

SENATE BILL No. 647

November 2, 2017, Introduced by Senators ZORN, BIEDA, GREGORY, HANSEN, CASPERSON, MARLEAU, KNEZEK, CONYERS and NOFS and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 527a (MCL 206.527a), as amended by 2014 PA 523.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 527a. (1) Subject to subsections (18) and (19), a
2 claimant may claim a credit for heating fuel costs for the
3 claimant's homestead in this state. An adult foster care home,
4 nursing home, home for the aged, or substance abuse center is not a
5 homestead for purposes of this section. The credit shall be
6 determined in the following manner:

7 (a) Subject to subsections (18) and (19), the following table
8 shall be used for the computation of a credit as computed under
9 subdivision (c):

1	Exemptions	0 or 1	2	3	4	5	6 or more
2	Credit	\$272	\$326	\$379	\$450	\$525	\$601 + \$76 for each
3							exemption over 6

4 (b) The amounts in the table in subdivision (a) shall be
5 adjusted each year as necessary by the department so that a
6 claimant with total household resources of less than 110% of the
7 federal poverty income standards as defined and determined annually
8 by the United States ~~office of management~~ **OFFICE OF MANAGEMENT** and
9 ~~budget~~ **BUDGET** is not denied a credit.

10 (c) A claimant shall receive the greater of the credit amount
11 as determined in subparagraph (i) or (ii):

12 (i) Subtract 3.5% of the claimant's total household resources
13 from the amount specified in subdivision (a) that corresponds with
14 the number of exemptions claimed in the return filed under this
15 part, except that the number of exemptions for purposes of this
16 subdivision shall not exceed the actual number of persons living in
17 the household plus the additional personal exemptions allowed under
18 section 30, and any dependency exemptions for a person or persons
19 living in the household under a custodial arrangement, even if the
20 exemptions may not be claimed for other income tax purposes. For a
21 claimant whose heating costs are included in his or her rent,
22 multiply the result of the preceding calculation by 50%.

23 (ii) Subject to subsection (2), for a claimant whose total
24 household resources do not exceed the maximum specified in the
25 following table, as adjusted, that corresponds with the number of
26 exemptions claimed in the return filed under this part, subtract
27 11% of claimant's total household resources from the total cost

1 incurred by a claimant for heating fuel from a heating fuel
 2 provider during the 12 consecutive monthly billing periods ending
 3 in October of the tax year, and multiply the resulting amount by
 4 70%:

5	Exemptions	0 or 1	2	3	4	5	For each
6							exemption
7							over 5,
8							add
9							\$2,441.00
10							to the
11							maximum
12							total
13							household
14							resources
15	Maximum						
16	Total						
17	Household						
18	Resources	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824	

19 (d) The maximum cost incurred by a claimant for heating fuel
 20 during a tax year shall be adjusted by multiplying the maximum cost
 21 for the immediately preceding tax year by the percentage by which
 22 the average all urban Detroit ~~consumer price index~~ **CONSUMER PRICE**
 23 **INDEX** for fuels and other utilities for the 12 months ending August
 24 31 of the tax year for which the credit is claimed exceeds that
 25 index's average for the 12 months ending on August 31 of the
 26 previous tax year, but not more than 10%. That product shall be
 27 added to the maximum cost of the immediately preceding tax year and

1 then rounded to the nearest whole dollar. That dollar amount is the
2 new maximum cost for the current tax year. If the claimant received
3 any credits to his or her heating bill during the tax year, as
4 provided for in subsection (6), the credits shall be treated as
5 costs incurred by the claimant.

6 (e) The maximum total household resources specified in
7 subdivision (c)(ii) shall be adjusted by multiplying the respective
8 maximum total household resources for the immediately preceding tax
9 year by the percentage by which the average all urban Detroit
10 ~~consumer price index~~ **CONSUMER PRICE INDEX** for all items for the 12
11 months ending August 31 of the tax year for which the credit is
12 claimed exceeds that index's average for the 12 months ending on
13 August 31 of the immediately preceding tax year, but not more than
14 10%. That product shall be added to the immediately preceding tax
15 year's respective maximum total household resources and then
16 rounded to the nearest whole dollar. That dollar amount is the new
17 maximum level for total household resources for the then current
18 tax year.

