



Virg Bernero, Mayor

## CITY OF LANSING WITHHOLDING TAX GUIDE

### WITHHOLDING RATES

Lansing has adopted the Michigan Uniform City Income Tax Ordinance, effective July 1, 1968. This booklet contains instructions for withholding under this ordinance. There are two withholding rates: one percent (1%); or half of one one percent (1/2%).

Use the 1% rate for:

- 1) Lansing residents working in Lansing;
- 2) Lansing residents working outside of the city who are not subject to withholding for the city where they work.

Use the 1/2% rate for:

- 1) Nonresidents of Lansing working in Lansing;
- 2) Lansing residents working outside the city who are also subject to withholding for the place where they work.

The withholding rates are applied after allowing for the exemptions claimed by the employee, the employee's spouse and dependent(s).

### WHO HAS TO WITHHOLD

Every employer is required to withhold who:

- 1) has a location in the city;
- 2) is doing business in the city even though the employer has no location within the city;
- 3) has a location in the City due to a PA 425 Agreement.

An employer is any "individual, partnership, association, limited liability company, corporation, non-profit organization, governmental body or unity or agency including the state, or any other entity . . . that employs 1 or more persons on a salary, bonus, wage, commission or other basis, whether or not the employer is in a business."

*Example:* A construction firm from Ohio is doing work in Lansing. Even though it has no Lansing business location, the firm is required to withhold.

An employer who has locations both in and out of the city must withhold from all those employees working in the city, and from all Lansing residents working outside the city.

A non-profit organization in the city is required to withhold from all of its employees (even though it is not engaging in business activity in the usual sense).

### WHO MUST REGISTER

New or established employers must register with the City of Lansing by filing the L-SS-4 City of Lansing Income Tax Division Employer's Withholding Registration form. The City of Lansing uses the Federal Employer Identification Number (FEIN) as the identifying account number. Complete the form in its entirety and return as instructed.

The City of Lansing utilizes an online withholding site for monthly and quarterly withholding deposits and year-end reports. Once the registration form is received by the Income Tax Office and processed, a Personal Identification Number (PIN) will be issued along with an instruction letter.

If a new business has not yet received a Federal Employer Identification Number, please contact the Income Tax Office.

### WHO TO WITHHOLD FROM

Employers are required to withhold from the following employees:

- 1) All residents of the City of Lansing, whether or not they work inside the city;
- 2) All nonresidents of the City of Lansing who have Lansing as their predominant place of employment.

An employee is anyone from whom an employer withholds for either Federal or State income tax or social security tax.

### PREDOMINANT PLACE OF EMPLOYMENT

Nonresidents of Lansing are subject to withholding only if Lansing is their predominant place of employment.

The Ordinance defines predominant place of employment as "that city imposing a tax under a uniform city income tax ordinance other than the city of residence, in which the employee estimates he will earn the greatest percentage of his compensation from the employer, which percentage is 25% or more."

Therefore, Lansing is a nonresident's predominant place of employment if:

- 1) The taxpayer earns a greater percentage of compensation in Lansing than any other Michigan city with an income tax, except the taxpayer's city of residence.
- 2) This greatest percentage constitutes 25% or more of the taxpayer's total compensation from the employer.

An employee can have only one predominant place of employment.

*Example No. 1:* An employee resides in a Michigan city that levies an income tax. The employee performs 60% of work duties in the home city and 40% in Lansing. Lansing is the employee's predominant place of employment because it is the taxing city, other than the employee's city of residence, in which at least 25% of compensation is earned.

*Example No. 2:* An employee resides in a city that does not levy an income tax and performs 60% of services in Lansing and 40% in Detroit (both of which levy an income tax). Lansing would be the employee's predominant place of employment.

The employer would be required to withhold at the other city's appropriate rate.

*Example No. 3:* An employee resides in Lansing and performs 60% of services in city A and 40% in city B. All three are Michigan cities which have an income tax. The employer is required to withhold for Lansing (the city of residence) and for city A (the predominant place of employment), but not for city B.

**LW-4 FORMS REQUIRED**

To determine each employee's place of residence and predominant place of employment you must have each employee fill out an Employee's Withholding Certificate, Form LW-4. Only one Form LW-4 is required for each employee, even though the employee may be subject to withholding for two or more cities.

When properly filled out, the Form LW-4 will give the employee's city of residence and the two cities or communities in which the greatest percentage of compensation is earned. Most employees will only have one city of employment, and will circle 100% as the percentage of compensation earned in that city.

The Form LW-4 is also a statement of the number of exemptions claimed for the employee, the employee's spouse and dependent(s).

Employers withholding for Lansing may obtain Form LW-4 from the City of Lansing/ Income Tax Division, 1<sup>st</sup> Floor-City Hall, 124 W. Michigan Avenue, Lansing, Michigan 48933 or by visiting the City of Lansing's website at [www.lansingmi.gov](http://www.lansingmi.gov).

*Do not mail LW-4 cards to the city; these must be retained for the employer's use.*

**EXEMPTIONS**

Exemptions of \$600 per year are allowed for the employee, the employee's spouse and each of the employee's dependents. Additional exemptions are allowed if either the employee or the employee's spouse is 65 or over, blind, deaf, suffers some sort of major paralysis or is totally and permanently disabled.

