

Act No. 484
Public Acts of 1996
Approved by the Governor
December 22, 1996
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**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Reps. Whyman and Bullard

ENROLLED HOUSE BILL No. 4914

AN ACT to amend sections 12, 22, 30, 51a, 110, 255, 256, 260, 261, 264, 274, 301, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, entitled "An act to meet deficiencies in state funds by providing for the imposition, levy, computation, collection, assessment, and enforcement by lien and otherwise of taxes on or measured by net income; to prescribe the manner and time of making reports and paying the taxes, and the functions of public officers and others as to the taxes; to permit the inspection of the records of taxpayers; to provide for interest and penalties on unpaid taxes; to provide exemptions, credits and refunds of the taxes; to prescribe penalties for the violation of this act; to provide an appropriation; and to repeal certain acts and parts of acts," sections 12, 255, and 506 as amended by Act No. 254 of the Public Acts of 1987, section 30 as amended by Act No. 230 of the Public Acts of 1995, section 51a as added by Act No. 265 of the Public Acts of 1996, section 110 as amended by Act No. 283 of the Public Acts of 1990, section 260 as amended by Act No. 153 of the Public Acts of 1988, section 261 as amended by Act No. 256 of the Public Acts of 1994, section 264 as added by Act No. 290 of the Public Acts of 1994, section 274 as added by Act No. 7 of the Public Acts of 1995, section 301 as amended by Act No. 70 of the Public Acts of 1988, sections 439, 471, and 522 as amended by Act No. 55 of the Public Acts of 1996, section 440 as amended by Act No. 156 of the Public Acts of 1985, section 475 as amended by Act No. 82 of the Public Acts of 1991, and sections 512 and 527a as amended by Act No. 245 of the Public Acts of 1995, being sections 206.12, 206.22, 206.30, 206.51a, 206.110, 206.255, 206.256, 206.260, 206.261, 206.264, 206.274, 206.301, 206.439, 206.440, 206.471, 206.475, 206.506, 206.512, 206.522, and 206.527a of the Michigan Compiled Laws; and to repeal acts and parts of acts.

The People of the State of Michigan enact:

Section 1. Sections 12, 22, 30, 51a, 110, 255, 256, 260, 261, 264, 274, 301, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, sections 12, 255, and 506 as amended by Act No. 254 of the Public Acts of 1987, section 30 as amended by Act No. 230 of the Public Acts of 1995, section 51a as added by Act No. 265 of the Public Acts of 1996, section 110 as amended by Act No. 283 of the Public Acts of 1990, section 260 as amended by Act No. 153 of the Public Acts of 1988, section 261 as amended by Act No. 256 of the Public Acts of 1994, section 264 as added by Act No. 290 of the Public Acts of 1994, section 274 as added by Act No. 7 of the Public Acts of 1995, section 301 as amended by Act No. 70 of the Public Acts of 1988, sections 439, 471, and 522 as amended by Act No. 55 of the Public Acts of 1996, section 440 as amended by Act No. 156 of the Public Acts of 1985, section 475 as amended by Act No. 82 of the Public Acts of 1991, and sections 512 and 527a as amended by Act No. 245 of the Public Acts of 1995, being sections 206.12, 206.22, 206.30, 206.51a, 206.110, 206.255, 206.256, 206.260, 206.261, 206.264, 206.274, 206.301, 206.439, 206.440, 206.471, 206.475, 206.506, 206.512, 206.522, and 206.527a of the Michigan Compiled Laws, are amended to read as follows:

Sec. 12. (1) "Gross income" means gross income as defined in the internal revenue code.

(2) "Internal revenue code" means the United States internal revenue code of 1986 in effect on January 1, 1996 or at the option of the taxpayer, in effect for the tax year.

Sec. 22. (1) "Tax" includes interest and penalties and further includes the tax required to be withheld by an employer on salaries and wages, unless the intention to give it a more limited meaning is disclosed by the context.

(2) "Taxable value" means taxable value as calculated under section 27a of the general property tax act, Act No. 206 of the Public Acts of 1893, being section 211.27a of the Michigan Compiled Laws.

Sec. 30. (1) "Taxable income" means, for a person other than a corporation, estate, or trust, adjusted gross income as defined in the internal revenue code subject to the following adjustments and the adjustments provided in subsections (2) to (4):

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount that has been excluded from adjusted gross income less related expenses not deducted in computing adjusted gross income because of section 265(a)(1) of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at adjusted gross income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at adjusted gross income.

(d) Deduct, to the extent included in adjusted gross income, income derived from obligations, or the sale or exchange of obligations, of the United States government that this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations and by any expenses incurred in the production of that income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at adjusted gross income.

(e) Deduct, to the extent included in adjusted gross income, compensation, including retirement benefits, received for services in the armed forces of the United States.

(f) Deduct the following to the extent included in adjusted gross income:

(i) Retirement or pension benefits received from a federal public retirement system or from a public retirement system of or created by this state or a political subdivision of this state.

(ii) Retirement or pension benefits received from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state.

(iii) Social security benefits as defined in section 86 of the internal revenue code.

(iv) Before October 1, 1994, retirement or pension benefits from any other retirement or pension system as follows:

(A) For a single return, the sum of not more than \$7,500.00.

(B) For a joint return, the sum of not more than \$10,000.00.

(v) After September 30, 1994, retirement or pension benefits not deductible under subparagraph (i) or subdivision (e) from any other retirement or pension system or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, to a maximum of \$30,000.00 for a single return and \$60,000.00 for a joint return. The maximum amounts allowed under this subparagraph shall be reduced by the amount of the deduction for retirement or pension benefits claimed under subparagraph (i) or subdivision (e) and for tax years after the 1996 tax year by the amount of a deduction claimed under subdivision (r). For the 1995 tax year and each tax year after 1995, the maximum amounts allowed under this subparagraph shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subparagraph and subparagraph (iv) as necessary for tax years that end after September 30, 1994. As used in this subparagraph, "senior citizen" means that term as defined in section 514.

(vi) The amount determined to be the section 22 amount eligible for the elderly and permanently and totally disabled credit provided in section 22 of the internal revenue code.

(g) Adjustments resulting from the application of section 271.

(h) Adjustments with respect to estate and trust income as provided in section 36.

(i) Adjustments resulting from the allocation and apportionment provisions of chapter 3.

(j) Deduct political contributions as described in section 4 of the Michigan campaign finance act, Act No. 388 of the Public Acts of 1976, being section 169.204 of the Michigan Compiled Laws, or section 301 of title III of the federal election campaign act of 1971, Public Law 92-225, 2 U.S.C. 431, not in excess of \$50.00 per annum, or \$100.00 per annum for a joint return.

(k) Deduct, to the extent included in adjusted gross income, wages not deductible under section 280C of the internal revenue code.

(l) Deduct the following payments made by the taxpayer in the tax year:

(i) The amount of payment made under an advance tuition payment contract as provided in the Michigan education trust act, Act No. 316 of the Public Acts of 1986, being sections 390.1421 to 390.1444 of the Michigan Compiled Laws.

