

HOUSE BILL No. 4480

March 15, 2001, Introduced by Reps. Bradstreet, Birkholz, Raczkowski, Allen, Kuipers, Vander Veen, Voorhees, Gilbert, Gosselin, Pappageorge, Vander Roest, Tabor, Middaugh, Kooiman, Bishop, Julian, Van Woerkom, Toy, Sanborn, Richardville, Woronchak, Shackleton, Schauer, Faunce, Rocca, Wojno, Lockwood, Garcia, Meyer, Vear, Sheltroun and Lemmons and referred to the Committee on Tax Policy.

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~~ 2004 and subject
7 to subsections (19) and (20), a claimant may claim a credit for
8 heating fuel costs for the claimant's homestead in this state.
9 An adult foster care home, nursing home, home for the aged, or
10 substance abuse center is not a homestead for purposes of this

1 section. The credit shall be determined in the following
2 manner:

3 (a) For the 1988 tax year through the 1994 tax year; subject
4 to subsection (18), for the 1995 tax year; and subject to
5 subsections (19) and (20) for the 1996 tax year through the
6 ~~2000~~ 2004 tax year, the following table shall be used for the
7 computation of a credit as computed under subdivision (c):

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

13 (b) For tax years after the 1988 tax year, the amounts in
14 the table in subdivision (a) shall be adjusted each year as nec-
15 essary by the department so that a claimant with a household
16 income less than 110% of the federal poverty income standards as
17 defined and determined annually by the United States office of
18 management and budget is not denied a credit. FOR TAX YEARS THAT
19 BEGIN AFTER DECEMBER 31, 2000, THE AMOUNTS IN THE TABLE IN SUBDI-
20 VISION (A) SHALL BE ADJUSTED EACH YEAR AS NECESSARY BY THE
21 DEPARTMENT IN ADDITION TO THE ADJUSTMENT UNDER THIS SUBDIVISION
22 SO THAT A CLAIMANT WITH A HOUSEHOLD INCOME OF 110% OR MORE BUT
23 LESS THAN 125% OF THE FEDERAL POVERTY INCOME STANDARDS AS DEFINED
24 AND DETERMINED ANNUALLY BY THE UNITED STATES OFFICE OF MANAGEMENT
25 AND BUDGET IS ELIGIBLE TO CLAIM A CREDIT.

1 (c) A claimant shall receive the ~~greater of the~~ credit
2 amount as determined in subparagraph (i), ~~or~~ (ii), OR (iii):

3 (i) ~~Subtract~~ FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1,
4 2001, SUBTRACT 3.5% of the claimant's household income from the
5 amount specified in subdivision (a) that corresponds with the
6 number of exemptions claimed in the return filed under this act,
7 except that the number of exemptions for purposes of this subdi-
8 vision shall not exceed the actual number of persons living in
9 the household plus the additional personal exemptions allowed
10 under section 30, and any dependency exemptions for a person or
11 persons living in the household under a custodial arrangement,
12 even if the exemptions may not be claimed for other income tax
13 purposes. For a claimant whose heating costs are included in his
14 or her rent, multiply the result of the preceding calculation by
15 50%.

16 ~~(ii) Subject to subsection (2), for a claimant whose house-~~
17 ~~hold income does not exceed the maximum specified in the follow-~~
18 ~~ing table, as adjusted, that corresponds with the number of~~
19 ~~exemptions claimed in the return filed under this act, subtract~~
20 ~~11% of claimant's household income from the total cost incurred~~
21 ~~by a claimant for heating fuel from a heating fuel provider~~
22 ~~during the 12 consecutive monthly billing periods ending in~~
23 ~~October of the tax year, and multiply the resulting amount by~~
24 ~~70%÷~~

<RO> 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

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~~

~~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 (ii) FOR A CLAIMANT WHOSE HEATING COSTS ARE INCLUDED IN HIS~~
~~16 OR HER RENT, MULTIPLY THE RESULT OF THE CALCULATION UNDER THIS~~
~~17 SUBPARAGRAPH BY 50%. FOR THE TAX YEAR THAT BEGINS ON JANUARY 1,~~
~~18 2001, SUBTRACT 3.80% OF THE CLAIMANT'S HOUSEHOLD INCOME FROM THE~~
~~19 AMOUNT SPECIFIED IN SUBDIVISION (A) THAT CORRESPONDS WITH THE~~
~~20 NUMBER OF EXEMPTIONS CLAIMED IN THE RETURN FILED UNDER THIS ACT,~~
~~21 EXCEPT THAT THE NUMBER OF EXEMPTIONS FOR PURPOSES OF THIS SUBDI-~~
~~22 VISION SHALL NOT EXCEED THE ACTUAL NUMBER OF PERSONS LIVING IN~~
~~23 THE HOUSEHOLD PLUS ALL OF THE FOLLOWING:~~

