

# Legislative Analysis



## EARMARK OIL AND GAS SEVERANCE TAX REVENUE TO NEW HOME HEATING CREDIT FUND

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### House Bill 5686

Sponsor: Rep. Michael Nofs

### House Bill 5687

Sponsor: Rep. Tim Moore

### House Bill 5688

Sponsor: Rep. Rick Baxter

Committee: Energy and Technology  
Complete to 2-28-06

## A SUMMARY OF HOUSE BILLS 5686-5688 AS INTRODUCED 2-16-06

House Bill 5686 would amend the Oil and Gas Severance Tax Act (MCL 205.314) to distribute annually \$60 million to the General Fund and **then \$6 million to a new Home Heating Credit Fund** out of the taxes, penalties, and costs paid to the State Treasurer under the act. The bill is tie-barred to House Bills 5687 and 5688, meaning it could not take effect unless they were also enacted.

The distribution to the Orphan Well Fund (found in Section 61602 of the Natural Resources and Environmental Protection Act) would remain unaffected. The first two percent of severance tax revenue, but at least \$1 million, is distributed to the Orphan Well Fund. However, if the unexpended balance of that Fund exceeds \$3 million, revenues are not to be credited to that Fund until the balance falls below \$3 million. Under House Bill 5686, the next \$60 million would go the General Fund and then the next \$6 million to the new Home Heating Credit Fund. Currently, the tax act revenue is distributed first to the Orphan Well Fund, with the remainder to the General Fund.

House Bill 5687 would create the Home Heating Credit Fund Act to receive revenue from the oil and gas severance tax to be used by the Department of Treasury in paying home heating credits under the Income Tax Act to the extent those credits are not fully funded by federal low income home energy assistance program block grant funds. The new funds could not be replacement funds. House Bill 5687 is tie-barred to House Bill 5686.

House Bill 5688 would amend the Oil and Gas Severance Tax Act to specify that money remaining after the other distributions are made would be credited to the General Fund for any lawful purpose. The bill is tie-barred to House Bill 5686.

## FISCAL IMPACT:

Based on the January 2006 consensus estimates, the General Fund/General Purpose (GF/GP) oil and gas severance tax is expected to be \$84.0 million in FY 2005-06 and \$68.0 million in FY 2006-07. These bills would earmark \$6.0 million to the Home

Heating Credit Fund and reduce GF/GP revenue by the same amount. These bills would have no direct affect on local units of government.

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