(ii) The amount of payment made under a contract with a private sector investment manager that meets all of the following criteria:

(A) The contract is certified and approved by the board of directors of the Michigan education trust to provide equivalent benefits and rights to purchasers and beneficiaries as an advance tuition payment contract as described in subparagraph (i).

(B) The contract applies only for a state institution of higher education as defined in the Michigan education trust act, Act No. 316 of the Public Acts of 1986, or a community or junior college in Michigan.

(C) The contract provides for enrollment by the contract's qualified beneficiary in not less than 4 years after the date on which the contract is entered into.

(D) The contract is entered into after either of the following:

(I) The purchaser has had his or her offer to enter into an advance tuition payment contract rejected by the board of directors of the Michigan education trust, if the board determines that the trust cannot accept an unlimited number of enrollees upon an actuarially sound basis.

(II) The board of directors of the Michigan education trust determines that the trust can accept an unlimited number of enrollees upon an actuarially sound basis.

(m) If an advance tuition payment contract under the Michigan education trust act, Act No. 316 of the Public Acts of 1986, or another contract for which the payment was deductible under subdivision (l) is terminated and the qualified beneficiary under that contract does not attend a university, college, junior or community college, or other institution of higher education, add the amount of a refund received by the taxpayer as a result of that termination or the amount of the deduction taken under subdivision (l) for payment made under that contract, whichever is less.

(n) Deduct from the taxable income of a purchaser the amount included as income to the purchaser under the internal revenue code after the advance tuition payment contract entered into under the Michigan education trust act, Act No. 316 of the Public Acts of 1986, is terminated because the qualified beneficiary attends an institution of postsecondary education other than either a state institution of higher education or an institution of postsecondary education located outside this state with which a state institution of higher education has reciprocity.

(o) Add, to the extent deducted in determining adjusted gross income, the net operating loss deduction under section 172 of the internal revenue code.

(p) Deduct a net operating loss deduction for the taxable year as defined in section 172 of the internal revenue code subject to the modifications under section 172(b)(2) of the internal revenue code and subject to the allocation and apportionment provisions of chapter 3 of this act for the taxable year in which the loss was incurred.

(q) For a tax year beginning after 1986, deduct, to the extent included in adjusted gross income, benefits from a discriminatory self-insurance medical expense reimbursement plan.

(r) After September 30, 1994 and before the 1997 tax year, a taxpayer who is a senior citizen may deduct, to the extent included in adjusted gross income, interest and dividends received in the tax year not to exceed \$1,000.00 for a single return or \$2,000.00 for a joint return. However, for tax years before the 1997 tax year, the deduction under this subdivision shall not be taken if the taxpayer takes a deduction for retirement benefits under subdivision (e) or a deduction under subdivision (f)(i), (ii), (iv), or (v). For tax years after the 1996 tax year, a taxpayer who is a senior citizen may deduct to the extent included in adjusted gross income, interest, dividends, and capital gains received in the tax year not to exceed \$3,500.00 for a single return and \$7,000.00 for a joint return for the 1997 tax year, and \$7,500.00 for a single return and \$15,000.00 for a joint return for tax years after the 1997 tax year. For tax years after the 1996 tax year, the maximum amounts allowed under this subdivision shall be reduced by the amount of a deduction claimed for retirement benefits under subdivision (e) or a deduction claimed under subdivision (f)(i), (ii), (iv), or (v). For the 1995 tax year, for the 1996 tax year, and for each tax year after the 1998 tax year, the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary for tax years that end after September 30, 1994. As used in this subdivision, "senior citizen" means that term as defined in section 514.

(s) Deduct, to the extent included in adjusted gross income, all of the following:

(i) The amount of a refund received in the tax year based on taxes paid under this act.

(ii) The amount of a refund received in the tax year based on taxes paid under the city income tax act, Act No. 284 of the Public Acts of 1964, being sections 141.501 to 141.787 of the Michigan Compiled Laws.

(iii) The amount of a credit received in the tax year based on a claim filed under sections 520 and 522 to the extent that the taxes used to calculate the credit were not used to reduce adjusted gross income for a prior year.

(t) Add the amount paid by the state on behalf of the taxpayer in the tax year to repay the outstanding principal on a loan taken on which the taxpayer defaulted that was to fund an advance tuition payment contract entered into under

the Michigan education trust act, Act No. 316 of the Public Acts of 1986, if the cost of the advance tuition payment contract was deducted under subdivision (l) and was financed with a Michigan education trust secured loan.

(2) The following personal exemptions multiplied by the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant to the internal revenue code shall be subtracted in the calculation that determines taxable income:

- (a) For a tax year beginning during 1987 \$1,600.00.
- (b) For a tax year beginning during 1988 \$1,800.00.
- (c) For a tax year beginning during 1989 \$2,000.00.
- (d) For a tax year beginning after 1989 and before 1995 \$2,100.00.
- (e) For a tax year beginning during 1995 or 1996 \$2,400.00.
- (f) Except as otherwise provided in subsection (7), for a tax year beginning after 1996 \$2,500.00.

(3) A single additional exemption of \$1,400.00 for a tax year beginning during 1987, \$1,200.00 for a tax year beginning during 1988, \$1,000.00 for a tax year beginning during 1989, and \$900.00 for a tax year beginning after 1989 shall be subtracted in the calculation that determines taxable income in each of the following circumstances:

(a) The taxpayer is a paraplegic, a quadriplegic, a hemiplegic, a person who is blind as defined in section 504, or a totally and permanently disabled person as defined in section 522.

(b) The taxpayer is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws.

(c) The taxpayer is 65 years of age or older.

(d) The return includes unemployment compensation that amounts to 50% or more of adjusted gross income.

(4) For a tax year beginning after 1987, an individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of subsection (2), but may subtract \$500.00 in the calculation that determines taxable income for a tax year beginning in 1988 and \$1,000.00 for a tax year beginning after 1988.

(5) A nonresident or a part-year resident is allowed that proportion of an exemption or deduction allowed under subsection (2), (3), or (4) that the taxpayer's portion of adjusted gross income from Michigan sources bears to the taxpayer's total adjusted gross income.

(6) For a tax year beginning after 1987, in calculating taxable income, a taxpayer shall not subtract from adjusted gross income the amount of prizes won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of the Public Acts of 1972, being sections 432.1 to 432.47 of the Michigan Compiled Laws.

(7) For each tax year after the 1997 tax year, the personal exemption allowed under subsection (2) shall be adjusted by multiplying the exemption for the tax year beginning in 1997 by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 1995-96 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment which shall be the personal exemption for the tax year. As used in this section, "United States consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States department of labor, bureau of labor statistics.

(8) As used in subsection (1)(f), "retirement or pension benefits" means distributions from all of the following:

(a) Except as provided in subdivision (d), qualified pension trusts and annuity plans that qualify under section 401(a) of the internal revenue code, including all of the following:

(i) Plans for self-employed persons, commonly known as Keogh or HR 10 plans.

(ii) Individual retirement accounts that qualify under section 408 of the internal revenue code if the distributions are not made until the participant has reached 59-1/2 years of age, except in the case of death, disability, or distributions described by section 72(t)(2)(iv) of the internal revenue code.

