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HOOD RESEARCH

Contact Person Theo Broughton

313.931.2700, [contact@hoodresearch.org](mailto:contact@hoodresearch.org)

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Are non-Residents and Corporations Paying their Fair Share?  
Questions Regarding the Budget, Part 1

Detroit, Michigan

The city of Detroit has projected a deficit in the budget for the upcoming fiscal year.

The solutions offered by Mayor Bing include, reducing wages of city employees, raiding the pensions and reducing or eliminating basic benefits to both city workers and in part city residents.

Further the mayor would reduce services potentially putting the city and city visitors at risk.

These are drastic measures. The mayor and council have not considered more efficient means of managing revenue. Has the city government ensured that all non-residents who work in the city and businesses residing in the city are paying their taxes?

The methods used to collect taxes are based on the willingness of the individual or business to inform Detroit how much in taxes should be paid. Non-residents are supposed to pay 1.25% and corporations 1.00%. It's up to the employer to withhold taxes and then report these amounts. Non-residents may not file a return if their taxes are not being withheld. Additionally, each company hired by the city that is not based in Detroit should be checked to ensure that all taxes are paid. If Detroit is losing tax revenue because of contracts with non-city based business then the practice should be reversed.

How corporations and companies classify workers also affect how tax withholdings are managed. Those who are listed as consultants, or temps, may not have their taxes withheld by the company where they are employed. It then becomes an honor system with Detroit and the antiquated system of paper and the lack of audits performed on the tax collection and finance systems. In the least Detroit should check the state of Michigan's labor filings and similar listings for work visas, licenses and other tax related documents to ensure that all pay their fair share. Thousands of Canadians cross the border each day and work in the city. Detroit has not developed a system to track likely revenue.

With today's technology and resources Detroit should be able to determine if the tax revenue it receives is the full amount it should come to expect. The state and federal governments have used shared lists to maximize tax revenue. Detroit is not maximizing the resources available. In the minimum, Detroit should hire auditors to bump city data and lists against existing federal and state databases.

Before Mayor Bing and a majority on the City Council vote to remove more workers and put more people out of work. Before more people are reduced to poverty or have their benefits taken away and their future retirement impaired. Detroit's mayor and council need to ensure that the work they are paid to do is being done and that they are looking at all options before those who can least afford to make sacrifices are sacrificed.

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