

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4481**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 527a (MCL 206.527a), as amended by 1996  
PA 484.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 527a. (1) For tax years 1985 through 1994, a claimant  
2 may claim a credit against the state income tax for heating fuel  
3 costs for the claimant's homestead in this state. For the 1995  
4 tax year and subject to subsection (18), a claimant may claim a  
5 credit for heating fuel costs for the claimant's homestead in  
6 this state. For ~~tax years 1996 through 2000~~ THE 1996 TAX YEAR  
7 AND EACH TAX YEAR AFTER THE 1996 TAX YEAR and subject to  
8 subsections (19), ~~and~~ (20), AND (21), a claimant may claim a  
9 credit for heating fuel costs for the claimant's homestead in  
10 this state. An adult foster care home, nursing home, home for

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1 the aged, or substance abuse center is not a homestead for  
2 purposes of this section. The credit shall be determined in the  
3 following manner:

4 (a) For the 1988 tax year through the 1994 tax year; subject  
5 to subsection (18), for the 1995 tax year; and subject to  
6 subsections (19), ~~and~~ (20), AND (21) for the 1996 tax year  
7 ~~through the 2000~~ AND EACH TAX YEAR AFTER THE 1996 tax year, the  
8 following table shall be used for the computation of a credit as  
9 computed under subdivision (c):

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

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

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

23 (i) Subtract 3.5% of the claimant's household income from  
24 the amount specified in subdivision (a) that corresponds with the  
25 number of exemptions claimed in the return filed under this act,  
26 except that the number of exemptions for purposes of this

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1 subdivision shall not exceed the actual number of persons living  
2 in the household plus the additional personal exemptions allowed  
3 under section 30, and any dependency exemptions for a person or  
4 persons living in the household under a custodial arrangement,  
5 even if the exemptions may not be claimed for other income tax  
6 purposes. For a claimant whose heating costs are included in his  
7 or her rent, multiply the result of the preceding calculation by  
8 50%.

9       (ii) Subject to subsection (2), for a claimant whose house-  
10 hold income does not exceed the maximum specified in the follow-  
11 ing table, as adjusted, that corresponds with the number of  
12 exemptions claimed in the return filed under this act, subtract  
13 11% of claimant's household income from the total cost incurred  
14 by a claimant for heating fuel from a heating fuel provider  
15 during the 12 consecutive monthly billing periods ending in  
16 October of the tax year, and multiply the resulting amount by  
17 70%:

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1	Exemptions 0 or 1	2	3	4	5	For each
2						exemption
3						over 5,
4						add
5						\$2,441.00
6						to the
7						maximum
8						income
9	Maximum					

10	Income	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824
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11 (d) For the 1988 tax year for the purposes of subdivision  
12 (c), the total cost incurred by a claimant for heating fuel from  
13 a heating fuel provider shall not exceed \$1,190.00. For tax  
14 years after the 1988 tax year, the maximum cost incurred by a  
15 claimant for heating fuel during a tax year shall be adjusted by  
16 multiplying the maximum cost for the immediately preceding tax  
17 year by the percentage by which the average all urban Detroit  
18 consumer price index for fuels and other utilities for the 12  
19 months ending August 31 of the tax year for which the credit is  
20 claimed exceeds that index's average for the 12 months ending on  
21 August 31 of the previous tax year, but not more than 10%. That  
22 product shall be added to the maximum cost of the immediately  
23 preceding tax year and then rounded to the nearest whole dollar.  
24 That dollar amount is the new maximum cost for the current tax  
25 year. If the claimant received any credits to his or her heating

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1 bill during the tax year, as provided for in subsection (6), the  
2 credits shall be treated as costs incurred by the claimant.

3 (e) For tax years after the 1988 tax year, the maximum  
4 income amounts specified in subdivision (c)(ii) shall be adjusted  
5 by multiplying the respective maximum income amounts for the  
6 immediately preceding tax year by the percentage by which the  
7 average all urban Detroit consumer price index for all items for  
8 the 12 months ending August 31 of the tax year for which the  
9 credit is claimed exceeds that index's average for the 12 months  
10 ending on August 31 of the immediately preceding tax year, but  
11 not more than 10%. That product shall be added to the immedi-  
12 ately preceding tax year's respective maximum income level and  
13 then rounded to the nearest whole dollar. That dollar amount is  
14 the new maximum income level for the then current tax year.