(iii) Employee annuities or tax-sheltered annuities purchased under section 403(b) of the internal revenue code by organizations exempt under section 501(c)(3) of the internal revenue code, or by public school systems.

(iv) Distributions from a 401k plan attributable to employee contributions mandated by the plan or attributable to employer contributions.

(b) The following retirement and pension plans not qualified under the internal revenue code:

(i) Plans of the United States, state governments other than this state, and political subdivisions, agencies, or instrumentalities of this state.

(ii) Plans maintained by a church or a convention or association of churches.

(iii) All other unqualified pension plans that prescribe eligibility for retirement and predetermine contributions and benefits if the distributions are made from a pension trust.

(c) Retirement or pension benefits received by a surviving spouse if those benefits qualified for a deduction prior to the decedent's death. Benefits received by a surviving child are not deductible.

(d) Retirement and pension benefits do not include:

(i) Amounts received from a plan that allows the employee to set the amount of compensation to be deferred and does not prescribe retirement age or years of service. These plans include, but are not limited to, all of the following:

(A) Deferred compensation plans under section 457 of the internal revenue code.

(B) Distributions from plans under section 401(k) of the internal revenue code other than plans described in subdivision (a)(iv).

(C) Distributions from plans under section 403(b) of the internal revenue code other than plans described in subdivision (a)(iii).

(ii) Premature distributions paid on separation, withdrawal, or discontinuance of a plan prior to the earliest date the recipient could have retired under the provisions of the plan.

(iii) Payments received as an incentive to retire early unless the distributions are from a pension trust.

Sec. 51a. (1) Notwithstanding any other provision of this act and for tax years beginning after December 31, 1996, an eligible taxpayer may elect to pay the tax imposed by this act calculated by multiplying taxable compensation, less an amount equal to the personal and dependency exemptions allowed as a subtraction under section 30(2), (3), and (4), by the rate established in section 51.

(2) Except as provided in subsection (1), an eligible taxpayer who elects to pay the tax imposed by this act calculated under this section shall not claim any exemption, deduction, or credit allowed under this act other than the credits allowed under all of the following sections:

(a) The credit for taxes withheld under section 251.

(b) The prescription drug credit under section 273.

(c) The home heating credit under section 527a.

(3) An eligible taxpayer who elects to pay the tax imposed by this act calculated under this section is not required to file an annual return under this act.

(4) An eligible taxpayer who files a withholding exemption certificate to elect to pay the tax imposed by this act calculated under this section may file an annual return and pay the tax calculated under section 51.

(5) The statute of limitations provided in Act No. 122 of the Public Acts of 1941, being sections 205.1 to 205.31 of the Michigan Compiled Laws, begins to run on the date that the annual return is due for the tax year for which the taxpayer has filed an election to pay the tax imposed by this act calculated under this section.

(6) The department may enforce the collection of the tax imposed under this act and calculated under this section to the extent the tax withheld under section 351 is less than the tax imposed by this act and calculated under this section.

(7) For the 1998 tax year and each year after 1998 that the no-form option allowed under this section is in effect, the department shall file a report not later than July 1 with the house tax policy committee and the senate finance committee that contains all of the following information about the taxpayers who elect to pay the tax imposed by this act pursuant to this section:

(a) The total number of taxpayers.

(b) The number of taxpayers by county and city.

(c) The average income of the taxpayers.

(8) As used in this section:

(a) "Eligible taxpayer" means a resident who meets both of the following criteria:

(i) Has income for the tax year in total or from any 1 source, other than taxable compensation or income described in subdivision (b), (i), (ii), or (iii), of less than \$100.00 for a single return or \$200.00 for a joint return.

(ii) Has filed a withholding exemption certificate to elect to pay the tax imposed by this act calculated under this section for the tax year.

(b) "Taxable compensation" means compensation from which tax has been withheld pursuant to section 351(1) or (7), except the following:

(i) Compensation described in section 30(1)(e) or 30(1)(f)(i).

(ii) Social security benefits as defined in section 86 of the internal revenue code.

(iii) Retirement benefits, pension benefits, or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, other than benefits described in section 30(1)(e) or 30(1)(f)(i), or described in section 86 of the internal revenue code, not to exceed the amounts allowed as a deduction under section 30(1)(f)(v).

Sec. 110. (1) For a resident individual, estate, or trust, all taxable income from any source whatsoever, except that attributable to another state under sections 111 to 115 and subject to section 255, is allocated to this state.

(2) For a nonresident individual, estate, or trust, all taxable income is allocated to this state to the extent it is earned, received, or acquired in 1 or more of the following ways:

(a) For the rendition of personal services performed in this state.

(b) As a distributive share of the net profits of a business, profession, enterprise, undertaking, or other activity as the result of work done, services rendered, or other business activities conducted in this state, except as allocated to another state pursuant to sections 111 to 114 and subject to section 256.

(c) For tax years beginning after 1996, as a prize won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of the Public Acts of 1972, being sections 432.1 to 432.47 of the Michigan Compiled Laws.

(3) The respective shares of a nonresident estate or trust and its beneficiaries, including, solely for purposes of allocation, resident and nonresident beneficiaries, in the income attributable to Michigan shall be in proportion to the respective shares of distributable net income of the beneficiaries under the internal revenue code. If the estate or trust has no distributable net income for the tax year, the share of each beneficiary in the income attributable to Michigan shall be in proportion to his or her share of the estate or trust income for that year, under local law or the terms of the instrument, that is required to be distributed currently and other amounts of the income distributed in the year. Any balance of the income attributable to Michigan shall be allocated to the estate or trust.

(4) A nonresident estate or trust is allowed the credit provided in section 256, except that the limitation shall be computed by reference to the taxable income of the estate or trust.

(5) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute a nonbusiness income, shall be allocated as provided in sections 111 to 114.

Sec. 255. (1) A resident individual or resident estate or trust is allowed a credit against the tax due under this act for the amount of an income tax imposed on the resident individual or resident estate or trust for the tax year by another state of the United States, a political subdivision of another state of the United States, the District of Columbia, or a Canadian province, on income derived from sources outside this state that is also subject to tax under this act or the amount determined under subsection (3), whichever is less. For purposes of the Canadian provincial credit, the credit is allowed for only that portion of the provincial tax not claimed as a credit for federal income tax purposes. It is presumed that the Canadian federal income tax is claimed first. The provincial tax claimed as a carryover deduction as provided in the internal revenue code is not allowed as a credit under this section.

(2) The Canadian provincial credit shall be allowed for the 1978 tax year and for each tax year after 1978.

(3) The credit under this section shall not exceed an amount determined by dividing income that is subject to taxation both in this state and in another jurisdiction by taxable income and then multiplying that result by the taxpayer's tax liability before any credits are deducted.

Sec. 256. For a nonresident individual, estate, or trust, if the laws of the state of residence exempt a resident of this state from liability for the payment of income taxes on income earned for personal services performed in that state, the commissioner may enter into a reciprocal agreement with that state to provide a similar tax exemption for that state's residents on income earned for personal services performed in this state.