~~24 (A) THE ADDITIONAL PERSONAL EXEMPTIONS ALLOWED UNDER~~
~~25 SECTION 30.~~

1 (B) ANY DEPENDENCY EXEMPTIONS FOR A PERSON OR PERSONS LIVING
2 IN THE HOUSEHOLD UNDER A CUSTODIAL ARRANGEMENT, EVEN IF THE
3 EXEMPTIONS MAY NOT BE CLAIMED FOR OTHER INCOME TAX PURPOSES.

4 (C) AN ADDITIONAL EXEMPTION IF THE CLAIMANT IS BOTH 65 YEARS
5 OF AGE OR OLDER ON THE LAST DAY OF THE TAX YEAR AND THE CLAIMANT
6 LIVES ALONE.

7 (iii) FOR A CLAIMANT WHOSE HEATING COSTS ARE INCLUDED IN HIS
8 OR HER RENT, MULTIPLY THE RESULT OF THE CALCULATION UNDER THIS
9 SUBPARAGRAPH BY 50%. FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31,
10 2001, SUBTRACT THE AMOUNT DETERMINED UNDER SUBSECTION (21) OF THE
11 CLAIMANT'S HOUSEHOLD INCOME FROM THE AMOUNT SPECIFIED IN SUBDIVI-
12 SION (A) THAT CORRESPONDS WITH THE NUMBER OF EXEMPTIONS CLAIMED
13 IN THE RETURN FILED UNDER THIS ACT, EXCEPT THAT THE NUMBER OF
14 EXEMPTIONS FOR PURPOSES OF THIS SUBDIVISION SHALL NOT EXCEED THE
15 ACTUAL NUMBER OF PERSONS LIVING IN THE HOUSEHOLD PLUS ALL OF THE
16 FOLLOWING:

17 (A) THE ADDITIONAL PERSONAL EXEMPTIONS ALLOWED UNDER SECTION
18 30.

19 (B) ANY DEPENDENCY EXEMPTIONS FOR A PERSON OR PERSONS LIVING
20 IN THE HOUSEHOLD UNDER A CUSTODIAL ARRANGEMENT, EVEN IF THE
21 EXEMPTIONS MAY NOT BE CLAIMED FOR OTHER INCOME TAX PURPOSES.

22 (C) AN ADDITIONAL EXEMPTION IF THE CLAIMANT IS BOTH 65 YEARS
23 OF AGE OR OLDER ON THE LAST DAY OF THE TAX YEAR AND THE CLAIMANT
24 LIVES ALONE.

25 (2) An enrolled heating fuel provider shall notify each of
26 its customers, not later than December 15 of each year or, for
27 1995 only, not later than ~~14 days after the effective date of~~

1 ~~subsection (18)~~ JANUARY 10, 1996 or for 1996 only, not later
2 than ~~14 days after the effective date of subsection (19), which~~
3 ~~ever is later~~ JANUARY 15, 1996, of the availability, upon
4 request, of the information necessary for determining the credit
5 under this section. For a claimant for whom, at the time of
6 filing, the ~~department of social services~~ FAMILY INDEPENDENCE
7 AGENCY is making direct vendor payments to an enrolled heating
8 fuel provider, the enrolled heating fuel provider that accepts
9 the direct payments shall mail the information necessary to
10 determine the credit before February 1 of each year. ~~If an~~
11 ~~enrolled heating fuel provider refuses or fails to provide to a~~
12 ~~customer the information required to determine the credit, or if~~
13 ~~the claimant is not a customer of an enrolled heating fuel pro-~~
14 ~~vider, a claimant may determine the credit provided in subsection~~
15 ~~(1)(c)(ii) based on his or her own records.~~

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

19 (4) If the allowable amount of the credit under this section
20 exceeds the state income tax otherwise due for the tax year, the
21 amount of credit not used as an offset against the state income
22 tax that is due shall be remitted to the claimant, other than a
23 claimant whose heating costs are included in his or her rent, in
24 the form of an energy draft that states the name of the claimant
25 and is issued by the department. For a claimant for whom, at the
26 time of filing, the ~~department of social services~~ FAMILY
27 INDEPENDENCE AGENCY is making direct vendor payments to an

1 enrolled heating fuel provider, the department shall send the
2 energy draft directly to the claimant's enrolled heating fuel
3 provider, as identified by the claimant. After July 31, a
4 refundable credit for a prior tax year may be paid in the form of
5 a negotiable warrant. The energy draft shall be negotiable only
6 through the claimant's enrolled heating fuel provider upon remit-
7 tance by the claimant.

