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BILL



ANALYSIS

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House Bill 5680 (Substitute H-1 as reported without amendment)

Sponsor: Representative Bert Johnson

House Committee: Energy and Technology

Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow customers of a municipally owned electric utility to claim an existing credit for charges imposed to cover the cost of a utility's compliance with the renewable energy standard in the Clean, Renewable, and Efficient Energy Act.

Under the Income Tax Act, a taxpayer with a maximum adjusted gross income of \$65,000, or a husband and wife filing a joint return with a maximum adjusted gross income of \$130,000, may claim a credit equal to a percentage of the cost recovery amount authorized for the customer's electric utility under the Clean, Renewable, and Efficient Energy Act and paid during the tax year. The percentage of the authorized amount is 25% for the 2009 tax year, and 20% for the 2010 and 2011 tax years.

(Under that Act, an electric provider must recover the incremental cost of compliance with the Act's renewable energy standard by a charge on the customer's bill, subject to a limit of \$3 per month per residential customer meter.)

Under the bill, a customer of a municipally owned electric utility also could claim the credit.

MCL 206.253

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State income tax revenue, primarily to the General Fund, by an unknown amount. The actual reduction would depend upon how many taxpayers were eligible to claim the credit, the number of eligible taxpayers who actually would claim the credit, and the number of municipal utilities that assess the surcharge. It is unknown which municipal electric utilities assess the surcharge, but in 2009 only three of the State's nine investor-owned utilities, and none of the cooperatives, levied the surcharge. The maximum revenue reduction under the bill would likely be approximately \$2.0 million, but the actual reduction would be less to the extent that there are municipal electric utilities that do not levy the surcharge.

Date Completed: 8-19-10

Fiscal Analyst: David Zin