



HOUSE BILL No. 5443

March 24 1994 Introduced by Reps Yokich Palamara Clack Gubow Richard A Young, Schroer Porreca O Neill Baade Byrum Rivers Stallworth, Points Olshove Owen Murphy Gire Curtis Harder Willard Anthony Pitoniak Parks Gagliardi Dobronski Profit Jacobetti, Leland Scott, Bennane Hood Wetters Saunders Ciaramitaro Jondahl Mathieu Freeman Brown Berman Varga Keith and Alley and referred to the Committee on Taxation

A bill to amend section 527a of Act No 281 of the Public Acts of 1967, entitled

Income tax act of 1967,"

as amended by Act No 181 of the Public Acts of 1991, being section 206 527a of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 527a of Act No 281 of the Public Acts
2 of 1967 as amended by Act No 181 of the Public Acts of 1991,
3 being section 206 527a of the Michigan Compiled Laws, is amended
4 to read as follows

5 Sec 527a (1) For tax years 1985 through ~~1994~~ 1997 a
6 claimant may claim a credit against the state income tax for
7 heating fuel costs for the claimant's homestead in this state
8 An adult foster care home, nursing home, home for the aged, or
9 substance abuse center shall not be considered a homestead for

1 purposes of this section The credit shall be determined in the
2 following manner

3 (a) For the 1988 tax year through the ~~1994~~ 1997 tax year,
4 the following table shall be used for the computation of a credit
5 as computed under subdivision (c)

6 Exemptions	0 or 1	2	3	4	5	6 or more
7 Credit	\$272	\$326	\$379	\$450	\$525	\$601 + \$76
8						for each
9						exemption
10						over 6

11 (b) For tax years subsequent to the 1988 tax year, the
12 amounts in the table in subdivision (a) shall be adjusted each
13 year as necessary by the department so that a claimant with a
14 household income less than 110% of the federal poverty income
15 standards as defined and determined annually by the United States
16 office of management and budget is not denied a credit

17 (c) A claimant shall receive the greater of the credit
18 amount as determined in subparagraph (1) or (2)

19 (1) Subtract 3 5% of the claimant's household income from
20 the amount specified in subdivision (a) that corresponds with the
21 number of exemptions claimed in the return filed under this act,
22 except that the number of exemptions for purposes of this subdivi-
23 sion shall not exceed the actual number of persons living in
24 the household plus the additional personal exemptions allowed
25 under section 30, and any dependency exemptions for a person or
26 persons living in the household under a custodial arrangement,
27 even if the exemptions may not be claimed for other income tax

1 purposes For a claimant whose heating costs are included in his
 2 or her rent multiply the result of the preceding calculation by
 3 50-

4 (11) Subject to subsection (2), for a claimant whose house-
 5 hold income does not exceed the maximum specified in the follow-
 6 ing table, as adjusted, that corresponds with the number of
 7 exemptions claimed in the return filed under this act, subtract
 8 11 of claimant's household income from the total cost incurred
 9 by a claimant for heating fuel from a heating fuel provider
 10 during the 12 consecutive monthly billing periods ending in
 11 October of the tax year, and multiply the resulting amount by
 12 70-

13 Exemptions 0 or 1	2	3	4	5	For each
14					exemption
15					over 5,
16					add
17					\$2,441 00
18					to the
19					maximum
20					income

21 Maximum

22 Income \$7 060 \$9,501 \$11 943 \$14,382 \$16,824

23 (d) For the 1988 tax year for the purposes of subdivision
 24 (c), the total cost incurred by a claimant for heating fuel from
 25 a heating fuel provider shall not exceed \$1,190 00 ~~For~~ EXCEPT
 26 AS OTHERWISE PROVIDED IN THIS SUBDIVISION, FOR tax years
 27 subsequent to the 1988 tax year, the maximum cost incurred by a

1 claimant for heating fuel during a tax year shall be adjusted by
 2 multiplying the maximum cost for the IMMEDIATELY preceding tax
 3 year by the percentage by which the average all urban Detroit
 4 consumer price index for fuels and other utilities for the 12
 5 months ending August 31 of the tax year for which the credit is
 6 claimed exceeds that index s average for the 12 months ending on
 7 August 31 of the previous tax year, but not more than 10% That
 8 product shall be added to the maximum cost of the IMMEDIATELY
 9 preceding tax year and then rounded to the nearest whole dollar
 10 That dollar amount is the new maximum cost for the current tax
 11 year If the claimant received any credits to his or her heating
 12 bill during the tax year, as provided for in subsection (6) the
 13 credits shall be treated as costs incurred by the claimant FOR
 14 THE 1994 TAX YEAR ONLY, THE TOTAL COST INCURRED BY A CLAIMANT
 15 SHALL NOT EXCEED \$1 575 00 FOR THE 1995 TAX YEAR THE TOTAL
 16 COST INCURRED BY A CLAIMANT SHALL BE THE 1993 MAXIMUM AMOUNT
 17 ADJUSTED FOR 1994 AND 1995

