MICHIGAN SUPREME COURT

Honigman Miller Schwartz and Cohn LLP v. City of Detroit, 505 Mich. 284

952 N.W.2d 358 (2020) · No. 157522 · Decided May 18, 2020

SUMMARY

The Michigan Supreme Court held that “services rendered in the city” under MCL 141.623 of the Uniform City Income Tax Ordinance refers to services performed within the city, regardless of where the client is located or where the services are delivered. The Court reversed the Court of Appeals and remanded for further proceedings concerning Detroit’s income-tax assessment against Honigman Miller Schwartz and Cohn LLP for tax years 2010 through 2014.

CASE DETAILS

COURT	Michigan Supreme Court
WRITING FOR THE COURT	Stephen J. Markman; Brian K. Zahra; Richard H. Bernstein; Megan K. Cavanagh; David F. Viviano; Bridget M. McCormack; Elizabeth T. Clement
JURISDICTION	Michigan
DECIDED	May 18, 2020
DOCKET	157522
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The City of Detroit appealed a Michigan Court of Appeals decision reversing the Michigan Tax Tribunal's partial summary disposition in the City's favor. The Michigan Supreme Court granted the City's application for leave to appeal and reviewed the statutory interpretation issue de novo.
STANDARD OF REVIEW	De novo review applies to statutory interpretation and to summary disposition under MCR 2.116(C)(10). When facts are undisputed and fraud is not alleged, review of the Tax Tribunal is limited to whether it made an error of law or adopted a wrong legal principle.
PRECEDENTIAL VALUE	Published and precedential Michigan Supreme Court decision
PARTIES	City of Detroit v. Honigman Miller Schwartz and Cohn LLP

TOPICS

income tax · state and local tax · tax court procedure · statutory interpretation · municipal law

PRACTICE AREAS

income tax · state and local tax · municipal law · statutory interpretation · tax court procedure

QUESTIONS PRESENTED

1. Whether the phrase "services rendered in the city" in MCL 141.623 requires revenue from legal services to be apportioned according to where the services were performed or where they were delivered to the client.
2. Whether the use of the terms "performed" in MCL 141.622 and "rendered" in MCL 141.623 requires the terms to have different meanings under the Uniform City Income Tax Ordinance.
3. Whether the Michigan Tax Tribunal properly granted partial summary disposition to the City of Detroit.

HOLDINGS

1. Under MCL 141.623, "rendered" means to do a service for another. Revenue from services rendered in Detroit is therefore sourced to the location where the services were performed, not where they were delivered or where the client was located.
2. Although "performed" and "rendered" have distinctive contextual connotations in the UCITO, they have essentially the same operative meaning for apportionment purposes: both focus on where the service was done or carried out.

KEY QUOTATIONS

> *“Thus, the Legislature adopted an “origin test,” rather than a destination or market-based test, for the calculation of revenue from “services” under the revenue factor. Section 23 encompasses all legal services performed, i.e., done or carried out, within the city without regard to where those services are delivered.”* (at 32-33)

> *“The term “render,” in our judgment, most precisely means “to do (a service) for another,” Merriam-Webster’s Collegiate Dictionary (11th ed), and thus the revenue factor does not focus upon where the services are delivered but where they are done or carried out.”* (at 18-19)

FACTUAL BACKGROUND

Honigman operated law offices inside and outside Detroit and apportioned its business income under the Uniform City Income Tax Ordinance's three-factor formula. For tax years 2010 through 2014, Honigman treated approximately 11% of its gross revenue as in-city revenue, excluding legal work performed in Detroit for clients outside the city. Detroit determined that approximately 50% of the firm's gross revenue should be included and imposed an additional assessment of approximately $1.1 million. The dispute concerned whether revenue from legal services was sourced to the place where the work was performed or to the location where the client received the services.

PROCEDURAL HISTORY

Honigman challenged Detroit income-tax assessments for tax years 2010 through 2014 in the Michigan Tax Tribunal. The Tribunal granted the City's motion for partial summary disposition, concluding that revenue from services rendered in Detroit was determined by where the services were performed. The Court of Appeals reversed, holding that the relevant location was where the services were delivered to the client. The Supreme Court reversed the Court of Appeals and remanded to the Tribunal.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The case was remanded to the Michigan Tax Tribunal for further proceedings and entry of an order granting partial summary disposition in favor of the City of Detroit.

CASES CITED

- Mich Props, LLC v. Meridian Twp., 491 Mich. 518, 527-528, 817 N.W.2d 548 (2012)
- El-Khalil v. Oakwood Healthcare, Inc., 504 Mich. 152, 159, 934 N.W.2d 665 (2019)
- Danse Corp. v. Madison Hts., 466 Mich. 175, 181-182, 644 N.W.2d 721 (2002)
- Tryc v. Michigan Veterans' Facility, 451 Mich. 129, 135, 545 N.W.2d 642 (1996)
- Sweatt v. Dep't of Corrections, 468 Mich. 172, 179-180, 661 N.W.2d 201 (2003)
- Hegadorn v. Dep't of Human Services Director, 503 Mich. 231, 244, 931 N.W.2d 571 (2019)
- In re Rovas Complaint Against SBC Michigan, 482 Mich. 90, 108, 754 N.W.2d 259 (2008)
- Oakland Co. Bd. of Co. Rd. Comm'rs v. Michigan Property & Casualty Guaranty Ass'n, 456 Mich. 590, 604, 575 N.W.2d 751 (1998)
- G C Timmis & Co. v. Guardian Alarm Co., 468 Mich. 416, 421, 662 N.W.2d 710 (2003)
- Kendzierski v. Macomb Co., 503 Mich. 296, 311, 931 N.W.2d 604 (2019)
- Mayor of the City of Lansing v. Public Service Comm'n, 470 Mich. 154, 165 & n. 6, 680 N.W.2d 840 (2004)
- Int'l Business Machines Corp. v. Dep't of Treasury, 496 Mich. 642, 650, 852 N.W.2d 865 (2014)
- United States Fidelity & Guaranty Co. v. Michigan Catastrophic Claims Ass'n, 484 Mich. 1, 14, 795 N.W.2d 101 (2009)
- Bauserman v. Unemployment Insurance Agency, 503 Mich. 169, 184 n. 10, 931 N.W.2d 539 (2019)
- People v. Thompson, 477 Mich. 146, 153-154, 730 N.W.2d 708 (2007)
- People v. Greene, 255 Mich. App. 426, 440, 661 N.W.2d 616 (2003)
- Utility Air Regulatory Group v. EPA, 573 U.S. 302, 320, 134 S. Ct. 2427, 189 L. Ed. 2d 426 (2014)
- Environmental Defense v. Duke Energy Corp., 549 U.S. 561, 574, 127 S. Ct. 1423, 167 L. Ed. 2d 295 (2007)
- Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. 519, 540, 133 S. Ct. 1351, 185 L. Ed. 2d 392 (2013)
- People v. Pinkney, 501 Mich. 259, 285 n. 63, 912 N.W.2d 535 (2018)

- Clam Lake Twp. v. Dep't of Licensing & Regulatory Affairs, 500 Mich. 362, 373, 902 N.W.2d 293 (2017)
- Ronnisch Construction Group, Inc. v. Lofts on the Nine, LLC, 499 Mich. 544, 563 n. 58, 886 N.W.2d 113 (2016)

INSTRUCTIONS FOR AN AI ASSISTANT