15 (2) An enrolled heating fuel provider shall notify each of  
16 its customers, not later than December 15 of each year or, for  
17 1995 only, not later than ~~14 days after the effective date of~~  
18 ~~subsection (18)~~ JANUARY 10, 1996 or for 1996 only, not later  
19 than ~~14 days after the effective date of subsection (19), which~~  
20 ~~ever is later~~ JANUARY 15, 1996, of the availability, upon  
21 request, of the information necessary for determining the credit  
22 under this section. For a claimant for whom, at the time of  
23 filing, the ~~department of social services~~ FAMILY INDEPENDENCE  
24 AGENCY is making direct vendor payments to an enrolled heating  
25 fuel provider, the enrolled heating fuel provider that accepts  
26 the direct payments shall mail the information necessary to  
27 determine the credit before February 1 of each year. If an

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1 enrolled heating fuel provider refuses or fails to provide to a  
2 customer the information required to determine the credit, or if  
3 the claimant is not a customer of an enrolled heating fuel pro-  
4 vider, a claimant may determine the credit provided in subsection  
5 (1)(c)(ii) based on his or her own records.

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

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

25 (5) If, when a claimant remits an energy draft to the  
26 claimant's enrolled heating fuel provider, the amount of the  
27 energy draft is greater than the total of outstanding bills

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1 incurred by the claimant with the enrolled heating fuel provider,  
2 the claimant, by checking the appropriate box to be included on  
3 the energy draft, may request from the enrolled heating fuel pro-  
4 vider a payment equal to the amount of the energy draft less the  
5 amount of the outstanding bills. The enrolled heating fuel pro-  
6 vider shall issue the payment within 14 days after the claimant's  
7 request.

8       (6) If a claimant whose energy draft exceeds his or her out-  
9 standing bills does not request a payment from an enrolled heat-  
10 ing fuel provider under subsection (5), an energy draft remitted  
11 to an enrolled heating fuel provider shall be applied upon  
12 receipt to the claimant's designated account. The energy draft  
13 may be used to cover outstanding bills that the claimant has  
14 incurred with the enrolled heating fuel provider and to cover  
15 subsequent heating costs until the full amount of the energy  
16 draft is used or until 1 year after the date on which the energy  
17 draft is first applied to the claimant's designated account. If  
18 a credit amount remains from this energy draft after the 1-year  
19 period, or if prior to the end of the 1-year period a claimant is  
20 no longer a customer of the heating fuel provider, the heating  
21 fuel provider shall remit the remaining unused portion to the  
22 claimant in the form of a fully negotiable check within 14 days  
23 after the end of the 1-year period or within 14 days after termi-  
24 nation of service, whichever is sooner.

25       (7) A claimant who is no longer a resident of this state,  
26 who is not a customer of an enrolled heating fuel provider, or  
27 whose heating fuel provider refuses to accept an energy draft

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1 shall return the energy draft to the department and request the  
2 issuance of a negotiable warrant. A claimant may return an  
3 energy draft to the department and request issuance of a negotia-  
4 ble warrant if the energy draft is impractical because the claim-  
5 ant has already purchased his or her energy supply for the year  
6 and does not have an outstanding obligation to an enrolled heat-  
7 ing fuel provider. The department may honor that request if it  
8 agrees that the use of the energy draft is impractical. The  
9 department shall issue the warrant within 14 days after receiving  
10 the energy draft from the claimant.