19 (2) An enrolled heating fuel provider shall notify each of its
20 customers, not later than December 15 of each year, of the
21 availability, upon request, of the information necessary for
22 determining the credit under this section. For a claimant for whom,
23 at the time of filing, the department of **HEALTH AND** human services
24 is making direct vendor payments to an enrolled heating fuel
25 provider, the enrolled heating fuel provider that accepts the
26 direct payments shall provide the information necessary to
27 determine the credit before February 1 of each year. If an enrolled

1 heating fuel provider refuses or fails to provide to a customer the
2 information required to determine the credit, or if the claimant is
3 not a customer of an enrolled heating fuel provider, a claimant may
4 determine the credit provided in subsection (1)(c)(ii) based on his
5 or her own records.

6 (3) A credit claimed on a return that covers a period of less
7 than 12 months shall be calculated based on subsection (1)(c)(i)
8 and shall be reduced proportionately.

9 (4) The allowable amount of the credit under this section
10 shall be remitted to the claimant, other than a claimant whose
11 heating costs are included in his or her rent, in the form of an
12 energy draft that states the name of the claimant and is issued by
13 the department. For a claimant for whom, at the time of filing, the
14 department of **HEALTH AND** human services has identified the enrolled
15 heating fuel provider or is making direct vendor payments to an
16 enrolled heating fuel provider, the department shall send the
17 energy draft directly to the claimant's enrolled heating fuel
18 provider, as identified by the claimant. If the department
19 establishes a program or pilot program for the direct payment of
20 energy drafts to enrolled heating fuel providers, enrolled heating
21 fuel providers may submit to the department, in a manner prescribed
22 by the department, the names of their customers who are claimants.
23 If a claimant whose name has been submitted meets the standards
24 established by the department, the department shall send that
25 claimant's energy draft directly to the claimant's enrolled heating
26 fuel provider. If the enrolled heating fuel provider submits names
27 of claimants who are not its customers and the energy drafts of any

1 of those claimants are sent to the enrolled heating fuel provider,
2 the enrolled heating fuel provider shall return the energy drafts
3 or pay the value of the energy drafts to the department plus
4 interest on the amount of the energy drafts at the rate calculated
5 under section 23 of 1941 PA 122, MCL 205.23, for deficiencies in
6 tax payments. Except as provided in subsection (5), after July 31,
7 a refundable credit for a prior tax year may be paid in the form of
8 a negotiable warrant. The energy draft shall be negotiable only
9 through the claimant's enrolled heating fuel provider upon
10 remittance by the claimant.

11 (5) If a claimant received home heating assistance from the
12 department of **HEALTH AND** human services, a governmental agency, or
13 a nonprofit organization 12 months prior to remitting an energy
14 draft to the claimant's enrolled heating fuel provider and the
15 amount of the energy draft is greater than the total of outstanding
16 bills incurred by the claimant with the enrolled heating fuel
17 provider as of the date that the energy draft was remitted to the
18 enrolled heating fuel provider, the enrolled heating fuel provider
19 shall first apply the full amount of the energy draft to the
20 claimant's outstanding bills and then apply any remaining amount to
21 subsequent bills of the claimant until the full amount of the
22 energy draft is used up or the expiration of 9 months after the
23 date on which the energy draft was first applied to cover the
24 claimant's outstanding bills. If there is any remaining energy
25 draft amount at the end of the 9-month period, or if before the end
26 of the 9-month period the claimant is no longer a customer of the
27 enrolled heating fuel provider, the enrolled heating fuel provider

1 shall remit the remaining amount to the claimant in the form of a
2 fully negotiable check within 14 days after the end of the 9-month
3 period or 14 days after the termination of services, whichever
4 occurs sooner. If the claimant did not receive home heating
5 assistance from the department of **HEALTH AND** human services, a
6 governmental agency, or a nonprofit organization 12 months prior to
7 remitting an energy draft, the claimant, by checking the
8 appropriate box to be included on the energy draft or application
9 for participation with an enrolled heating fuel provider, may
10 request from the enrolled heating fuel provider a payment equal to
11 the amount of the energy draft less the amount of the outstanding
12 bills. The enrolled heating fuel provider shall issue the payment
13 within 14 days after the claimant's request. For purposes of this
14 subsection, home heating assistance does not include the credit
15 allowed under this section.

