

# Bond Case Briefs

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## **TAX - MICHIGAN**

### **Honigman Miller Schwartz and Cohn LLP v. City of Detroit**

**Supreme Court of Michigan - May 18, 2020 - N.W.2d - 2020 WL 2530162**

Law firm operating offices within and outside of city appealed the ruling of the Tax Tribunal, which upheld city's imposition of an additional tax assessment under the Uniform City Income Tax Ordinance (UCITO).

The Court of Appeals reversed. City's application for leave to appeal was granted.

The Supreme Court held that calculation of revenue from services encompasses all services performed within the city without regard to where those services are delivered.

For purposes of the Uniform City Income Tax Ordinance (UCITO), "performed," under the payroll factor for calculating the taxable net profit of a business for activities that are not exclusively conducted within a city, means to carry out an action, and accordingly, compensation for "services performed within the city" is calculated on the basis of the location at which the employee has carried out the service for compensation.

City income tax statutes establish the framework upon which city taxes of a business are to be calculated under the business allocation percentage method where the net profits of a business derive from activities conducted both inside and outside of the city; only that portion of net profits from business activities conducted within the city is subject to the city tax.

For purposes of the Uniform City Income Tax Ordinance (UCITO), "rendered" means to do a service for another, and not to transmit to another or deliver; thus, the calculation of revenue from services under the revenue factor, for determining the taxable net profit of a business, encompasses all services performed, i.e., done or carried out, within the city without regard to where those services are delivered.