Sec. 260. (1) A taxpayer may credit against the tax imposed by this act for the tax year, an amount, subject to the applicable limitations provided by this section, equal to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year to any of the following:

(a) This state pursuant to the Faxon-McNamee art in public places act, Act No. 105 of the Public Acts of 1980, being sections 18.71 to 18.81 of the Michigan Compiled Laws, of an artwork created by the taxpayer, for display in a public place.

(b) The state art in public places fund created pursuant to Act No. 105 of the Public Acts of 1980.

(c) A municipality in this state of an artwork created by the personal effort of the taxpayer for display in a public place.

(d) Either a municipality of this state or a nonprofit corporation affiliated with both a municipality and an art institute located in the municipality, of money or artwork, whether or not created by the personal effort of the taxpayer, if for the purpose of benefiting an art institute located in that municipality.

(e) A public library.

(f) A public broadcast station as defined by section 397 of subpart d of title III of the communications act of 1934, 47 U.S.C. 397, that is not affiliated with an institution of higher education and that is located within this state.

(g) An institution of higher learning located within this state.

(h) The Michigan colleges foundation.

(i) The state museum.

(j) The department of state for the purpose of preservation of the state archives.

(k) A nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher learning located within this state. A tax credit for a contribution described in this subdivision is permitted only if the donee corporation, fund, foundation, trust, or association is controlled or approved and reviewed by the governing board of the institution benefiting from the charitable contribution. The nonprofit corporation, fund, foundation, trust, or association shall provide copies of its annual independently audited financial statements to the auditor general of this state and chairpersons of the senate and house appropriations committees.

(2) For a taxpayer other than a resident estate or trust, the amount allowable as a credit under this section for a tax year shall not exceed \$100.00, or for a husband and wife filing a joint return as provided in section 311, \$200.00.

(3) For a resident estate or trust, the amount allowable as a credit under this section for a tax year shall not exceed 10% of the tax liability for the year as determined without regard to this section or \$5,000.00, whichever is less and shall not have been deducted in arriving at federal taxable income.

(4) As used in this section:

(a) "Institution of higher learning" means only an educational institution located within this state that meets all of the following requirements:

(i) It maintains a regular faculty and curriculum and has a regularly enrolled body of students in attendance at the place where its educational activities are carried on.

(ii) It regularly offers education above the twelfth grade.

(iii) It awards associate, bachelors, masters, or doctoral degrees or a combination of those degrees or higher education credits acceptable for those degrees granted by other institutions of higher learning.

(iv) It is recognized by the state board of education as an institution of higher learning and appears as an institution of higher learning in the annual publication of the department of education entitled "The Directory of Institutions of Higher Education".

(b) "Public library" means that term as defined in section 2 of the state aid to public libraries act, Act No. 89 of the Public Acts of 1977, being section 397.552 of the Michigan Compiled Laws.

(c) "Contributions made by the taxpayer" means, but is not limited to, the fair market value of artwork created by the personal effort of the taxpayer that is donated to and accepted as a donation by a qualified organization. The fair market value of a piece of artwork shall be determined at the time of the donation by independent appraisal.

(d) "Artwork" means an original, visual creation of quality executed in any size or shape, in any media, using any kind or type of materials.

(5) The sum of the credits allowed by section 257 and this section shall not exceed the tax liability of the taxpayer.

Sec. 261. (1) For the 1989 tax year and each tax year after 1989 and subject to the limitations in subsections (2) to (6), a taxpayer may credit against the tax imposed by this act 50% of the amount the taxpayer contributes during the tax year to an endowment fund of a community foundation or for the 1992 tax year and each tax year after 1992 and subject to the limitations in subsections (2), (3), and (5), a taxpayer may credit against the tax imposed by this act 50% of the cash amount the taxpayer contributes during the tax year to a shelter for homeless persons, food kitchen, food bank, or other entity located in this state, the primary purpose of which is to provide overnight accommodation, food, or meals to persons who are indigent if a contribution to that entity is tax deductible for the donor under the internal revenue code.

(2) For a taxpayer other than a resident estate or trust, the credit allowed by this section for a contribution to a community foundation shall not exceed \$100.00, or \$200.00 for a husband and wife filing a joint return. For the 1992 tax year and each tax year after 1992, a taxpayer may claim an additional credit under this section not to exceed \$100.00, or \$200.00 for a husband and wife filing a joint return, for total cash contributions made in the tax year to shelters for homeless persons, food kitchens, food banks, and, except for community foundations, other entities allowed under subsection (1). For a resident estate or trust, the credit allowed by this section for a contribution to a community foundation shall not exceed 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed by this act or \$5,000.00, whichever is less. For the 1992 tax year and each tax year after 1992, a resident estate or trust may claim an additional credit under this section not to exceed 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed by this act or \$5,000.00, whichever is less, for total cash contributions made in the tax year to shelters for homeless persons, food kitchens, food banks, and, except for community foundations, other entities allowed under subsection (1). For a resident estate or trust, the amount used to calculate the credits under this section shall not have been deducted in arriving at federal taxable income.

(3) The credits allowed under this section are nonrefundable so that a taxpayer shall not claim under this section a total credit amount that reduces the taxpayer's tax liability to less than zero.

(4) As used in this section, "community foundation" means an organization that applies for certification on or before April 1 of the tax year for which the taxpayer is claiming the credit and that the department certifies for that tax year as meeting all of the following requirements:

(a) Qualifies for exemption from federal income taxation under section 501(c)(3) of the internal revenue code.

(b) Supports a broad range of charitable activities within the specific geographic area of this state that it serves, such as a municipality or county.

(c) Maintains an ongoing program to attract new endowment funds by seeking gifts and bequests from a wide range of potential donors in the community or area served.

(d) Is publicly supported as defined by the regulations of the United States department of treasury, 26 C.F.R. 1.170A-9(e)(10).

(e) Is not a supporting organization as defined under section 509(a)(3) of the internal revenue code and the regulations of the United States department of treasury, 26 C.F.R. 1.509(a)-4 and 1.509(a)-5.

(f) Meets the requirements for treatment as a single entity contained in the regulations of the United States department of treasury, 26 C.F.R. 1.170A-9(e)(11).

(g) Is incorporated or established as a trust before September 1 of the year immediately preceding the tax year for which the credit is claimed.

(5) An entity other than a community foundation may request that the department determine if a contribution to that entity qualifies for the credit under this section. The department shall make a determination and respond to a request no later than 30 days after the department receives the request.

(6) On or before July 1 of each year, the department shall report to the house committee on tax policy and the senate finance committee the total amount of tax credits claimed under this section and under section 38c of the single business tax act, Act No. 228 of the Public Acts of 1975, being section 208.38c of the Michigan Compiled Laws, for the immediately preceding tax year.

Sec. 264. (1) For the 1994 tax year and each tax year after 1994, a taxpayer, other than a resident estate or trust, may credit against the tax imposed by this act an amount equal to 3.3% of the amount contributed in the tax year by the taxpayer or on behalf of the taxpayer to a medical care savings account to the extent that the contribution is accepted by an account administrator pursuant to the medical care savings account act.

