



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5798 (Substitute H-3 as passed by the House)
Sponsor: Representative Joseph Rivet
House Committee: Energy and Technology
Senate Committee: Technology and Energy

Date Completed: 6-30-04

CONTENT**The bill would amend the Income Tax Act to do the following:**

- **Require the allowable amount of the home heating credit to be remitted to the claimant in the form of an energy draft, regardless of whether the allowable amount of the credit exceeded the State income tax that otherwise would be due.**
- **Require an enrolled heating fuel provider to apply the amount of an energy draft that exceeded a claimant's outstanding heating bills to subsequent bills until the credit was used up, or nine months passed, if the claimant received home heating assistance.**
- **Limit the amount of low income energy assistance program (LIHEAP) block grant funds used for weatherization purposes to \$9,000,000.**

The bill would apply to tax years beginning after December 31, 2003.

Under the Act, a claimant may claim a credit for heating fuel costs for his or her homestead in Michigan. (A "claimant" is an individual who filed a claim under Chapter 9 of the Act, which governs property tax credits.) Currently, if the allowable amount of the credit exceeds the State income tax the claimant otherwise would owe for the tax year, the amount of the credit that is not used as an offset against the income tax must be remitted to the claimant in the form of an energy draft issued by the Department of Treasury. (An energy draft may be negotiated only through the claimant's enrolled heating fuel provider.) Under the bill, the allowable amount of the credit would have to be remitted to the claimant in the form of an energy draft.

Under the Act, if a claimant remits an energy draft to his or her enrolled heating fuel provider that is greater than the total of the claimant's outstanding bills, the claimant may request payment for the difference from the provider. The provider must issue the payment within 14 days after the request. The bill would apply this provision only to a claimant who received home heating assistance from the Family Independence Agency (FIA), a governmental agency, or a nonprofit organization 12 months before remitting an energy draft in an amount greater than the total of the claimant's outstanding bills as of the date the energy draft was remitted. Under the bill, in this situation, the provider would have to apply the full amount of the energy draft to the claimant's outstanding bills first, and then apply any remaining amount to subsequent bills until the full amount was used up or until the expiration of nine months after the date on which the energy draft was first applied to the claimant's outstanding bills. If any energy draft amount remained after nine months, or

if before nine months passed the claimant no longer were a customer of that provider, the provider would have to remit the remaining amount to the claimant in the form of a fully negotiable check within 14 days after the end of the nine-month period, or 14 days after the termination of service, whichever occurred sooner. The claimant still would be allowed to request a payment for the remaining balance of the credit, but only if he or she did not receive home heating assistance from the FIA, a governmental agency, or a nonprofit organization 12 months before remitting an energy draft. The bill also specifies that, for the purposes of these provisions, home heating assistance would not include the home heating credit.

Under the bill, the expiration of the nine-month period also would apply to several other provisions pertaining to the heating fuel credit. The Act permits a claimant to return an energy draft to the Department of Treasury and request issuance of a negotiable warrant if the energy draft is impractical because the claimant already has purchased his or her energy supply for the year and does not have an outstanding obligation to a fuel provider. Under the bill, the claimant could request the negotiable warrant subject to the nine-month period. If the Department agreed that the use of the energy draft was impractical, it would have to issue the warrant within 14 days after the nine-month period expired, rather than 14 days after receiving the energy draft from the claimant, as required currently.

Under the Act, the term "amount available for the home heating credit" means the sum of the Federal LIHEAP block grant allotment for Michigan for the Federal fiscal year beginning in the tax year and the amount as certified by the FIA Director carried forward from the immediately preceding fiscal year for the LIHEAP block grant minus the sum of the amount certified by the FIA Director for LIHEAP block grant administration, and the amount certified by the FIA Director for crisis assistance programs. The bill would include in the second sum the amount certified by the FIA Director for weatherization. The amount used for weatherization could not exceed \$9,000,000 less the amount used for weatherization from the emergency contingency funds received in the preceding year. For the State's 2004-05 fiscal year, however, the amount used for weatherization could not exceed \$9,000,000 and could not be reduced by the amount used for weatherization from the emergency contingency funds received in the immediately preceding year.

MCL 206.527a

Legislative Analyst: Julie Koval

FISCAL IMPACT

This bill would have no fiscal impact on State or local government. The bill would allow up to \$9 million of the funds currently designated for home heating credits to be used to fund weatherization programs. In order for these funds actually to be spent on weatherization programs, this spending would have to be appropriated by the Legislature.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.