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

18 (6) If a claimant whose energy draft exceeds his or her out-
19 standing bills does not request a payment from an enrolled heat-
20 ing fuel provider under subsection (5), an energy draft remitted
21 to an enrolled heating fuel provider shall be applied upon
22 receipt to the claimant's designated account. The energy draft
23 may be used to cover outstanding bills that the claimant has
24 incurred with the enrolled heating fuel provider and to cover
25 subsequent heating costs until the full amount of the energy
26 draft is used or until 1 year after the date on which the energy
27 draft is first applied to the claimant's designated account. If

1 a credit amount remains from this energy draft after the 1-year
2 period, or if prior to the end of the 1-year period a claimant is
3 no longer a customer of the heating fuel provider, the heating
4 fuel provider shall remit the remaining unused portion to the
5 claimant in the form of a fully negotiable check within 14 days
6 after the end of the 1-year period or within 14 days after termi-
7 nation of service, whichever is sooner.

8 (7) A claimant who is no longer a resident of this state,
9 who is not a customer of an enrolled heating fuel provider, or
10 whose heating fuel provider refuses to accept an energy draft
11 shall return the energy draft to the department and request the
12 issuance of a negotiable warrant. A claimant may return an
13 energy draft to the department and request issuance of a negotia-
14 ble warrant if the energy draft is impractical because the claim-
15 ant has already purchased his or her energy supply for the year
16 and does not have an outstanding obligation to an enrolled heat-
17 ing fuel provider. The department may honor that request if it
18 agrees that the use of the energy draft is impractical. The
19 department shall issue the warrant within 14 days after receiving
20 the energy draft from the claimant.

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

26 (9) A claimant whose heating fuel is provided by a utility
27 regulated by the Michigan public service commission is protected

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

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

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

11 (12) A claimant who is eligible for the credit provided by
12 this section shall be referred by the department to the appropri-
13 ate state agency for determination of eligibility for home weath-
14 erization assistance and shall accept weatherization assistance
15 if eligible and if assistance is available. A heating fuel pro-
16 vider that is required by the Michigan public service commission
17 to participate in the residential conservation services home
18 energy analysis program shall annually contact each claimant to
19 whom it provides heating fuel, and whose usage exceeds 200,000
20 cubic feet of natural gas or 18,000 kilowatt hours of electricity
21 annually, and shall offer to provide a home energy analysis at no
22 cost to the claimant. A heating fuel provider that is not
23 required to participate in the residential conservation services
24 program shall not be required to conduct a home energy analysis
25 for its customers.

26 (13) If an enrolled heating fuel provider is regulated by
27 the Michigan public service commission, the Michigan public

1 service commission may use an enforcement method authorized by
2 law or rule to enforce the requirements prescribed by this sec-
3 tion on the enrolled heating fuel provider. If an enrolled heat-
4 ing fuel provider is not regulated by the Michigan public service
5 commission, the ~~department of social services~~ FAMILY INDEPEN-
6 DENCE AGENCY may use an enforcement method authorized by law or
7 rule to enforce the requirements prescribed by this section on
8 the enrolled heating fuel provider.

9 (14) The department shall mail a home heating credit return
10 to every person who received ~~aid to families with dependent~~
11 ~~children, state family assistance, or state disability~~ assist-
12 ance THROUGH FAMILY INDEPENDENCE PROGRAMS pursuant to the social
13 welfare act, ~~Act No. 280 of the Public Acts of 1939, being sec-~~
14 ~~tions 400.1 to 400.119b of the Michigan Compiled Laws~~ 1939
15 PA 280, MCL 400.1 TO 400.119B, during the tax year.

16 (15) The department shall complete a study by August 1 of
17 1985, and of each subsequent year, of the actual heating costs of
18 each claimant who received a credit from the department under
19 this section for the immediately preceding tax year.

20 (16) The department may promulgate rules necessary to admin-
21 ister this section pursuant to the administrative procedures act
22 of 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~
23 ~~24.201 to 24.328 of the Michigan Compiled Laws~~ 1969 PA 306,
24 MCL 24.201 TO 24.328.

