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House Bill 4481 (Substitute S-2 as reported)
Sponsor: Representative Nancy Cassis
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to extend indefinitely the home heating credit; provide that for tax years beginning after December 31, 2000, the credit would be allowed only if there had been a Federal appropriation of Federal Low-Income Home Energy Assistance Program (LIHEAP) block grant funds of any amount for the Federal fiscal year that began in the tax year; and provide that the credit would be exempt from attachment, garnishment, or other legal process to collect a debt, including tax liabilities and support orders.

For the 1996 through 2000 tax years, the credit was allowed only if there had been a Federal appropriation for the Federal fiscal year beginning in the tax year of at least \$20 million of Federal LIHEAP block grant funds. If the amount of money available for the credit as calculated under the Act was less than the full home heating credit amount, each individual credit had to be reduced proportionately, as determined by a formula in the Act. The bill would reinstate these provisions, but would delete the requirement that the Federal appropriation be at least \$20 million.

MCL 206.527a

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce State revenues by approximately \$2 million per year and would have no fiscal impact on local units. The State receives money from the Federal government to fund energy assistance to low income individuals. The State has some discretion in how to distribute those funds and the home heating credit is the method the State currently uses. The State may not use the funds for other purposes.

The bill would affect State revenues because the State allows certain individual who do not qualify for energy assistance from the Federal government to receive the home heating credit. In FY 2000-01, the State paid approximately \$1.8 million in credits to these individuals. By extending the home heating credit program, the bill would reduce State revenues by approximately \$2 million per year under these provisions.

The bill would retain the proration of the home heating credit when the Federal grants are insufficient to fully fund the credits authorized under statute. In FY 2000-01, no proration was necessary, although in FY 1999-2000 the home heating credit was prorated by approximately 82%. The amount of proration in any given year depends upon how much money the Federal government provides in energy assistance, how many home heating credits are filed, and how much is claimed. The proration would not affect State revenues.

Date Completed: 10-24-01

Fiscal Analyst: D. Zin