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

16 (9) A claimant whose heating fuel is provided by a utility  
17 regulated by the Michigan public service commission is protected  
18 against the discontinuance of his or her heating fuel service  
19 from the date of filing a claim for the credit under this section  
20 through the date of issuance of an energy draft and during a  
21 period beginning December 1 of the tax year for which the credit  
22 is claimed and ending March 31 of the following year if the  
23 claimant participates in the winter protection program set forth  
24 in R 460.2162(2) to (6) of the Michigan administrative code or if  
25 the utility accepts the claimant's energy draft. The acceptance  
26 of an energy draft by a utility is considered a request by the  
27 claimant for the winter protection program. The energy draft



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1 shall be coded by the department to denote claimants who are 65  
2 years of age or older. If the claimant is a claimant whose heat-  
3 ing cost is included in his or her rent payments, the amount of  
4 the claim not used as an offset against the state income tax,  
5 after examination and review, shall be approved for payment,  
6 without interest, to the claimant.

7 (10) If an enrolled heating fuel provider does not issue a  
8 payment or a negotiable check within 14 days as provided in sub-  
9 section (5) or (6), beginning on the fifteenth day, the amount  
10 due to the claimant is increased by adding interest computed on  
11 the basis of the rate of interest prescribed for delayed refunds  
12 of excess tax payments in section 30(3) of ~~Act No. 122 of the~~  
13 ~~Public Acts of 1941, being section 205.30 of the Michigan~~  
14 ~~Compiled Laws~~ 1941 PA 122, MCL 205.30. The enrolled heating  
15 fuel provider shall pay the interest and shall not bill the  
16 interest to or be reimbursed for the interest by the department.

17 (11) Only the renter or lessee shall claim a credit on prop-  
18 erty that is rented or leased as a homestead. Only 1 credit may  
19 be claimed for a household. The credit under this section is in  
20 addition to other credits to which the claimant is entitled under  
21 this act. A person who is a full-time student at a school, com-  
22 munity college, or college or university and who is claimed as a  
23 dependent by another person is not eligible for the credit pro-  
24 vided by this section. A claimant who shares a homestead with  
25 other eligible claimants shall prorate the credit by the number  
26 of claimants sharing the homestead.

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1       (12) A claimant who is eligible for the credit provided by  
2 this section shall be referred by the department to the  
3 appropriate state agency for determination of eligibility for  
4 home weatherization assistance and shall accept weatherization  
5 assistance if eligible and if assistance is available. A heating  
6 fuel provider that is required by the Michigan public service  
7 commission to participate in the residential conservation serv-  
8 ices home energy analysis program shall annually contact each  
9 claimant to whom it provides heating fuel, and whose usage  
10 exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt  
11 hours of electricity annually, and shall offer to provide a home  
12 energy analysis at no cost to the claimant. A heating fuel pro-  
13 vider that is not required to participate in the residential con-  
14 servation services program shall not be required to conduct a  
15 home energy analysis for its customers.

16       (13) If an enrolled heating fuel provider is regulated by  
17 the Michigan public service commission, the Michigan public serv-  
18 ice commission may use an enforcement method authorized by law or  
19 rule to enforce the requirements prescribed by this section on  
20 the enrolled heating fuel provider. If an enrolled heating fuel  
21 provider is not regulated by the Michigan public service commis-  
22 sion, the ~~department of social services~~ FAMILY INDEPENDENCE  
23 AGENCY may use an enforcement method authorized by law or rule to  
24 enforce the requirements prescribed by this section on the  
25 enrolled heating fuel provider.

26       (14) The department shall mail a home heating credit return  
27 to every person who received ~~aid to families with dependent~~

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1 ~~children, state family assistance, or state disability~~  
2 assistance THROUGH FAMILY INDEPENDENCE PROGRAMS pursuant to the  
3 social welfare act, ~~Act No. 280 of the Public Acts of 1939,~~  
4 ~~being sections 400.1 to 400.119b of the Michigan Compiled Laws~~  
5 1939 PA 280, MCL 400.1 TO 400.119B, during the tax year.

6 (15) The department shall complete a study by August 1 of  
7 1985, and of each subsequent year, of the actual heating costs of  
8 each claimant who received a credit from the department under  
9 this section for the immediately preceding tax year.

10 (16) The department may promulgate rules necessary to admin-  
11 ister this section pursuant to the administrative procedures act  
12 of 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~  
13 ~~24.201 to 24.328 of the Michigan Compiled Laws~~ 1969 PA 306,  
14 MCL 24.201 TO 24.328.