25 (17) The department shall provide a simplified procedure for
26 claiming the credit under this section for claimants for whom, at
27 the time of filing, the ~~department of social services~~ FAMILY

1 INDEPENDENCE AGENCY is making direct vendor payments to an
2 enrolled heating fuel provider.

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

16 (19) For the 1996 tax year through the ~~2000~~ 2004 tax year,
17 the credit under this section is allowed only if there has been a
18 federal appropriation for the federal fiscal year beginning in
19 the tax year of the total amount of federal low income home
20 energy assistance program block grant funds and if the amount
21 available for the home heating credit is not less than
22 \$20,000,000.00. If the amount available for the home heating
23 credit is less than the full home heating credit amount, each
24 individual credit claimed under this section shall be reduced by
25 multiplying the credit amount by a fraction, the numerator of
26 which is the amount available for the home heating credit and the
27 denominator of which is the full home heating credit amount. As

1 used in this subsection, "amount available for the home heating
2 credit" means the sum of the federal low income home energy
3 assistance program block grant allotment for this state for the
4 federal fiscal year beginning in the tax year and the amount as
5 certified by the director of the family independence agency car-
6 ried forward from the immediately preceding fiscal year for the
7 low income home energy assistance program block grant minus the
8 sum of the amount certified by the director of the family inde-
9 pendence agency for administration of the low income home energy
10 assistance program block grant and the amount certified by the
11 director of the family independence agency for crisis assistance
12 programs. The amounts under this subsection that require certi-
13 fication by the director of the family independence agency or by
14 the state treasurer and the director of the department of manage-
15 ment and budget shall be certified on or before December 30 of
16 the tax year for the 1996 tax year, and on or before November 1
17 of the tax year for the 1997 through ~~2000~~ 2004 tax years. As
18 used in this subsection, "full home heating credit amount" means
19 \$62,000,000.00 for the 1996 tax year and for the 1997 through
20 ~~2000~~ 2004 tax years the amount certified by the state treasurer
21 and the director of the department of management and budget to be
22 the estimated amount of the credits that would have been provided
23 under this section for the tax year if no reduction as provided
24 in this subsection were made for that tax year.

25 (20) For tax years after the 1994 tax year, a claimant who
26 claims a credit under this section shall not report the credit
27 amount on the claimant's income tax return filed under this act

1 as an offset against the tax imposed by this act, but shall claim
2 the credit on a separate form prescribed by the department. For
3 tax years after the 1995 tax year, a credit claimed under this
4 section shall not be allowed unless the claim for the credit is
5 filed with the department on or before the September 30 immedi-
6 ately following the tax year for which the credit is claimed.

7 (21) THE PERCENTAGE OF HOUSEHOLD INCOME USED FOR THE CALCU-
8 LATION OF A CREDIT UNDER SUBSECTION (1)(C)(iii) SHALL BE DETER-
9 MINED EACH YEAR AND SHALL BE CALCULATED AS FOLLOWS:

10 (A) DETERMINE WEIGHTED TOTAL PRICE FOR NATURAL GAS FOR THE
11 TAX YEAR BY MULTIPLYING THE PRICE FOR NATURAL GAS CHARGED TO ITS
12 RESIDENTIAL CUSTOMERS BY EACH UTILITY IN THIS STATE BY THAT
13 UTILITY'S MARKET SHARE.

14 (B) ADD ALL OF THE AMOUNTS DETERMINED UNDER SUBDIVISION
15 (A).

16 (C) USE THE FOLLOWING PERCENTAGE FOR THE FOLLOWING AMOUNT AS
17 DETERMINED UNDER SUBDIVISION (B):

18 (i) IF THE WEIGHTED TOTAL PRICE IS LESS THAN \$3.26, 3.50%.

19 (ii) IF THE WEIGHTED TOTAL PRICE IS \$3.26 OR MORE BUT LESS
20 THAN \$3.51, 3.55%.

21 (iii) IF THE WEIGHTED TOTAL PRICE IS \$3.51 OR MORE BUT LESS
22 THAN \$4.26, 3.60%.

23 (iv) IF THE WEIGHTED TOTAL PRICE IS \$4.26 OR MORE BUT LESS
24 THAN \$4.51, 3.65%.

25 (v) IF THE WEIGHTED TOTAL PRICE IS \$4.50 OR MORE BUT LESS
26 THAN \$5.26, 3.70%.

1 (vi) IF THE WEIGHTED TOTAL PRICE IS \$5.26 OR MORE, 3.80%.

2 (22) ~~-(21)-~~ As used in this section:

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

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

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