

Requirements For Income Tax Clearance

Background. The City of Detroit is authorized to levy an income tax under the Uniform City Income Tax Ordinance (No.900-F) set forth in Chapter 2 of Act 284 of the Public Acts of 1964, known as the "City Income Tax Act." No bid shall be accepted from or contract awarded to any person who is in arrears to the City..." see Detroit codes: Sec.18-5-13, Sec. 18-10-25 and General Conditions# 28.

What Is An Income Tax Clearance? An **approved** Income Tax Clearance states that an individual, business or subcontractor seeking employment or contracts with the City of Detroit has complied with all the provisions of the City Income Tax Ordinance. Contractors (individuals, businesses or Subcontractors) cannot be awarded a contract and are not authorized to perform services until they are in compliance with the City Income Tax Ordinance. **The "Request for Income Tax Clearance" form should be submitted 30 days prior to the submission for new bids or renewals of contract extensions.**

Requirements For Individuals. Individuals must file returns and pay income taxes, and not have any unpaid assessments. Detroit residents must file form D-1040(R). If a taxpayer claims a non-resident status, proof will be required (copy of lease, mortgage closing statements, drivers license, voter's registration, ect.). If an individual seeking a tax clearance reside within the City, but claimed dependent status on another person's tax return, or received assistance, proof may be required.

Requirements For Businesses. Businesses must file Corporation D-1120 or Partnership D-1065 returns, regardless of net profit or loss. Non-profit organizations are required to file D-1120 tax return based on non-related income. All employers located in the City or "doing business within the City" must withhold City of Detroit income taxes from employees' compensation. Employers subject to withholding tax must file monthly or quarterly forms D-941/501, as well as, form DW-3 Annual Reconciliation with W2's. All assessments must be paid. New employers must request and Employer's Package and register with the City by completing and submitting an Employer's Withholding Registration form DSS-4. Contractors must supply a list of subcontractors with federal identification numbers or social security numbers. Contractors must also supply the federal identification under used for their leased employees...

Income Tax Clearance Denials. Income Tax Clearances are denied based on one or more of the following reasons: (1) Missing withholding payments, DW-3 Annual Reconciliation with W2's, (2) Unpaid assessments and (3) Missing tax returns and related data regarding taxpayers are confidential: therefore, reasons for denial are given only to the taxpayer or authorized representative with power of attorney. Taxpayers with denied clearances may visit our office to obtain information about their account or to drop off requested information.

Appointments are not necessary. For additional information contact the Clearance Section at (313) 224-3328. Our office is located in the Coleman A. Young Municipal Center, 2 Woodward Avenue, Suite 512. Office hours are 8:00 a.m. to 4:00 p.m., Monday through Friday.