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House Bill 4481 (as passed by the House)
Sponsor: Representative Nancy Cassis
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 10-23-01

CONTENT

The bill would amend the Income Tax Act to extend indefinitely the home heating credit; and provide that for tax years beginning after December 31, 2000, the credit would be allowed 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.

Under the Act, individuals with low household income as prescribed in the Act (in tax year 2000 a maximum of \$9,229 for an individual; \$12,429 for a family of two; and rising per family member) and who meet other qualifications are eligible to claim a home heating credit.

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 (as certified by the State Treasurer and the Director of the Department of Management and Budget) each individual credit had to be reduced proportionately, as determined by a formula in the Act. These provisions applied only through the 2000 tax year and would not be extended by the bill.

MCL 206.527a

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce State revenues by \$2 million or more. 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 in two ways. First, the State allows certain individuals who do not qualify for the 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. Second, the bill would eliminate 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, when no proration was necessary, the revenue impact of the bill would have been \$0 in that fiscal year. However, in FY 1999-2000, the home heating credit was prorated by approximately 82%. In that fiscal

year, the bill would have reduced State revenues by approximately \$10.9 million. The revenue impact of the bill under this second effect would depend upon how much money the Federal government provides in energy assistance and on how many home heating credits are filed.

The bill would have no fiscal impact on local units.

Fiscal Analyst: D. Zin