(2) The credit under this section shall not be taken unless the taxpayer who establishes a medical care savings account or on whose behalf a medical care savings account is established is not covered by any health coverage policy, certificate, or contract or self-funded plan other than a qualified higher deductible health plan purchased pursuant to the medical care savings account act.

(3) If the taxpayer files a joint return, each joint filer may take the credit under this section if he or she meets the restriction under subsection (2). If the taxpayer is married and files a single return or is not married, the taxpayer may take the credit under this section if he or she meets the restriction under subsection (2).

(4) A taxpayer shall deduct from the amount of a contribution used to calculate the credit under this section any amount that the taxpayer withdraws in the tax year for a purpose other than 1 of the following:

(a) A purpose for which those funds may be utilized as described in section 4(3) of the medical care savings account act, being section 550.984 of the Michigan Compiled Laws.

(b) A distribution or transfer pursuant to section 5(3) or (5) of the medical care savings act, being section 550.985 of the Michigan Compiled Laws.

(5) If the amount of the credit exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability shall not be refunded.

(6) The credit under this section shall not be taken by a taxpayer in the tax year in which a federal income tax deduction or credit becomes available for contributions to a medical care savings account or any similar federal program or in any subsequent year.

(7) As used in this section:

(a) "Account administrator" and "medical care savings account" mean those terms as defined in the medical care savings account act.

(b) "Medical care savings account act" means the medical care savings account act, Act No. 289 of the Public Acts of 1994, being sections 550.981 to 550.988 of the Michigan Compiled Laws.

Sec. 274. (1) For the 1995 tax year and each tax year after the 1995 tax year and subject to the limitations in this section, a claimant who has household income of \$200,000.00 or less and who is a resident of this state may claim a credit

against the tax due under this act for fees and tuition paid by the claimant on behalf of the claimant or any other student to a qualified institution of higher learning.

(2) A claimant may claim a credit under this section equal to 4% of the sum of all fees and tuition paid, not to exceed \$250.00 for each student for each tax year.

(3) A credit shall not be claimed under this section for more than 4 tax years for any 1 student.

(4) The credit under this section may be claimed on a separate form exclusive of any other form required by this act.

(5) The department may require reasonable proof from the claimant in support of the fees and tuition payments claimed under this section.

(6) The department may promulgate rules pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, to implement this section.

(7) The total amount of credits claimed in a tax year for tuition and fees paid by or on behalf of any 1 student shall not exceed the maximum amount allowable under subsection (2).

(8) As used in this section:

(a) "Fees" means fees required of and uniformly paid by all students and that have been promulgated and published in the catalog of the qualified institution of higher learning.

(b) "Qualified institution of higher learning" means an institution that meets all of the following criteria:

(i) The institution meets the criteria for an institution of higher learning under section 260.

(ii) The institution is located in this state.

(iii) The instructional programs of the institution are not comprised solely of sectarian instruction or religious worship.

(iv) For the 1995 tax year and each tax year after the 1996 tax year, the institution has provided a letter of notification to the state treasurer before July 1 of the tax year that states that the institution will not increase fees and tuition rates during the ensuing academic year by more than the annual average percentage increase in the United States consumer price index in the immediately preceding tax year.

(v) For the 1996 tax year only, the institution has provided a letter of notification to the state treasurer on or before December 31, 1996 that states that the institution will not increase fees and tuition rates during the 1996-1997 academic year by more than 3% above the fees and tuition rates for the 1995-1996 academic year.

(c) "Tuition" means in-state tuition less any refunds of tuition received by the claimant or student paid for any of the following:

(i) Credits for an undergraduate degree program.

(ii) Credits granted by a community college or a 2-year private college toward a degree program or granted for the purpose of transferring those credits toward an undergraduate degree program.

(d) "United States consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States department of labor, bureau of labor statistics, and as certified by the state treasurer.

Sec. 301. (1) Every person on a calendar year basis, if the person's annual tax can reasonably be expected to exceed the amount withheld under section 351 and the credits allowed under this act by more than \$500.00, shall pay to the department installments of estimated tax under this act on or before April 15, June 15, and September 15 of the person's tax year and January 15 in the following year. Subject to subsection (3), each installment shall be equal to 1/4 the taxpayer's estimated tax under this act after first deducting the amount estimated to be withheld under section 351.

(2) For a taxpayer on other than a calendar year basis, there shall be substituted for the due dates provided in subsection (1) the appropriate due dates in the taxpayer's fiscal year that correspond to those in the calendar year.

(3) For a taxpayer that pays estimated tax for the taxpayer's first tax year of less than 12 months, the amount paid shall be that fraction of the estimated tax that is obtained by dividing the total amount of estimated tax by the number of payments to be made with respect to the tax year.

(4) There shall be allowed as a credit against the tax imposed by this act the amounts paid to the department pursuant to this section.

(5) Instead of quarterly payments, a person subject to this section may pay an estimated annual tax for the succeeding tax year. The payment shall be made at the same time the person files the annual return for the previous full tax year.

(6) A farmer or fisherman who elects to file and pay his or her federal income tax under an alternative schedule provided in section 6654 of the internal revenue code may file and pay the tax imposed by this act in the same manner. A seafarer may file and pay the tax imposed by this act in the same manner as a farmer or fisherman under this

subsection. As used in this subsection, "seafarer" means an individual whose wages may not be withheld for taxes by the state or a political subdivision of the state as provided in section 11108 of title 46 of the United States code, 46 U.S.C. 11108.

(7) A bank or financial institution that submits quarterly estimated income tax payment information through the federal tax deposit system on magnetic tape and acts as fiduciary for 200 or more taxable trusts shall submit Michigan quarterly tax payment information on magnetic tape to the department.

(8) A bank or financial institution that acts as fiduciary for more than 49 and fewer than 200 taxable trusts may enter into an irrevocable agreement with the department to submit estimated income tax payment information on magnetic tape to the department.

(9) The payment of tax based on the information required under subsections (7) and (8) shall be made through a wire transfer to the state of Michigan contractual deposit account.

(10) A payment of estimated tax shall be computed on the basis of the annualized rate established under section 51 for the appropriate tax year to which the estimated tax payment is applicable.

(11) Except as provided in subsection (1), the amount of an estimated tax installment shall be computed, payment of estimated tax shall be credited, and a period of underpayment shall be determined in the same manner as provided in the internal revenue code.

(12) As used in this section, "taxable trust" means a trust required to make payments of estimated tax pursuant to subsection (1).

Sec. 439. (1) Until the state treasurer certifies that the assets in the nongame fish and wildlife trust fund created in the nongame fish and wildlife trust fund act exceed \$6,000,000.00, a taxpayer may designate on his or her annual return that a contribution of \$2.00 or more of his or her refund be credited to the state of Michigan nongame fish and wildlife trust fund created in part 439 (nongame fish and wildlife trust fund) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being sections 324.43901 to 324.43907 of the Michigan Compiled Laws. If a taxpayer's refund is not sufficient to make a contribution under this section, the taxpayer may designate a contribution amount and that contribution amount shall be added to the taxpayer's tax liability for the tax year.