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

20 (18) For the 1995 tax year, the credit under this section is  
21 allowed only if there has been a federal appropriation for fed-  
22 eral fiscal year 1995-96 of the total amount of federal low  
23 income home heating energy assistance block grant funds and if  
24 the federal low income home heating energy assistance block grant  
25 allotment for this state is at least \$25,400,000.00. If the fed-  
26 eral low income home heating energy assistance block grant  
27 allotment for this state is less than \$75,400,000.00, each

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1 individual credit claimed under this section shall be reduced by  
2 multiplying the credit amount by a fraction the numerator of  
3 which is Michigan's 1995-96 fiscal year federal low income home  
4 heating energy assistance block grant allotment minus \$400,000.00  
5 and the denominator of which is \$75,000,000.00.

6 (19) For the 1996 tax year through the 2000 tax year, the  
7 credit under this section is allowed only if there has been a  
8 federal appropriation for the federal fiscal year beginning in  
9 the tax year of the total amount of federal low income home  
10 energy assistance program block grant funds and if the amount  
11 available for the home heating credit is not less than  
12 \$20,000,000.00. If the amount available for the home heating  
13 credit is less than the full home heating credit amount, each  
14 individual credit claimed under this section shall be reduced by  
15 multiplying the credit amount by a fraction, the numerator of  
16 which is the amount available for the home heating credit and the  
17 denominator of which is the full home heating credit amount. As  
18 used in this subsection, "amount available for the home heating  
19 credit" means the sum of the federal low income home energy  
20 assistance program block grant allotment for this state for the  
21 federal fiscal year beginning in the tax year and the amount as  
22 certified by the director of the family independence agency car-  
23 ried forward from the immediately preceding fiscal year for the  
24 low income home energy assistance program block grant minus the  
25 sum of the amount certified by the director of the family inde-  
26 pendence agency for administration of the low income home energy  
27 assistance program block grant and the amount certified by the

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1 director of the family independence agency for crisis assistance  
2 programs. The amounts under this subsection that require certi-  
3 fication by the director of the family independence agency or by  
4 the state treasurer and the director of the department of manage-  
5 ment and budget shall be certified on or before December 30 of  
6 the tax year for the 1996 tax year, and on or before November 1  
7 of the tax year for the 1997 through 2000 tax years. As used in  
8 this subsection, "full home heating credit amount" means  
9 \$62,000,000.00 for the 1996 tax year and for the 1997 through  
10 2000 tax years the amount certified by the state treasurer and  
11 the director of the department of management and budget to be the  
12 estimated amount of the credits that would have been provided  
13 under this section for the tax year if no reduction as provided  
14 in this subsection were made for that tax year.

15       (20) FOR THE 2001 TAX YEAR AND EACH TAX YEAR AFTER THE 2001  
16 TAX YEAR, THE CREDIT UNDER THIS SECTION IS ALLOWED ONLY IF THERE  
17 HAS BEEN A FEDERAL APPROPRIATION FOR THE FEDERAL FISCAL YEAR  
18 BEGINNING IN THE TAX YEAR OF FEDERAL LOW INCOME HOME ENERGY  
19 ASSISTANCE PROGRAM BLOCK GRANT FUNDS OF ANY AMOUNT. IF THE  
20 AMOUNT OF FEDERAL LOW INCOME HOME ENERGY ASSISTANCE PROGRAM BLOCK  
21 GRANT FUNDS AVAILABLE FOR THE HOME HEATING CREDIT IS LESS THAN  
22 THE FULL HOME HEATING CREDIT AMOUNT, EACH INDIVIDUAL CREDIT  
23 CLAIMED UNDER THIS SECTION SHALL BE REDUCED BY MULTIPLYING THE  
24 CREDIT AMOUNT BY A FRACTION, THE NUMERATOR OF WHICH IS THE AMOUNT  
25 AVAILABLE FOR THE HOME HEATING CREDIT AND THE DENOMINATOR OF  
26 WHICH IS THE FULL HOME HEATING CREDIT AMOUNT. AS USED IN THIS  
27 SUBSECTION, "AMOUNT AVAILABLE FOR THE HOME HEATING CREDIT" MEANS

