



GRAND RAPIDS AREA CHAMBER OF COMMERCE

TO: Members of the Senate Government Operations Committee
FROM: Allie Bush, Director of Government Affairs
DATE: November 9, 2016
RE: SB 1127 - Mandated Collection of Employees' City Income Taxes

On behalf of the Grand Rapids Area Chamber of Commerce and our over 2,300 members, I write to share our concerns with Senate Bill 1127.

Michigan adopted the Uniform City Tax Act in 1964 to allow cities to levy an income tax on residents, corporations and non-residents. This tax was intended to supplement dwindling property tax revenue and generate additional revenue from workers within the city. Senate Bill 1127 will require businesses to collect and remit city income tax for their employees, regardless of where the business is located.

The Grand Rapids Chamber Tax & Regulatory Affairs Committee is concerned about the impact this mandate will have on businesses – small and large, for-profit, non-profit, public and private. Some of our concerns include:

- SB 1127 places additional regulations and liability on ALL employers within the state, not just those located within a city that administers a city income tax.
- In many cases, the estimated cost to administer the tax will be higher than the amount remitted.
- With 22 cities levying a city income tax, the legislation would be complex and burdensome to administer, especially when considering staff turnover and address changes.
- The payroll and employee threshold could deter small businesses from growing and hiring more individuals.

Senate Bill 1127 creates a band-aid solution and ignores the innate problem with the city income tax due to its administrative challenges. Rather than adding an additional employer mandate, we would welcome discussion on alternative options to encourage compliance with Michigan tax laws.

Thank you for the consideration. If you have any questions, please feel free to contact me at 616.771.0311.