(2) The contribution designation authorized in this section shall be clearly and unambiguously printed on the first page of all state individual income tax return forms, if practicable.

(3) Notwithstanding the other allocations and disbursements required by this act, an amount equal to the cumulative designations made under this section, less the amount appropriated to the department of treasury for the purpose of implementing this section, shall be deposited in the state of Michigan nongame fish and wildlife trust fund and shall be appropriated solely for the purposes of the fund.

Sec. 440. (1) Effective for the tax year beginning January 1, 1982 and until the state treasurer certifies that the assets in the children's trust fund exceed \$20,000,000.00, an individual may designate on his or her annual return that a contribution of \$2.00 or more of his or her refund be credited to the children's trust fund. If a taxpayer's refund is not sufficient to make a contribution under this section, the taxpayer may designate a contribution amount and that contribution amount shall be added to the taxpayer's tax liability for the tax year.

(2) The contribution designation authorized in this section shall be clearly and unambiguously printed on the first page of the state individual income tax return.

Sec. 471. (1) The tax imposed by this act shall be administered by the department. The department shall prescribe forms for use by taxpayers and may promulgate rules for all of the following:

(a) The maintenance by taxpayers of records, books, and accounts.

(b) The computation of the tax.

(c) The manner and time of changing or electing accounting methods and of exercising the accounting method options contained in this act.

(d) The making of returns, the payment of tax due, and the ascertainment, assessment, and collection of the tax.

(2) The rules shall follow the rulings of the United States internal revenue service with respect to the federal income tax if those rulings are not inconsistent with this act, and the department may adopt as a part of the rules any portions of the internal revenue code or rulings, in whole or in part.

(3) A summary of state expenditures and revenues by major category, in dollar amounts and percentage of total, for the most recent state fiscal year that the information is available, shall be printed in the instruction booklet accompanying each state income tax return.

(4) Each state income tax return shall contain a space for the taxpayer to indicate the school district in which the taxpayer resides.

(5) The department may provide information in the instruction booklet about the purchase of an annual state park motor vehicle permit pursuant to part 741 (state parks system) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being sections 324.74101 to 324.74125 of the Michigan Compiled Laws.

Sec. 475. (1) The tax imposed by this act is in addition to all other taxes for which the taxpayer is liable and the proceeds derived from the tax shall be credited to the general fund to be allocated and distributed as provided in this act.

(2) Each year that the contribution designation program established in section 440 is in effect, an amount equal to the cumulative designations made under section 440 less the annual amount appropriated to the department of treasury for the purpose of administering the children's trust fund and implementing section 440, shall be appropriated from the general fund to the children's trust fund in the department of treasury for use solely in support of the purposes provided in the act that created the children's trust fund.

Sec. 506. "Eligible serviceperson", "eligible veteran", and "eligible widow or widower" means a serviceperson, veteran, or widow or widower, whose income as defined in this chapter is not more than \$7,500.00 per year unless the serviceperson, veteran, or widow or widower receives compensation paid by the veterans administration or the armed forces of the United States for service incurred disabilities and who meets the requirements of the following schedule:

War	Person	Service in War	Disability %	Taxable Value Allowance
Indian Civil Spanish-American Mexican	Veteran or veteran's widow or widower	3 months, or 1 day with discharge for service-connected disability	No requirement	\$3,500.00
World War I World War II Korean	Widow or widower of nondisabled or nonpensioned veteran	3 months, or 1 day with discharge for service-connected disability	No requirement	\$2,500.00
All wars or presidential executive order or presidential proclamation	Pensioned veteran or veteran's widow or widower	Any	No requirement	\$3,500.00
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	10-50	\$3,500.00
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	60-70-80	\$4,000.00
All wars or presidential executive order or presidential proclamation	Veteran with service-connected disability or veteran's widow or widower	Any	90-100	\$4,500.00
All wars or presidential executive order or presidential proclamation	Widow or widower of veteran dying in service	Any	No requirement	\$4,500.00
Current service	Serviceperson or serviceperson's widow or widower	Any	No requirement	\$3,500.00

Sec. 512. (1) "Paraplegic, hemiplegic, or quadriplegic" means an individual, or either 1 of 2 persons filing a joint tax return under this act, who is a paraplegic, hemiplegic, or quadriplegic at the end of the tax year.

(2) "Property taxes" means general ad valorem taxes due and payable for periods after December 31, 1972, levied on a homestead within this state including property tax administration fees, but does not include penalties, interest, or special assessments unless assessed in the entire city, village, or township, and based on state equalized valuation or taxable value.

(3) "Qualified person" means a claimant and any person, domiciled in Michigan, who can be claimed as a dependent under the internal revenue code and who does not file a claim under this act for the same tax year. The term does not include the additional exemptions allowed for age or blindness.

(4) "Renter" means a person who rents or leases a homestead.

Sec. 522. (1) The amount of a claim made pursuant to this chapter shall be determined as follows:

(a) A claimant is entitled to a credit against the state income tax liability equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead for the tax year, exceeds 3.5% of the claimant's household income for that tax year.

(b) A claimant who is a senior citizen or a paraplegic, hemiplegic, or quadriplegic is entitled to a credit against the state income tax liability for the amount by which the property taxes on the homestead, the credit for rental of the homestead, or a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, Act No. 346 of the Public Acts of 1966, being section 125.1415a of the Michigan Compiled Laws, for the tax year exceeds the percentage of the claimant's household income for that tax year computed as follows:

Household income	Percentage
Not over \$3,000.00	.0%
Over \$3,000.00 but not over \$4,000.00	1.0%
Over \$4,000.00 but not over \$5,000.00	2.0%
Over \$5,000.00 but not over \$6,000.00	3.0%
Over \$6,000.00	3.5%

(c) A claimant who is totally and permanently disabled is entitled to a credit against the state income tax liability equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead or for a service charge in lieu of ad valorem taxes as provided in section 15a of Act No. 346 of the Public Acts of 1966, for the tax year, exceeds the percentage of the claimant's household income for that tax year based on the schedule in subdivision (b).

(d) A claimant who is an eligible serviceperson, eligible veteran, or eligible widow or widower is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year not in excess of 100% determined as follows:

(i) Divide the taxable value allowance specified in section 506 by the taxable value of the homestead or, if the eligible serviceperson, eligible veteran, or eligible widow or widower leases or rents a homestead, divide 17% of the total annual rent paid for tax years before the 1994 tax year, or 20% of the total annual rent paid for tax years after the 1993 tax year on the property by the property tax rate on the property.

(ii) Multiply the property taxes on the homestead by the percentage computed in subparagraph (i).

(e) A claimant who is blind is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(i) If the taxable value of the homestead is \$3,500.00 or less, 100% of the property taxes.

(ii) If the taxable value of the homestead is more than \$3,500.00, the percentage that \$3,500.00 bears to the taxable value of the homestead.

(2) A person who is qualified to make a claim under more than 1 classification shall elect the classification under which the claim is made.

