



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 1040 and 1041 (as reported by the Committee of the Whole)
Sponsor: Senator Roger Kahn, M.D. (S.B. 1040)
Senator Randy Richardville (S.B. 1041)
Committee: Energy Policy and Public Utilities

CONTENT

Senate Bill 1040 would amend the Income Tax Act to allow a taxpayer to claim an income tax credit of up to \$200 per tax year for participating in a qualified energy program for tax years beginning after December 31, 2008.

"Qualified energy program" would mean a green energy program approved by the PSC and certified by a nationally recognized, independent, credible third-party organization that verified that the green energy program met certain marketing standards established by the organization, and that the electricity sold under the program was generated from a renewable energy resource and its generation met certain environmental standards.

If the amount of the credit exceeded the taxpayer's tax liability for the tax year, that portion of the credit that exceeded the tax liability could not be refunded.

Notwithstanding any other provision of law, on the energy billing statement that was sent to the taxpayer in March of each year, the utility provider that provided a qualified energy program would have to give both of the following amounts to each taxpayer who participated in the program:

- The energy costs paid in the immediately preceding calendar year under the qualified energy program.
- The energy costs the taxpayer would have paid in the immediately preceding calendar year if he or she had not participated in the program.

"Renewable energy resource" would mean a resource that naturally replenishes over a human, not a geological, time frame ultimately derived from solar power, solar hot water, or wind power. The definition specifies that a renewable energy resource comes from the sun or from thermal inertia of the ground, and minimizes the output of toxic material in the conversion of the energy.

Senate Bill 1041 would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to require the PSC to issue orders requiring all electric suppliers in Michigan to offer green energy programs to their customers; and to require electric suppliers to notify their customers of the tax credit that Senate Bill 1040 would create. An electric supplier would have to include on each customer's bill the price differential for each kilowatt hour of electricity purchased from the green energy program compared to the purchase of nonrenewable electricity.

"Green energy programs" would mean programs that allow customers to purchase electricity generated from renewable energy sources. "Renewable energy sources" would have the same definition as "renewable energy resource" in Senate Bill 1040.

Proposed MCL 206.253 (S.B. 1040)
Proposed MCL 460.10dd (S.B. 1041)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Senate Bill 1040: At the present time, approximately 20,000 households participate in green energy programs provided by eight utility companies in Michigan. Assuming that the additional cost incurred by these households to participate in these programs is at least \$200 per year, this credit would reduce income tax revenue by an estimated \$4.0 million beginning in FY 2009-10. The cost of the credit would increase to the extent that it would increase the participation in green energy programs. This loss in income tax revenue would reduce General Fund/General Purpose revenue an estimated \$3.9 million and School Aid Fund revenue an estimated \$0.1 million. Local governments would not be directly affected by this bill.

Senate Bill 1041: The bill would have no fiscal impact on State or local government.

Date Completed: 3-26-08

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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.