



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4994 (Substitute S-4 as reported)
Sponsor: Representative Sandra J. Hill
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to create a new credit, the "Headlee Amendment Refund" credit, for the 1995 tax year, and extend the home heating credit through the 1995 tax year under certain circumstances.

Under the bill, for the 1995 tax year only, a taxpayer could claim a credit against the income tax equal to 2.67% of the taxpayer's tax on income attributable from January 1, 1995, through September 30, 1995. (This is an annualized rate of 2% for the calendar year.) The credit would have to be taken by the taxpayer before any other credit.

For the 1995 tax year the home heating credit would be allowed only if: 1) there had been a Federal appropriation for Federal FY 1995-96 of the total amount of Federal low income home heating energy assistance block grant funds; and 2) the block grant allotment for the State were at least \$25.4 million. If the block grant for the State were less than \$75.4 million, each home heating credit would have to be reduced by multiplying the credit amount by a fraction, the numerator of which would be the Federal block grant minus \$400,000, and the denominator \$75 million.

MCL 206.512 et al

Legislative Analyst: G. Towne

FISCAL IMPACT

The temporary new income tax credit would reduce income tax collections by an estimated \$113 million in FY 1994-95. Extending the home heating credit as specified in this bill would cost the State, from State resources, a maximum of \$3.4 million in FY 1995-96, which has already been appropriated. In addition, approximately \$2.0 million of unused Federal funds carried forward from FY 1994-95 would be available for 1995 home heating credits in FY 1995-96.

Date Completed: 12-6-95

Fiscal Analyst: J. Wortley

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