

● CITY INCOME TAX ACT

STATUTORY CITATION: Mich. Comp. Laws §§ 141.501 – 141.787

GENERAL SUMMARY: The City Income Tax Act authorizes any Michigan city that either had an income tax in effect on January 1, 1995, or whose voters approved such a tax, to levy and collect an excise tax on certain income, including salaries, wages, commissions and bonuses which are (1) earned by residents of the city, or earned by non-residents for services performed in the city, and (2) subject to taxation under the Internal Revenue Code. Employers doing business or maintaining an establishment within any such city are required to withhold city income tax at the specified rate from the wages of any employee whose compensation is subject to federal income tax or FICA tax withholding.

On or before the last day of February following the calendar year in which such wages were paid, the employer must furnish the worker with a statement (such as a Form W-2) showing the total amount of compensation paid and the amount of city income taxes withheld.

PROVISIONS APPLICABLE TO AGRICULTURE: With respect to an agricultural worker (1) who resides or is employed in a city with a local-option income tax and (2) whose wages are subject to FICA taxes, farm operators and other agricultural employers are generally required to withhold city income tax from the worker's wages each pay period and forward withheld taxes to the city quarterly, for credit against the worker's tax liability.

Under the U.S. Internal Revenue Code, agricultural employers who pay at least \$2,500 in wages for agricultural labor during the year are required to deduct and withhold federal income tax from the wages of their agricultural employees. In those cases, farm employers in Michigan must also withhold city income tax from the wages of any employee who is a resident of a city with a local-option income tax.

Likewise, an employer whose annual agricultural payroll expenditures amount to less than \$2,500, but who pays at least \$150 in cash agricultural wages to a particular worker during the year, is required to withhold federal income tax from that worker's wages, and thus would be obligated to withhold local income tax as well if the worker is a resident of a city with a local-option income tax.

SPECIAL NOTES OR ADVISORIES

TAX RETURNS AND LIABILITY — Even if exempt from tax withholding, a farmworker is required to file a state income tax return if the worker's federal adjusted gross income exceeds personal exemptions. Tax may be owed if, after other state adjustments to federal adjusted gross income, the worker has net income.

ADMINISTRATION AND ENFORCEMENT

PRIMARY ENFORCEMENT AGENCY — Except for the City of Detroit, whose income tax is administered by the Michigan Department of Treasury, the City Income Tax Act is enforced by the individual municipalities that have adopted the local-option income tax. The governing body of each such city is required to appoint an income tax board of review, to which a worker may appeal an assessment of taxes, denial of a claim for refund, or other ruling made by the city's designated income tax administrator.

SECONDARY OR ASSOCIATED ENFORCEMENT AGENCY — *Discovery and Tax Enforcement, Tax Compliance Bureau, Michigan Department of Treasury, Lansing, Michigan 48922 (517-636-4486)*. A worker aggrieved by a determination of a local income tax board of review regarding an assessment of taxes, denial of a claim for refund, or other ruling may file an appeal with the Bureau of Revenue.