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BILL ANALYSIS

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Senate Bill 1048 (as introduced 1-22-08)
Sponsor: Senator Patricia L. Birkholz
Committee: Energy Policy and Public Utilities

Date Completed: 5-20-08

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer who purchased and installed certain qualified home improvements for his or her principal residence during the tax year to claim an income tax credit equal to 10% of the amount the taxpayer paid in the tax year for the purchase and installation of each qualified home improvement or $100, or for a husband and wife filing a joint return, $200, whichever was less. The bill would apply to the 2008 tax year and subsequent tax years.

"Qualified home improvement" would mean any qualified Energy Star product intended for residential or noncommercial use that meets or exceeds the applicable Energy Star energy efficiency guidelines developed by the U.S. Environmental Protection Agency and the U.S. Department of Energy, including windows, doors, insulation, high-efficiency heating and cooling equipment, and any appliances such as dishwashers, clothes washers, and refrigerators.

To claim the credit, the taxpayer would have to provide verification of the amount paid for the purchase and installation of the qualified home improvement along with documentation of its compliance with the Energy Star energy efficiency guidelines, and attach the verification to his or her annual return for the tax year in which the credit was claimed. The verification would have to be on a form or in a format prescribed by the Department of Treasury.

If the credit exceeded the taxpayer's tax liability for the tax year, the portion of the credit that exceeded the tax liability would have to be refunded.

Proposed MCL 206.253

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Based on very preliminary estimates on the amount households spend on qualifying Energy Star efficient appliances and products in a given year, it is estimated this proposed income tax refundable credit would reduce income tax revenue beginning in FY 2008-09 in the range of $90.0 million to $120.0 million a year. This loss in income tax revenue would affect General Fund/General Purpose revenue. Local governments would not be directly affected by this bill.

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.