The employee must provide the employer with the number of exemptions by filling out an Employees Withholding Certificate, Form LW-4. Employees should be instructed to claim their actual and true number of exemptions.

If an employee fails or refuses to file a Form LW-4 with you, the ordinance requires the employer to withhold one percent from the employee's total compensation without benefit of exemptions.

If making a direct percentage computation, use the following amounts per exemption:

Weekly .....	\$11.54
Bi-weekly.....	23.06
Semi-weekly.....	25.00
Monthly .....	50.00
Per diem.....	1.65

After computing the tax, ignore all fractions less than 1/2¢ and raise all fractions of 1/2¢ and over to the next cent.

**WHAT PAY TO WITHHOLD FROM**

The Ordinance requires that the City of Lansing income tax be withheld from all compensation (salaries, wages, commissions, bonuses, etc.) for services rendered or work performed by Lansing residents, regardless of whether such services or work are in or out of the city, and from all compensation for services rendered or work performed in the city by nonresidents for whom Lansing is the predominant place of employment.

Vacation, holiday, sickness and bonus pay to nonresidents who perform part but not all of their work or services in Lansing is taxable in the same ratio as their normal activities.

*Example:* A nonresident employee who is subject to withholding on 60% of earnings, because 60% of the work is performed in Lansing, is also subject to withholding on 60% of vacation, holiday, bonus and salary or wage payments during periods of sickness.

**PAYMENTS NOT SUBJECT TO WITHHOLDING**

Withholding does not apply to the following:

- 1) Fees paid to professionals, brokers, and any other independent contractors who are not employees of the payer;
- 2) Payment to a nonresident employee for work or services performed in Lansing, if the employee's predominant place of employment is not Lansing.
- 3) Payment to a nonresident employee for work or services rendered outside the city (see Predominant Place of Employment);
- 4) Pensions and annuities, workmen's compensation and similar benefits;
- 5) Amounts paid for sickness, personal injuries or disability (so-called excludable sick-pay) to the same extent that these amounts are exempt from the Federal income tax. The employer *may* withhold from such payments if Federal income tax is withheld from them;
- 6) Amounts paid to an employee as reimbursement for expenses incurred in performing services;

- 7) Income earned by an employee residing in a City of Lansing Renaissance Zone.

While individuals with income as described in items 1, 2, and 3 above are not subject to withholding on such income, such individuals are nevertheless required to file an annual return and report such income if they are Lansing residents, or are nonresidents earning such income in Lansing.

**WITHHOLDING REQUIRED ON RESIDENTS**

The withholding rate for Lansing residents not subject to withholding in any other city is one percent (1%). This is applied to the total compensation after allowance for the exemptions.

The withholding rate for Lansing residents whose predominant place of employment is Detroit or any other Michigan city with an income tax is half of one percent (1/2%). In addition to withholding half of one percent for Lansing, you must withhold one half of the other city's resident rate.

If a Lansing resident works for you in two other cities that have an income tax, you must withhold:

- 1) half of one percent for Lansing, the city of residence;
- 2) half of one percent for whichever of the two cities is the predominant place of employment;
- 3) nothing for the third city.

In no case are you required to withhold for more than two cities: the city of residence and the city of predominant employment.

In the following examples, the employer is assumed to have a location, or to be doing business, in each of the cities mentioned.

*Example No. 1:* A Lansing resident works at your out-of-town location, in a city that has no income tax. The resident, who claims three exemptions, earns \$500 per week. Withholding would be \$4.65 per week.

- 1) Allow \$11.54 for each dependent. Three times \$11.54 is \$34.62.
- 2) Subtracting \$34.62 from \$500 leaves \$465.38 as subject to withholding.
- 3) Multiplying \$465.38 by 1% gives \$4.65.

*Example No. 2:* A Lansing resident performs 30% of work services for you in City A, 60% in City B and 10% in Lansing. All three cities have an income tax. The resident's earnings are \$500 dollars a week, and the resident has three exemptions.

Lansing's withholding on this employee is half of one percent on a salary of \$500, after exemptions.

- 1) Subtract \$34.62 (three exemptions at \$11.54 each) from \$500, leaving \$465.38 as subject to withholding.
- 2) Multiply this by 1/2% to get the Lansing withholding of \$2.33.

City B's withholding is computed on 60% of the resident's salary and the resident is allowed full exemptions.

- 1) Multiply \$500 by 60% to get \$300, the amount of compensation earned in City B.
- 2) Subtract \$34.62 in exemptions, leaving \$265.38 as the amount subject to withholding.
- 3) Multiply \$265.38 by 1/2% to get City B's withholding of \$1.33.

City A collects no withholding from this employee.

*Example No. 3:* A Lansing resident performs 60% of work services for you in Lansing and 40% in Detroit. Both have an income tax. The resident earns \$500 per week and has three exemptions.

