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REDUCE TAX ON NATURAL GAS & CREATE HEATING CREDIT FUND

House Bills 4476 and 4478
Sponsor: Rep. Mike Kowall

House Bill 4477
Sponsor: Rep. Paul Wojno

House Bill 4482
Sponsor: Rep. Gary Woronchak

House Bill 4483
Sponsor: Gerald Van Woerkom

Committee: Tax Policy

Complete to 3-19-01

A SUMMARY OF HOUSE BILLS 4476-4478 AND 4482-4483 AS INTRODUCED 3-15-01

House Bills 4476 and 4477 would amend the General Sales Tax Act (MCL 205.54aa) and the Use Tax Act (MCL 205.94w) respectively, so that the taxes would not be levied on the portion of the price of natural gas greater than \$3 per thousand cubic feet or on the portion of the purchase price of propane or fuel oil greater than \$1.40 per gallon. The term "purchase price" would refer to the price of the natural gas, propane gas, or fuel oil being delivered and would not include the price of the transmission and distribution of those commodities. Currently, the sales and use tax are levied at the rate of four percent on residential sales and six percent on sales to other than residential customers. The two bills are tie-barred to House Bill 4478.

House Bill 4478 would create the Home Heating Energy Assistance Act and enact a replacement energy tax to be levied on that portion of the purchase price of natural gas that exceeded \$3 per one thousand cubic feet. The replacement tax rate would be three percent for residential sales and five percent for other than residential sales. Revenue from the tax would be deposited in the Home Heating Credit Fund (to be created by House Bill 4483). The bill is tie-barred to House Bills 4476 and 4478.

House Bill 4483 would create the Home Heating Credit Fund Act. Money in the new fund would be used to pay home heating credits to the extent that credits were not fully funded under the federal low income home energy assistance program. Money from the new fund could not be used to replace those federal funds. The fund would be a separate fund in the Department of Treasury, and its money would be invested by the state treasurer in the same manner as other funds are invested, with interest and earnings credited to the fund. Money in the fund at the close of a state fiscal year would remain the fund and not lapse to the general fund.

House Bill 4482 would amend the Income Tax Act (MCL 206.438) to create a checkoff on the first page of the annual state income tax return that would allow an individual to designate

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a contribution of \$2 or more to the Home Heating Credit Fund. The contribution would be made from a taxpayer's refund or, if there were no refund, would be added to a taxpayer's tax liability. The bill would apply to tax years beginning after December 31, 2000.

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.