16 (6) If a claimant whose energy draft exceeds his or her
17 outstanding bills does not request a payment from an enrolled
18 heating fuel provider under subsection (5), an energy draft
19 remitted to an enrolled heating fuel provider shall be applied upon
20 receipt to the claimant's designated account. The energy draft may
21 be used to cover outstanding bills that the claimant has incurred
22 with the enrolled heating fuel provider and to cover subsequent
23 heating costs until the full amount of the energy draft is used or
24 until 1 year after the date on which the energy draft is first
25 applied to the claimant's designated account. If a credit amount
26 remains from this energy draft after the 1-year period, or if prior
27 to the end of the 1-year period a claimant is no longer a customer

1 of the enrolled heating fuel provider, the heating fuel provider
2 shall remit the remaining unused portion to the claimant in the
3 form of a fully negotiable check within 14 days after the end of
4 the 1-year period or within 14 days after termination of service,
5 whichever is sooner.

6 (7) A claimant who is no longer a resident of this state, who
7 is not a customer of an enrolled heating fuel provider, or whose
8 heating fuel provider refuses to accept an energy draft shall
9 return the energy draft to the department and request the issuance
10 of a negotiable warrant. A claimant may return an energy draft to
11 the department and request issuance of a negotiable warrant if the
12 energy draft is impractical because the claimant has already
13 purchased his or her energy supply for the year and does not have
14 an outstanding obligation to an enrolled heating fuel provider. The
15 department may honor that request if it agrees that the use of the
16 energy draft is impractical. The department shall issue the warrant
17 within 14 days after receiving the energy draft from the claimant.

18 (8) The enrolled heating fuel provider shall bill the
19 department for credit amounts that have been applied to claimant
20 accounts pursuant to subsection (6), and the department shall pay
21 the bills within 14 days of receipt. The billing shall be
22 accompanied by the energy drafts for which reimbursement is
23 claimed.

24 (9) A claimant whose heating fuel is provided by a utility
25 regulated by the Michigan public service commission is protected
26 against the discontinuance of his or her heating fuel service from
27 the date of filing a claim for the credit under this section

1 through the date of issuance of an energy draft and during a period
2 beginning December 1 of the tax year for which the credit is
3 claimed and ending March 31 of the following year if the claimant
4 participates in the winter protection program set forth in R
5 460.148 of the Michigan ~~administrative code~~ **ADMINISTRATIVE CODE** or
6 if the utility accepts the claimant's energy draft. The acceptance
7 of an energy draft by a utility is considered a request by the
8 claimant for the winter protection program. The energy draft shall
9 be coded by the department to denote claimants who are 65 years of
10 age or older. If the claimant is a claimant whose heating cost is
11 included in his or her rent payments, the amount of the claim not
12 used as an offset against the state income tax, after examination
13 and review, shall be approved for payment, without interest, to the
14 claimant.

15 (10) If an enrolled heating fuel provider does not issue a
16 payment or a negotiable check within 14 days or as otherwise
17 provided in subsection (5) or (6), beginning on the fifteenth day
18 or the fifteenth day after the expiration of the 9-month period
19 under subsection (5), the amount due to the claimant is increased
20 by adding interest computed on the basis of the rate of interest
21 prescribed for delayed refunds of excess tax payments in section
22 30(3) of 1941 PA 122, MCL 205.30. The enrolled heating fuel
23 provider shall pay the interest and shall not bill the interest to
24 or be reimbursed for the interest by the department.

25 (11) Only the renter or lessee shall claim a credit on
26 property that is rented or leased as a homestead. Only 1 credit may
27 be claimed for a household. The credit under this section is in

1 addition to other credits to which the claimant is entitled under
2 this part. A person who is a full-time student at a school,
3 community college, or college or university and who is claimed as a
4 dependent by another person is not eligible for the credit provided
5 by this section. A claimant who shares a homestead with other
6 eligible claimants shall prorate the credit by the number of
7 claimants sharing the homestead.