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1 THE SUM OF THE FEDERAL LOW INCOME HOME ENERGY ASSISTANCE PROGRAM  
2 BLOCK GRANT ALLOTMENT FOR THIS STATE FOR THE FEDERAL FISCAL YEAR  
3 BEGINNING IN THE TAX YEAR AND THE AMOUNT AS CERTIFIED BY THE  
4 DIRECTOR OF THE FAMILY INDEPENDENCE AGENCY CARRIED FORWARD FROM  
5 THE IMMEDIATELY PRECEDING FISCAL YEAR FOR THE LOW INCOME HOME  
6 ENERGY ASSISTANCE PROGRAM BLOCK GRANT MINUS THE SUM OF THE AMOUNT  
7 CERTIFIED BY THE DIRECTOR OF THE FAMILY INDEPENDENCE AGENCY FOR  
8 ADMINISTRATION OF THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM  
9 BLOCK GRANT AND THE AMOUNT CERTIFIED BY THE DIRECTOR OF THE  
10 FAMILY INDEPENDENCE AGENCY FOR CRISIS ASSISTANCE PROGRAMS. THE  
11 AMOUNTS UNDER THIS SUBSECTION THAT REQUIRE CERTIFICATION BY THE  
12 DIRECTOR OF THE FAMILY INDEPENDENCE AGENCY OR BY THE STATE TREA-  
13 SURER AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT AND BUDGET  
14 SHALL BE CERTIFIED ON OR BEFORE DECEMBER 30 OF THE TAX YEAR FOR  
15 THE 1996 TAX YEAR, AND ON OR BEFORE NOVEMBER 1 OF THE TAX YEAR  
16 FOR THE 1997 TAX YEAR AND EACH TAX YEAR AFTER THE 1997 TAX YEAR.  
17 AS USED IN THIS SUBSECTION, "FULL HOME HEATING CREDIT AMOUNT"  
18 MEANS THE AMOUNT CERTIFIED BY THE STATE TREASURER AND THE DIREC-  
19 TOR OF THE DEPARTMENT OF MANAGEMENT AND BUDGET TO BE THE ESTI-  
20 MATED AMOUNT OF THE CREDITS THAT WOULD HAVE BEEN PROVIDED UNDER  
21 THIS SECTION FOR THE TAX YEAR IF NO REDUCTION AS PROVIDED IN THIS  
22 SUBSECTION WERE MADE FOR THAT TAX YEAR.

23 (21) ~~-(20)-~~ For tax years after the 1994 tax year, a claim-  
24 ant who claims a credit under this section shall not report the  
25 credit amount on the claimant's income tax return filed under  
26 this act as an offset against the tax imposed by this act, but  
27 shall claim the credit on a separate form prescribed by the

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1 department. For tax years after the 1995 tax year, a credit  
2 claimed under this section shall not be allowed unless the claim  
3 for the credit is filed with the department on or before the  
4 September 30 immediately following the tax year for which the  
5 credit is claimed.

6 (22) NOTWITHSTANDING SECTION 30A OF 1941 PA 122, MCL  
7 205.30A, THE CREDIT ALLOWED UNDER THIS SECTION IS EXEMPT FROM  
8 INTERCEPTION, EXECUTION, LEVY, ATTACHMENT, GARNISHMENT, OR OTHER  
9 LEGAL PROCESS TO COLLECT A DEBT. NO PORTION OF THE CREDIT  
10 ALLOWED OR ANY RIGHTS EXISTING UNDER THIS SECTION SHALL BE  
11 APPLIED AS AN OFFSET TO ANY LIABILITY OF THE CLAIMANT UNDER SEC-  
12 TION 30A OF 1941 PA 122, MCL 205.30A, OR ANY ARREARAGE OR OTHER  
13 DEBT OF THE CLAIMANT.

14 (23) ~~-(21)-~~ As used in this section:

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

18 (b) "Enrolled heating fuel provider" means a heating fuel  
19 provider that is enrolled with the ~~department of social~~  
20 ~~services~~ FAMILY INDEPENDENCE AGENCY as a heating fuel provider.

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