(3) Only 1 claimant per household for a tax year is entitled to the credit, unless both the husband and wife filing a joint return are blind, then each shall be considered a claimant.

(4) As used in this section, "totally and permanently disabled" means disability as defined in section 216 of title II of the social security act, 42 U.S.C. 416.

(5) A senior citizen who has a total household income for the tax year of \$6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of the general property tax act, Act No. 206 of the Public Acts of 1893, may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(a) If the taxable value of the homestead is \$2,500.00 or less, 100% of the property taxes.

(b) If the taxable value of the homestead is more than \$2,500.00, the percentage that \$2,500.00 bears to the taxable value of the homestead.

(6) For a return of less than 12 months, the claim shall be reduced proportionately.

(7) The commissioner may prescribe tables that may be used to determine the amount of the claim.

(8) The total credit allowed in this section for each year after December 31, 1975 shall not exceed \$1,200.00 per year.

(9) The total credit allowable under this act and part 361 (farmland and open space preservation) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being sections 324.36101 to 324.36117 of the Michigan Compiled Laws, shall not exceed the total property tax due and payable by the claimant in that year. The amount by which the credit exceeds the property tax due and payable shall be deducted from the credit claimed under part 361 of Act No. 451 of the Public Acts of 1994.

Sec. 527a. (1) For tax years 1985 through 1994, a claimant may claim a credit against the state income tax for heating fuel costs for the claimant's homestead in this state. For the 1995 tax year and subject to subsection (18), a claimant may claim a credit for heating fuel costs for the claimant's homestead in this state. For tax years 1996 through 2000 and subject to subsections (19) and (20), a claimant may claim a credit for heating fuel costs for the claimant's homestead in this state. An adult foster care home, nursing home, home for the aged, or substance abuse center is not a homestead for purposes of this section. The credit shall be determined in the following manner:

(a) For the 1988 tax year through the 1994 tax year; subject to subsection (18), for the 1995 tax year; and subject to subsections (19) and (20) for the 1996 tax year through the 2000 tax year, the following table shall be used for the computation of a credit as computed under subdivision (c):

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

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

(c) A claimant shall receive the greater of the credit amount as determined in subparagraph (i) or (ii):

(i) Subtract 3.5% of the claimant's household income from the amount specified in subdivision (a) that corresponds with the number of exemptions claimed in the return filed under this act, except that the number of exemptions for purposes of this subdivision shall not exceed the actual number of persons living in the household plus the additional personal exemptions allowed under section 30, and any dependency exemptions for a person or persons living in the household under a custodial arrangement, even if the exemptions may not be claimed for other income tax purposes. For a claimant whose heating costs are included in his or her rent, multiply the result of the preceding calculation by 50%.

(ii) Subject to subsection (2), for a claimant whose household income does not exceed the maximum specified in the following table, as adjusted, that corresponds with the number of exemptions claimed in the return filed under this act, subtract 11% of claimant's household income from the total cost incurred by a claimant for heating fuel from a heating fuel provider during the 12 consecutive monthly billing periods ending in October of the tax year, and multiply the resulting amount by 70%:

Exemptions	0 or 1	2	3	4	5	For each exemption over 5, add \$2,441.00 to the maximum income
Maximum Income	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824	

(d) For the 1988 tax year for the purposes of subdivision (c), the total cost incurred by a claimant for heating fuel from a heating fuel provider shall not exceed \$1,190.00. For tax years after the 1988 tax year, the maximum cost incurred by a claimant for heating fuel during a tax year shall be adjusted by multiplying the maximum cost for the immediately preceding tax year by the percentage by which the average all urban Detroit consumer price index for fuels and other utilities for the 12 months ending August 31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the previous tax year, but not more than 10%. That product shall be added to the maximum cost of the immediately preceding tax year and then rounded to the nearest whole dollar. That dollar amount is the new maximum cost for the current tax year. If the claimant received any credits to his or her heating bill during the tax year, as provided for in subsection (6), the credits shall be treated as costs incurred by the claimant.

(e) For tax years after the 1988 tax year, the maximum income amounts specified in subdivision (c)(ii) shall be adjusted by multiplying the respective maximum income amounts for the immediately preceding tax year by the percentage by which the average all urban Detroit consumer price index for all items for the 12 months ending August

31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the immediately preceding tax year, but not more than 10%. That product shall be added to the immediately preceding tax year's respective maximum income level and then rounded to the nearest whole dollar. That dollar amount is the new maximum income level for the then current tax year.

(2) An enrolled heating fuel provider shall notify each of its customers, not later than December 15 of each year or, for 1995 only, not later than 14 days after the effective date of subsection (18) or for 1996 only, not later than 14 days after the effective date of subsection (19), whichever is later, of the availability, upon request, of the information necessary for determining the credit under this section. For a claimant for whom, at the time of filing, the department of social services is making direct vendor payments to an enrolled heating fuel provider, the enrolled heating fuel provider that accepts the direct payments shall mail the information necessary to determine the credit before February 1 of each year. If an enrolled heating fuel provider refuses or fails to provide to a customer the information required to determine the credit, or if the claimant is not a customer of an enrolled heating fuel provider, a claimant may determine the credit provided in subsection (1)(c)(ii) based on his or her own records.

(3) A credit claimed on a return that covers a period of less than 12 months shall be calculated based on subsection (1)(c)(i) and shall be reduced proportionately.

(4) If the allowable amount of the credit under this section exceeds the state income tax otherwise due for the tax year, the amount of credit not used as an offset against the state income tax that is due shall be remitted to the claimant, other than a claimant whose heating costs are included in his or her rent, in the form of an energy draft that states the name of the claimant and is issued by the department. For a claimant for whom, at the time of filing, the department of social services is making direct vendor payments to an enrolled heating fuel provider, the department shall send the energy draft directly to the claimant's enrolled heating fuel provider, as identified by the claimant. After July 31, a refundable credit for a prior tax year may be paid in the form of a negotiable warrant. The energy draft shall be negotiable only through the claimant's enrolled heating fuel provider upon remittance by the claimant.

(5) If, when a claimant remits an energy draft to the claimant's enrolled heating fuel provider, the amount of the energy draft is greater than the total of outstanding bills incurred by the claimant with the enrolled heating fuel provider, the claimant, by checking the appropriate box to be included on the energy draft, may request from the enrolled heating fuel provider a payment equal to the amount of the energy draft less the amount of the outstanding bills. The enrolled heating fuel provider shall issue the payment within 14 days after the claimant's request.

(6) If a claimant whose energy draft exceeds his or her outstanding bills does not request a payment from an enrolled heating fuel provider under subsection (5), an energy draft remitted to an enrolled heating fuel provider shall be applied upon receipt to the claimant's designated account. The energy draft may be used to cover outstanding bills that the claimant has incurred with the enrolled heating fuel provider and to cover subsequent heating costs until the full amount of the energy draft is used or until 1 year after the date on which the energy draft is first applied to the claimant's designated account. If a credit amount remains from this energy draft after the 1-year period, or if prior to the end of the 1-year period a claimant is no longer a customer of the heating fuel provider, the heating fuel provider shall remit the remaining unused portion to the claimant in the form of a fully negotiable check within 14 days after the end of the 1-year period or within 14 days after termination of service, whichever is sooner.

