



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5680 (Substitute H-1 as passed by the House)

Sponsor: Representative Bert Johnson

House Committee: Energy and Technology

Senate Committee: Finance

Date Completed: 8-18-10

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 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 amount authorized for the customer's electric utility under Section 45(2)(a) of 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. If the credit exceeds the taxpayer's liability for the tax year, the excess may not be refunded.

(Under Section 45(2)(a) of the Clean, Renewable, and Efficient Energy Act, an electric provider must recover the incremental cost of compliance with the Act's renewable energy standard by an itemized charge on the customer's bill. A provider may not comply with the standard to the extent that recovery would have a retail rate impact that exceeds \$3 per month per residential customer meter. The renewable energy standard requires 10% of an electric provider's energy to come from renewable sources by 2015.)

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

Currently, the credit is available for tax years beginning after December 31, 2008, and before December 31, 2012. The bill would refer to tax years beginning after December 31, 2008, and before January 1, 2012.

(For the purpose of this credit, the Income Tax Act defines "electric utility" as the term is defined in Section 10g of the Public Service Commission (PSC) law, which refers to a person, partnership, corporation, association, or other legal entity whose transmission or distribution of electricity is regulated by the PSC. The term does not include a municipal utility. Under the Clean, Renewable, and Efficient Energy Act, "electric provider" includes a municipally owned electric utility as well as an entity whose sale of electricity is regulated by the PSC.)

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.

Fiscal Analyst: David Zin

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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.