



Published on *East Lansing Info* (<https://eastlansinginfo.org>)

Home > Income Tax Exemption Was Wrong and Has To Be Fixed

Income Tax Exemption Was Wrong and Has To Be Fixed ^[1]

Wednesday, June 27, 2018, 9:15 am

By:

Alice Dreger



East Lansing's City Council had the income tax exemption wrong when voters went to the ballot last November, and Council has yet to fix the issue even as a new city income tax proposal ^[2] comes to the ballot on August 7.

According to Council Member Ruth Beier, the fault lies with her and Mayor Mark Meadows, and the problem will be fixed soon.

?In the last income tax question,? Beier told ELi in response to questions yesterday evening, ?the mayor and I misinterpreted the exemption language in the [Michigan] Uniform City Income Tax Act.?

Beier says the error was not the fault of City Attorney Tom Yeadon: ?I should have caught this. Tom was following our direction and wrote the exemption the way that we asked him to write it.?

How was the error caught? Beier told ELi yesterday that, ?An income tax expert from [the Michigan Department of] Treasury pointed out the error? by contacting her personally. Beier followed up and got clarification.

Council is now set to vote through a correction on the exemption issue at its next meeting, on July 17. That will be three weeks before the question of the income tax is decided by voters. [Update: Council voted 5-0, without discussion, to pass this correction.]

How last year?s exemption rate error played out:

Although it isn?t clear whether the issue matters to many voters this year, the exemption rate became a major issue ^[3] in the income tax vote last November. At that time, some East Lansing voters were concerned about passing an income tax that would be hard on low-earners and students.

An income tax exemption rate sets the level at which people become liable for paying an income tax. If someone earns less than the exemption rate, she or he won?t have to pay income tax.

On October 10, 2017, East Lansing?s City Council passed an ordinance setting what the Council thought would be the exemption rate if a city income tax passed in November 2017. That ordinance ^[4] stated that taxpayers earning less than \$5,000 would be exempt from paying the city income tax.

At the time, many who were pro-income-tax (including City Council Members) told the public that this meant anyone earning less than \$5,000 would be exempt from the tax.

But as it turns out, that?s not the case. According to the Michigan state law that governs local income taxes, such an exemption can only be granted to an earner who is listed as a dependent on someone else?s federal tax returns. Anyone who is financially independent would not be able to get the \$5,000 exemption.

Additionally, the \$5,000 exemption from the income tax only happens ?if the adjusted gross income for a taxpayer for a tax year is less than \$5,000.00.? That means that anyone living in or working in East Lansing earning \$5,000 or more would have to pay income tax, declaring his or her full income (and then adjusting it according to other rules).

What happened on this round:

Following failure of the income tax proposal to pass last November, Council decided to try again with voters this summer with a new income tax proposal.

In deciding which option to put to the voters, on May 9, 2018, Council held public hearings on a number of possible income tax proposals. Several of those had exemption provisions that clashed with state law. At that point, apparently no one had spotted the problem.

A week later, Council approved a ballot proposal for an income tax ? the one that will be on the ballot August 7. That made no mention of an exemption amount, but Beier told ELi then that she expected the exemption would be set the same way as last time.

Then, in a memo sent to City Council ^[5] two weeks ago, City Attorney Tom Yeadon officially advised Council there was a problem.

Yeadon offered an amendment ^[6] to the erroneous ordinance Council passed last year, stating in his cover memo, ?When the ordinance was adopted it was believed that, pursuant to the statute, the City could grant an exemption to from [sic] the tax to anyone with an income less than an amount specified in the ordinance.? That was ?believed? until the Treasury official contacted Beier.

Now Council has to deal with the issue, and it has only one meeting left before the income tax vote: the meeting on July 17. That?s when it will take up the amended ordinance, which will now match state law, limiting the exemption to people who are dependents on someone else?s return and who earn less than \$5,000 in adjusted gross income.

Beier tells ELi she isn?t sure whether there will be a public hearing on this amended ordinance. The City Clerk?s office has not responded to questions about whether a new ordinance requires a public hearing.

Asked if they wanted to comment on this story about the income tax exemption ? how the exemption was incorrect last time around, and why it is only now being brought into line with State law ? only Beier responded from City Council. City Manager George Lahanas also provided no comment.

You may also be interested in:

[Stephens and Draheim Rebuffed in Attempt to Open Applications for City Attorney ^{\[7\]}](#)

[ELi?s Voter Guide to the Income Tax ^{\[2\]}](#)

[?Vote Yes? Income Tax Committee Targets Retirees ^{\[8\]}](#)

[What?s Going On with Developments Downtown? ^{\[9\]}](#)

Related Categories:

City Council [10]

City Attorney [11]

Elections [12]

Finance and Taxes [13]

Government [14]

ELi is a member of INN and LION Publishers



Institute for
Nonprofit News



This news is brought to you by our financial supporters!

Source URL: <https://eastlansinginfo.org/content/income-tax-exemption-was-wrong-and-has-be-fixed>

Links

[1] <https://eastlansinginfo.org/content/income-tax-exemption-was-wrong-and-has-be-fixed>

[2] <https://eastlansinginfo.org/content/elis-voter-guide-income-tax>

[3] <https://eastlansinginfo.org/content/msu-student-leaders-and-council-candidate-split-income-tax-vote>

[4] <https://www.cityofeastlansing.com/DocumentCenter/View/6704/Ordinance-No-1415-PDF>

[5] http://eastlansing.granicus.com/MetaViewer.php?view_id=2&clip_id=1008&meta_id=64007

[6] http://eastlansing.granicus.com/MetaViewer.php?view_id=2&clip_id=1008&meta_id=64008

[7] <https://eastlansinginfo.org/content/stephens-and-draheim-rebuffed-attempt-open-applications-city-attorney>

[8] <https://eastlansinginfo.org/content/vote-yes-income-tax-committee-targets-retirees>

[9] <https://eastlansinginfo.org/content/whats-going-developments-downtown>

[10] <https://eastlansinginfo.org/citycouncil>

[11] <https://eastlansinginfo.org/cityattorney>

[12] <https://eastlansinginfo.org/elections>

[13] <https://eastlansinginfo.org/finance>

[14] <https://eastlansinginfo.org/government>