(7) A claimant who is no longer a resident of this state, who is not a customer of an enrolled heating fuel provider, or whose heating fuel provider refuses to accept an energy draft shall return the energy draft to the department and request the issuance of a negotiable warrant. A claimant may return an energy draft to the department and request issuance of a negotiable warrant if the energy draft is impractical because the claimant has already purchased his or her energy supply for the year and does not have an outstanding obligation to an enrolled heating fuel provider. The department may honor that request if it agrees that the use of the energy draft is impractical. The department shall issue the warrant within 14 days after receiving the energy draft from the claimant.

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

(9) A claimant whose heating fuel is provided by a utility regulated by the Michigan public service commission is protected against the discontinuance of his or her heating fuel service from the date of filing a claim for the credit under this section through the date of issuance of an energy draft and during a period beginning December 1 of the tax year for which the credit is claimed and ending March 31 of the following year if the claimant participates in the winter protection program set forth in R 460.2162(2) to (6) of the Michigan administrative code or if the utility accepts the claimant's energy draft. The acceptance of an energy draft by a utility is considered a request by the claimant for the winter protection program. The energy draft shall be coded by the department to denote claimants who are 65 years of age or older. If the claimant is a claimant whose heating cost is included in his or her rent payments, the amount of the claim not used as an offset against the state income tax, after examination and review, shall be approved for payment, without interest, to the claimant.

(10) If an enrolled heating fuel provider does not issue a payment or a negotiable check within 14 days as provided in subsection (5) or (6), beginning on the fifteenth day, the amount due to the claimant is increased by adding interest

computed on the basis of the rate of interest prescribed for delayed refunds of excess tax payments in section 30(3) of Act No. 122 of the Public Acts of 1941, being section 205.30 of the Michigan Compiled Laws. The enrolled heating fuel provider shall pay the interest and shall not bill the interest to or be reimbursed for the interest by the department.

(11) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead. Only 1 credit may be claimed for a household. The credit under this section is in addition to other credits to which the claimant is entitled under this act. A person who is a full-time student at a school, community college, or college or university and who is claimed as a dependent by another person is not eligible for the credit provided by this section. A claimant who shares a homestead with other eligible claimants shall prorate the credit by the number of claimants sharing the homestead.

(12) A claimant who is eligible for the credit provided by this section shall be referred by the department to the appropriate state agency for determination of eligibility for home weatherization assistance and shall accept weatherization assistance if eligible and if assistance is available. A heating fuel provider that is required by the Michigan public service commission to participate in the residential conservation services home energy analysis program shall annually contact each claimant to whom it provides heating fuel, and whose usage exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt hours of electricity annually, and shall offer to provide a home energy analysis at no cost to the claimant. A heating fuel provider that is not required to participate in the residential conservation services program shall not be required to conduct a home energy analysis for its customers.

(13) If an enrolled heating fuel provider is regulated by the Michigan public service commission, the Michigan public service commission may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider. If an enrolled heating fuel provider is not regulated by the Michigan public service commission, the department of social services may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider.

(14) The department shall mail a home heating credit return to every person who received aid to families with dependent children, state family assistance, or state disability assistance pursuant to the social welfare act, Act No. 280 of the Public Acts of 1939, being sections 400.1 to 400.119b of the Michigan Compiled Laws, during the tax year.

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

(16) The department may promulgate rules necessary to administer this section pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

(17) The department shall provide a simplified procedure for claiming the credit under this section for claimants for whom, at the time of filing, the department of social services is making direct vendor payments to an enrolled heating fuel provider.

(18) For the 1995 tax year, the credit under this section is allowed only if there has been a federal appropriation for federal fiscal year 1995-96 of the total amount of federal low income home heating energy assistance block grant funds and if the federal low income home heating energy assistance block grant allotment for this state is at least \$25,400,000.00. If the federal low income home heating energy assistance block grant allotment for this state is less than \$75,400,000.00, each individual credit claimed under this section shall be reduced by multiplying the credit amount by a fraction the numerator of which is Michigan's 1995-96 fiscal year federal low income home heating energy assistance block grant allotment minus \$400,000.00 and the denominator of which is \$75,000,000.00.

(19) For the 1996 tax year through the 2000 tax year, the credit under this section is allowed only if there has been a federal appropriation for the federal fiscal year beginning in the tax year of the total amount of federal low income home energy assistance program block grant funds and if the amount available for the home heating credit is not less than \$20,000,000.00. If the amount available for the home heating credit is less than the full home heating credit amount, each individual credit claimed under this section shall be reduced by multiplying the credit amount by a fraction, the numerator of which is the amount available for the home heating credit and the denominator of which is the full home heating credit amount. As used in this subsection, "amount available for the home heating credit" means the sum of the federal low income home energy assistance program block grant allotment for this state for the federal fiscal year beginning in the tax year and the amount as certified by the director of the family independence agency carried forward from the immediately preceding fiscal year for the low income home energy assistance program block grant minus the sum of the amount certified by the director of the family independence agency for administration of the low income home energy assistance program block grant and the amount certified by the director of the family independence agency for crisis assistance programs. The amounts under this subsection that require certification by the director of the family independence agency or by the state treasurer and the director of the department of management and budget shall be certified on or before December 30 of the tax year for the 1996 tax year, and on or before November 1 of the tax year for the 1997 through 2000 tax years. As used in this subsection, "full home heating credit amount" means \$62,000,000.00 for the 1996 tax year and for the 1997 through 2000 tax years the amount certified by the state treasurer and the director of the department of management and budget to be the estimated amount of the credits that would

have been provided under this section for the tax year if no reduction as provided in this subsection were made for that tax year.

(20) For tax years after the 1994 tax year, a claimant who claims a credit under this section shall not report the credit amount on the claimant's income tax return filed under this act as an offset against the tax imposed by this act, but shall claim the credit on a separate form prescribed by the department. For tax years after the 1995 tax year, a credit claimed under this section shall not be allowed unless the claim for the credit is filed with the department on or before the September 30 immediately following the tax year for which the credit is claimed.

(21) As used in this section:

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

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

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

Section 2. (1) Sections 263, 269, and 411 of Act No. 281 of the Public Acts of 1967, being sections 206.263, 206.269, and 206.411 of the Michigan Compiled Laws, are repealed effective January 1, 1996.

(2) Sections 30a, 30b, 30c, and 262 of Act No. 281 of the Public Acts of 1967, being sections 206.30a, 206.30b, 206.30c, and 206.262 of the Michigan Compiled Laws, are repealed effective January 1, 1997.

Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.

(2) Sections 12, 30, 51a, 110, 255, 256, 260, and 261 of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, shall take effect on January 1, 1997.

(3) Section 301 of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, shall take effect January 17, 1998.

This act is ordered to take immediate effect.

Clerk of the House of Representatives.

Secretary of the Senate.

Approved _____

Governor.