To determine the Lansing withholding:

- 1) Subtract \$34.62 (\$11.54 each for three exemptions) from \$500, leaving \$465.38 subject to withholding.
- 2) Multiply \$465.38 by 1/2% to get the Lansing withholding of \$2.33.

To determine the Detroit withholding:

- 1) Multiply the \$500 salary by 40% to determine the amount earned in Detroit, it is \$200.
- 2) Subtract \$34.62 in exemptions from \$200 to get \$165.38, the amount subject to withholding.
- 3) Multiply \$165.38 by 1/2% to get the Detroit withholding of 83¢.

## **WITHHOLDING REQUIRED ON NONRESIDENTS**

The withholding rate is half of one percent on nonresidents of Lansing who have Lansing as their predominant place of employment.

If an employee lives in a city which also has an income tax you may be required to also withhold half of one percent for the nonresident's city of residence.

*Example No. 1:* An employee resides in a non-taxing city and works full time for you in Lansing, has earnings of \$500 per week, and claims three exemptions. The employee's withholding is \$2.33 per week.

- 1) Multiplying \$11.54 by three exemptions gives \$34.62 total exemption.

- 2) Subtracting \$34.62 from \$500 leaves \$465.38 subject to withholding.
- 3) Multiplying \$465.38 by 1/2% gives Lansing withholding of \$2.33.

*Example No. 2:* A nonresident employee lives in Detroit, performs 80% of work services in Lansing, earns \$500 weekly, and claims three exemptions. The employee's withholding for Lansing is \$1.83 and if you do business in Detroit, you will be required to withhold for that city.

To determine Lansing withholding:

- 1) Multiply \$500 by 80%, which gives \$400, as the amount earned in Lansing.
- 2) Subtract \$34.62 (three exemptions) from \$400, which leaves \$365.38 as the amount subject to withholding.
- 3) Multiply \$365.38 by 1/2%. This gives \$1.83 as withholding for Lansing.

## **USE OF WITHHOLDING TABLES**

Withholding tables can simplify the process of computing the amount of tax to withhold by eliminating many calculations required. The Withholding Table Guide can be found at: [www.lansingmi.gov/employer\\_withholding](http://www.lansingmi.gov/employer_withholding).

## **REPORTING AND PAYING AMOUNTS WITHHELD**

An employer shall file a return furnished by or obtainable on request from the City, and shall pay to the City the full amount of the tax withheld on or before the last day of the month following the close of each calendar quarter. However, if during any calendar month other than the last month of a calendar quarter the amount withheld exceeds one hundred dollars (\$100.00), the employer shall deposit the amount withheld with the City Treasurer before the end of the next calendar month.

Withholding payments shall be submitted:

- 1) by sending a check or money order to the City of Lansing Treasurer, P.O. Box 19219, Lansing, Michigan 48901; or
- 2) through the online withholding site at [www.municonnect.com/lansing](http://www.municonnect.com/lansing) via
  - a. ACH debit, or
  - b. Printing an L-941 voucher and mailing with a check or money order

Forms are also available by contacting the Withholding Department at 517-483-4117.

## **CORRECTION OF ERRORS**

Corrections of over and under withholding due to an employer's error should be corrected as follows:

- 1) If the error is discovered on an employee's withholding in the same

quarter or month in which it was made, the employer shall make the necessary adjustment on a subsequent pay for that employee. Only the corrected amount should be included in the quarterly or monthly return to the city;

- 2) If the error is discovered in a subsequent quarter or month of the same calendar year, the employer shall make the necessary adjustment on a subsequent pay and report it as an adjustment on the next quarterly or monthly return;
- 3) If the error is discovered in the following calendar year, the employer shall notify the Income Tax Division of the error.

If an error is discovered in the withholding of a former employee, notify the Income Tax Division.

## **ANNUAL REPORTS**

An annual report must be submitted on Federal Form W-2 giving the name, address, social security number, gross earnings and Lansing tax withheld for each employee from whom the tax has been withheld. These must be submitted to this office, and a copy furnished to each employee by February 28th of each year. An annual reconciliation Form LW-3 must accompany the W-2 Forms when they are filed with the City.

The City of Lansing requires W2's in electronic format if the employer has 10 or more employees. Accepted electronic filing formats are the Federal Filing Format (EFW2) and CityTax Proprietary Format (Excel .csv). Submit the W2s by CD-ROM, USB Drive or email.

Any employer who goes out of business or permanently ceases to be an employer must file W-2's and LW-3 by the date their final withholding payment is due and submit form L-6-IT Notice of Change or Discontinuance.

All reports are to be mailed to the City of Lansing/Income Tax Division, 1st Floor-City Hall, 124 W. Michigan Ave., Lansing, MI 48933-1697 or emailed to [withholding@lansingmi.gov](mailto:withholding@lansingmi.gov).

## **ANY FURTHER QUESTIONS**

Phone: 517-483-4117

Fax: 517-483-6084

Mail: City of Lansing/Income Tax Division  
1st Floor-City Hall

124 W. Michigan Avenue  
Lansing, Michigan 48933

Email: [withholding@lansingmi.gov](mailto:withholding@lansingmi.gov)

Website: [www.lansingmi.gov](http://www.lansingmi.gov)

