RESOLUTION IN STRONG OPPOSITION TO THE PROPOSED BAN ON CITY INCOME TAXES FOR NON-RESIDENT EMPLOYEES

By: City Council President Brenda Jones

WHEREAS, A recent Michigan House Committee panel undertook a debate as to whether the State should place a ban on cities imposing an income tax on non-residents that are physically employed in their city. The panel engaged in discussion, both for and against the proposed ban; and

WHEREAS, The Detroit City Council strongly opposes any ban on the ability to levy a non-resident income tax on those who work in the City of Detroit and believes the arguments of taxation without representation are woefully misplaced and are contrary to the best interest of the State; and

WHEREAS, Each individual non-resident employee is represented by the Governor, State Senator and State Representative elected and sent to Lansing. It is this elected group that has eliminated businesses taxes and put forth multiple property tax emptions and incentives that are deemed necessary to support corporate, economic vitality and job development in lieu of providing cities the valuable property taxes otherwise generated to provide services to residents and visitors who rely on those services; and

WHEREAS, It has been through the collective wisdom of the elected representatives of the State of Michigan that have determined that certain local governmental units of the State are allowed to levy a non-resident tax on those who are employed within those communities recognizing the financial necessity in sharing the cost of the services provided; and

WHEREAS, A major rationale and tool for local governments to approve tax abatements and incentives under the laws created by these elected officials, is the ability of local governments to off-set the loss of property taxes through employee income taxes of both residents and non-residents that work for those local incentivized businesses in those local communities; and

WHEREAS, Local communities in which non-residents primarily pass through on the way to or from their home have little impact on that community per se. However, non-resident employees of a local community spend considerable hours each day within that community and have a direct impact on the financial expenditures of the local community where they are employed;

WHEREAS, Non-resident employees spend multiple hours a week within and traversing to and from the local city of employment. The time engaged in that locality places an additional strain on local services including but not limited to traffic, police, fire and public works. The thousands of non-resident employees that derive their financial livelihood from working in the city of Detroit have access to and receive many of the benefits that residents of the city of Detroit who pay income taxes receive during the many hours they are working in the City; and

WHEREAS, In accordance with Public Act 500 of 1998, the City of Detroit has reduced its income tax rate to residents and non-residents. Additionally, then Mayor Dennis Archer and then Governor John Engler entered a State revenue share agreement in exchange for the income tax reduction, to which the State of Michigan failed to comply with the terms thereof resulting in the loss of hundreds of millions of dollars to the City of Detroit; and

WHEREAS, Any further reduction or ban of the non-resident income tax would only create financial hardship and potential devastation to the City of Detroit as well as the State's economy, if done without providing an equally financially stable alternative revenue source to replace any diminution of the non-resident tax;

WHEREAS, The recent City of Detroit Revenue Estimating Conference states "The FY 2021 estimate represents a 24.0% decrease compared to FY 2020 actuals. The FY 2021 forecast incorporates an anticipated $84.9 million refund liability due to nonresidents working from home during the COVID-19 pandemic. The forecast assumes 60% of nonresidents will work from home through June 2021, 30% from July through September 2022, and 20% from October through December 2022. The FY 2023-25 forecast assumes 10% nonresident withholding will continue moving forward, resulting in a recurring annual revenue loss of roughly $16 million"; and **BE IT THEREFORE**

RESOLVED, The Detroit City Council strongly opposes any actions to ban or further reduce the non-resident tax available to the City of Detroit for the above stated reasons; and **BE IT FURTHER**

RESOLVED, The Detroit City Council is urging Governor Gretchen Whitmer, the Michigan Senate and the Michigan House of Representatives oppose any legislative action taken to ban or reduce the ability of those local units of government allowed to levy a non-resident income tax, unless there is identified and approved, an equally financially stable alternative revenue source to replace any diminution of the non-resident tax; and **BE IT FINNALLY**

RESOLVED, That a copy of this resolution be provided to Mayor Mike Duggan, Governor Gretchen Whitmer, Senate Majority Leader Mike Shirkey, Senate Minority Leader Jim Ananich, House Speaker Lee Chatfield and House Minority Leader Christine Greig.