18 (e) For tax years subsequent to the 1988 tax year the maxi-
 19 mum income amounts specified in subdivision (c)(11) shall be
 20 adjusted by multiplying the respective maximum income amounts for
 21 the ~~previous~~ IMMEDIATELY PRECEDING tax year by the percentage
 22 by which the average all urban Detroit consumer price index for
 23 all items for the 12 months ending August 31 of the tax year for
 24 which the credit is claimed exceeds that index s average for the
 25 12 months ending on August 31 of the ~~previous~~ IMMEDIATELY
 26 PRECEDING tax year, but not more than 10% That product shall be
 27 added to the ~~previous~~ IMMEDIATELY PRECEDING tax year s

1 respective maximum income level and then rounded to the nearest
2 whole dollar That dollar amount is the new maximum income level
3 for the then current tax year

4 (2) An enrolled heating fuel provider shall notify each of
5 its customers not later than December 15 of each year, of the
6 availability, upon request of the information necessary for
7 determining the credit under this section For a claimant for
8 whom at the time of filing the department of social services is
9 making direct vendor payments to an enrolled heating fuel provid-
10 er, the enrolled heating fuel provider that accepts the direct
11 payments shall mail the information necessary for determining the
12 credit before February 1 of each year If an enrolled heating
13 fuel provider refuses or fails to provide to a customer the
14 information required for determining the credit, or if the claim-
15 ant is not a customer of an enrolled heating fuel provider, a
16 claimant may determine the credit provided in subsection
17 (1)(c)(12) based on his or her own records

18 (3) A credit claimed on a return covering a period of less
19 than 12 months shall be calculated based on subsection (1)(c)(12)
20 and shall be reduced proportionately

21 (4) If the allowable amount of the credit under this section
22 exceeds the state income tax otherwise due for the tax year the
23 amount of credit not used as an offset against the state income
24 tax shall be remitted to the claimant, other than a claimant
25 whose heating costs are included in his or her rent, in the form
26 of an energy draft that states the name of the claimant and is
27 issued by the department For a claimant for whom, at the time

1 of filing the department of social services is making direct
2 vendor payments to an enrolled heating fuel provider, the depart-
3 ment shall send the energy draft directly to the claimant s
4 enrolled heating fuel provider, as identified by the claimant
5 After July 31 a refundable credit for a prior tax year may be
6 paid in the form of a negotiable warrant The energy draft shall
7 be negotiable only through the claimant's enrolled heating fuel
8 provider upon remittance by the claimant

9 (5) If when a claimant remits an energy draft to the
10 claimant s enrolled heating fuel provider the amount of the
11 energy draft is greater than the total of outstanding bills
12 incurred by the claimant with the enrolled heating fuel provider,
13 the claimant, by checking the appropriate box to be included on
14 the energy draft, may request from the enrolled heating fuel pro-
15 vider a payment in an amount equal to the amount of the energy
16 draft less the amount of the outstanding bills The enrolled
17 heating fuel provider shall issue the payment within 14 days
18 after the claimant s request

19 (6) If a claimant whose energy draft exceeds his or her out-
20 standing bills does not request a payment from an enrolled heat-
21 ing fuel provider under subsection (5) an energy draft remitted
22 to an enrolled heating fuel provider shall be applied upon
23 receipt to the claimant s designated account The energy draft
24 may be used to cover outstanding bills that the claimant has
25 incurred with the enrolled heating fuel provider and to cover
26 subsequent heating costs until the full amount of the energy
27 draft is used or until 1 year after the date on which the energy

1 draft is first applied to the claimant's designated account If
2 a credit amount remains from this energy draft after the 1-year
3 period or if prior to the end of the 1-year period a claimant is
4 no longer a customer of the heating fuel provider, the heating
5 fuel provider shall remit the remaining unused portion to the
6 claimant in the form of a fully negotiable check within 14 days
7 after the end of the 1-year period or within 14 days after termi-
8 nation of service, whichever is sooner

9 (7) A claimant who is no longer a resident of the state of
10 Michigan who is not a customer of an enrolled heating fuel pro-
11 vider, or whose heating fuel provider refuses to accept an energy
12 draft shall return the energy draft to the department and request
13 the issuance of a negotiable warrant A claimant may return an
14 energy draft to the department and request issuance of a negotia-
15 ble warrant if the energy draft is impractical because the claim-
16 ant has already purchased his or her energy supply for the year
17 and does not have an outstanding obligation to an enrolled heat-
18 ing fuel provider The department may honor that request if it
19 agrees that the use of the energy draft is impractical The
20 department shall issue the warrant within 14 days after receiving
21 the energy draft from the claimant

22 (8) The enrolled heating fuel provider shall bill the
23 department for credit amounts that have been applied to claimant
24 accounts pursuant to subsection (6), and the department shall pay
25 the bills within 14 days of receipt The billing shall be accom-
26 panied by the energy drafts for which reimbursement is claimed

