) The provisions of this ordinance as to the confidential character of tax data are applicable to proceedings pending before or submitted to the income tax board of review.

(4) A tax deficiency or refund and any interest or penalties on a deficiency or refund shall be paid not more than 30 days after receipt by the taxpayer or employer or by the city or the department of notice of determination by the income tax board of review if no further appeal is made.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**141.693 Appeal to state tax commissioner or tax tribunal; procedure.**

Sec. 93. (1) A taxpayer, employer, or other person aggrieved by a rule adopted by the administrator may file a timely appeal to the state commissioner of revenue in the form and manner prescribed by the commissioner.

(2) A taxpayer or employer aggrieved by a final assessment, denial, decision, or order of the income tax board of review other than a decision under subsection (1), may appeal the assessment, denial, decision, or

order to the tax tribunal not more than 35 days after the final assessment, denial, decision, or order was issued. The uncontested portion of a final assessment, order, or decision shall be paid as a prerequisite to appeal. An appeal under this subsection shall be perfected as provided under the tax tribunal act, Act No. 186 of the Public Acts of 1973, being sections 205.701 to 205.779 of the Michigan Compiled Laws, and rules promulgated under that act for the tax tribunal.

(3) Not more than 35 days after a final order of the tax tribunal, the taxpayer, employer, or other person shall pay the city the taxes, interest, and penalty found due to the city or the department, and the city or the department shall refund to the taxpayer, employer, or other person any amount found to have been overpaid by the taxpayer, employer, or other person.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1969, Act 42, Imd. Eff. July 17, 1969;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.694 Appeal to court of appeals or supreme court; procedure.**

Sec. 94. (1) If a taxpayer, employer, other person, or the city or the department is aggrieved by a decision of the tax tribunal, the aggrieved party may take an appeal by right from a decision of the tax tribunal to the court of appeals. The appeal shall be taken on the record made before the tax tribunal. The taxpayer, employer, other person, city, or department may take further appeal to the supreme court in accordance with the court rules provided for appeals to the supreme court.

(2) An assessment is final, conclusive, and not subject to further challenge after 90 days after the issuance of the final assessment, decision, or order of the administrator or the department, and a person is not entitled to a refund of any tax, interest, or penalty paid pursuant to an assessment unless the aggrieved person has appealed the assessment in the manner provided by this ordinance.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

#### **141.695 Payment to taxpayer from city general fund or city income tax trust fund.**

Sec. 95. For tax years before the 1997 tax year and for tax years after the 1996 tax year and for which a city has not entered into an agreement pursuant to section 9 of chapter 1, if a taxpayer is found by a decision on an appeal entitled to recover any sum paid and further appeal has not been taken within the time permitted, the sum shall be paid from the general fund of the city. For tax years after the 1996 tax year and for which a city has entered into an agreement pursuant to section 9 of chapter 1, if a taxpayer is found by a decision on an appeal to be entitled to recover any sum paid and further appeal has not been taken within the time permitted, the sum shall be paid from the the city income tax trust fund established in section 5 of chapter 1.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1996, Act 478, Eff. Jan. 1, 1997.

**Compiler's note:** At the end of the second sentence of this section, the phrase "paid from the the city income tax" evidently should read "paid from the city income tax."

#### **141.699 Violations; misdemeanor; penalties.**

Sec. 99. Each of the following violations of this ordinance is a misdemeanor and is punishable, in addition to the interest and penalties provided under the ordinance, by a fine not exceeding \$500.00, or imprisonment for a period not exceeding 90 days, or both:

- (a) Wilful failure, neglect or refusal to file a return required by the ordinance.
- (b) Wilful failure, neglect or refusal to pay the tax, penalty or interest imposed by the ordinance.
- (c) Wilful failure of an employer or person to withhold or pay to the city a tax as required by the ordinance.
- (d) Refusal to permit the city or an agent or employee appointed by the administrator in writing to examine the books, records and papers of a person subject to the ordinance.
- (e) Knowingly filing an incomplete, false, or fraudulent return.
- (f) Attempting to do or doing anything whatever in order to avoid full disclosure of the amount of income or to avoid the payment of any or all of the tax.

**History:** 1964, Act 284, Imd. Eff. June 12, 1964;—Am. 1978, Act 93, Imd. Eff. Apr. 4, 1978.