

Legislative Analysis



EXTEND INCOME TAX CREDIT FOR SURCHARGES TO MUNICIPAL ELECTRIC CUSTOMERS

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House Bill 5680

Sponsor: Rep. Bert Johnson

Committee: Energy and Technology

Complete to 12-14-09

A SUMMARY OF HOUSE BILL 5680 AS INTRODUCED 12-10-09

Public Act 298 of 2008, MCL 206.253, amended the Income Tax Act of 1967 to make a non-refundable income tax credit available in the 2009, 2010, and 2011 tax years to low- and moderate-income customers of electric utilities as a way of phasing in certain renewable energy surcharges allowed under the Clean, Renewable, and Efficient Energy Act, Public Act 295 of 2008. However, the definition of "electric utility" in the income tax credit bill did not include municipally-owned electric utilities, making municipal electric customers ineligible for this tax credit even though they may be assessed surcharges.

House Bill 5680 would extend this income tax credit to income-eligible customers of municipal electric utilities.

The tax credit starts at 25 percent of renewable energy surcharges paid in 2009, goes down to 20 percent in 2010 and 2011, and is no longer available after 2011. Based on surcharge limits, the maximum available tax credit for an eligible taxpayer with one residential meter is \$9 in 2009 and \$7.20 for 2010 and 2011.

BACKGROUND INFORMATION:

Single filers with an adjusted gross income (AGI) of \$65,000 or less and married filers with an AGI of \$130,000 or less are eligible for the credit in tax years that begin after December 31, 2008 and before December 31, 2012. (In other words, the income tax credit is available on the 2009, 2010, and 2011 tax returns of a calendar-year filer.) The amount of the credit is stated as a percentage of the surcharge (25 percent in 2009; 20 percent in 2010 and 2011) paid by the customer under Section 45(2)(1) of the Clean, Renewable, and Efficient Energy Act, MCL 460.1045. Surcharges are supposed to reflect an electric utility's incremental cost of complying with new renewable energy standards and are subject to the following limits: Residential meter, \$3 per month (\$36 per year); commercial secondary meter, \$16.58 per month (\$198.96 per year); commercial primary or industry meter, \$187.50 per month (\$2,020 per year).

FISCAL IMPACT:

This bill would reduce income tax revenue by an estimated \$1 to \$3 million dollars on an annual basis. This tax change would primarily affect General Fund/General Purpose revenue. Local units of government would not be directly affected by this change.

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