1 (9) A claimant whose heating fuel is provided by a utility
2 regulated by the Michigan public service commission is protected
3 against the discontinuance of his or her heating fuel service
4 from the date of filing a claim for the credit under this section
5 through the date of issuance of an energy draft and during a
6 period beginning December 1 of the tax year for which the credit
7 is claimed and ending March 31 of the following year if the
8 claimant participates in the winter protection program set forth
9 in R 460 2162(2) to (6) of the Michigan administrative code or if
10 the utility accepts the claimant s energy draft The acceptance
11 of an energy draft by a utility shall be considered a request by
12 the claimant for the winter protection program The energy draft
13 shall be coded by the department to denote claimants who are 65
14 years of age or older If the claimant is a claimant whose heat-
15 ing cost is included in his or her rent payments, the amount of
16 the claim not used as an offset against the state income tax,
17 after examination and review, shall be approved for payment,
18 without interest to the claimant

19 (10) If an enrolled heating fuel provider does not issue a
20 payment or a negotiable check within 14 days as provided in sub-
21 section (5) or (6), beginning on the fifteenth day, the amount
22 due to the claimant is increased by adding interest computed on
23 the basis of the rate of interest prescribed for delayed refunds
24 of excess tax payments in section 30(3) of Act No 122 of the
25 Public Acts of 1941, being section 205 30 of the Michigan
26 Compiled Laws The enrolled heating fuel provider shall pay the

1 interest and shall not bill the interest to or be reimbursed for
2 the interest by the department

3 (11) Only the renter or lessee shall claim a credit on prop-
4 erty that is rented or leased as a homestead Only 1 credit may
5 be claimed for a household The credit under this section is in
6 addition to other credits to which the claimant is entitled under
7 this act A person who is a full-time student at a school, com-
8 munity college, or college or university and who is claimed as a
9 dependent by another person is not eligible for the credit pro-
10 vided by this section A claimant who shares a homestead with
11 other eligible claimants shall prorate the credit by the number
12 of claimants sharing the homestead

13 (12) A claimant who is eligible for the credit provided by
14 this section shall be referred by the department to the appropri-
15 ate state agency for determination of eligibility for home weath-
16 erization assistance and shall accept weatherization assistance
17 if eligible and if assistance is available A heating fuel pro-
18 vider that is required by the Michigan public service commission
19 to participate in the residential conservation services home
20 energy analysis program shall annually contact each claimant to
21 whom it provides heating fuel, and whose usage exceeds 200,000
22 cubic feet of natural gas or 18,000 kilowatt hours of electricity
23 annually, and shall offer to provide a home energy analysis at no
24 cost to the claimant A heating fuel provider that is not
25 required to participate in the residential conservation services
26 program shall not be required to conduct a home energy analysis
27 for its customers

1 (13) If an enrolled heating fuel provider is regulated by
2 the Michigan public service commission, the public service com-
3 mission may use an enforcement method authorized by law or rule
4 to enforce the requirements prescribed by this section on the
5 enrolled heating fuel provider If an enrolled heating fuel pro-
6 vider is not regulated by the MICHIGAN public service commission,
7 the department of social services may use an enforcement method
8 authorized by law or rule to enforce the requirements prescribed
9 by this section on the enrolled heating fuel provider

10 (14) Not later than December 1 of each year, the department
11 shall mail a home heating credit return to every person who ~~was~~
12 ~~a recipient of general assistance or~~ RECEIVED aid to families
13 with dependent children, STATE FAMILY ASSISTANCE, OR STATE DIS-
14 ABILITY ASSISTANCE from the department of social services pursu-
15 ant to the social welfare act, Act No 280 of the Public Acts of
16 1939 being sections 400 1 to ~~400 121~~ 400 119B of the Michigan
17 Compiled Laws, during the tax year

18 (15) The department shall complete a study by August 1 of
19 1985 and of each subsequent year, of the actual heating costs of
20 each claimant who received a credit from the department under
21 this section for the IMMEDIATELY preceding tax year

22 (16) The department may promulgate rules necessary to admin-
23 ister this section pursuant to the administrative procedures act
24 of 1969, Act No 306 of the Public Acts of 1969, as amended,
25 being sections 24 201 to 24 328 of the Michigan Compiled Laws

26 (17) The department shall provide a simplified procedure for
27 claiming the credit under this section for those claimants for

1 whom at the time of filing the department of social services is
2 making direct vendor payments to an enrolled heating fuel
3 provider

4 (18) As used in this section

5 (a) "Claimant whose heating costs are included in his or her
6 rent means a claimant whose rent includes the cost of heat at
7 the time the claim for the credit under this section is filed

8 (b) Enrolled heating fuel provider" means a heating fuel
9 provider that is enrolled with the department of social services
10 as a heating fuel provider

11 (c) "Heating fuel provider" means an individual or entity
12 that provides a claimant with heating fuel or electricity for
13 heating purposes