8 (12) A claimant who is eligible for the credit provided by
9 this section shall be referred by the department to the appropriate
10 state agency for determination of eligibility for home
11 weatherization assistance and shall accept weatherization
12 assistance if eligible and if assistance is available. A heating
13 fuel provider that is required by the Michigan public service
14 commission to participate in the residential conservation services
15 home energy analysis program shall annually contact each claimant
16 to whom it provides heating fuel, and whose usage exceeds 200,000
17 cubic feet of natural gas or 18,000 kilowatt hours of electricity
18 annually, and shall offer to provide a home energy analysis at no
19 cost to the claimant. A heating fuel provider that is not required
20 to participate in the residential conservation services program
21 shall not be required to conduct a home energy analysis for its
22 customers. For all rental properties that are weatherized pursuant
23 to this section, each agency that determines eligibility for
24 weatherization assistance shall require that not less than 25% of
25 the total cost of the weatherization services for that property
26 shall be contributed by the property owner unless the property
27 owner is also eligible for weatherization assistance or is a

1 nonprofit organization, governmental agency, or municipal
2 corporation.

3 (13) If an enrolled heating fuel provider is regulated by the
4 Michigan public service commission, the Michigan public service
5 commission may use an enforcement method authorized by law or rule
6 to enforce the requirements prescribed by this section on the
7 enrolled heating fuel provider. If an enrolled heating fuel
8 provider is not regulated by the Michigan public service
9 commission, the department of **HEALTH AND** human services may use an
10 enforcement method authorized by law or rule to enforce the
11 requirements prescribed by this section on the enrolled heating
12 fuel provider.

13 (14) The department shall mail a home heating credit return to
14 every person who received assistance through the department of
15 **HEALTH AND** human services pursuant to the social welfare act, 1939
16 PA 280, MCL 400.1 to 400.119b, during the tax year.

17 (15) The department shall complete a study by August 1 of
18 1985, and of each subsequent year, of the actual heating costs of
19 each claimant who received a credit from the department under this
20 section for the immediately preceding tax year.

21 (16) The department may promulgate rules necessary to
22 administer this section pursuant to the administrative procedures
23 act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

24 (17) The department shall provide a simplified procedure for
25 claiming the credit under this section for claimants for whom, at
26 the time of filing, the department of **HEALTH AND** human services is
27 making direct vendor payments to an enrolled heating fuel provider.

1 (18) For the 2001 tax year and each tax year after the 2001
2 tax year, the credit under this section is allowed only if there
3 has been a federal appropriation for the federal fiscal year
4 beginning in the tax year of federal low income home energy
5 assistance program block grant funds of any amount. If the amount
6 of federal low income home energy assistance program block grant
7 funds available for the home heating credit is less than the full
8 home heating credit amount, each individual credit claimed under
9 this section shall be reduced by multiplying the credit amount by a
10 fraction, the numerator of which is the amount available for the
11 home heating credit and the denominator of which is the full home
12 heating credit amount. As used in this subsection, "amount
13 available for the home heating credit" means the sum of the federal
14 low income home energy assistance program block grant allotment for
15 this state for the federal fiscal year beginning in the tax year
16 and the amount as certified by the director of the department of
17 **HEALTH AND** human services carried forward from the immediately
18 preceding fiscal year for the low income home energy assistance
19 program block grant minus the sum of the amount certified by the
20 director of the department of **HEALTH AND** human services for
21 administration of the low income home energy assistance program
22 block grant, the amount certified by the director of the department
23 of **HEALTH AND** human services for crisis assistance programs, and
24 the amount certified by the director of the department of **HEALTH**
25 **AND** human services for weatherization. For the 2014-2015 fiscal
26 year and continuing through the ~~2016-2017~~**2021-2022** fiscal year,
27 the amount used for weatherization each fiscal year shall be

1 determined as provided under this subsection. If the total federal
2 low income home energy assistance program block grant received for
3 the current fiscal year is greater than or equal to 90% of the
4 amount of block grant funds received in the immediately preceding
5 fiscal year, then the amount of federal low income home energy
6 assistance program block grant funds used for weatherization for
7 that fiscal year shall be at least \$6,000,000.00 but not greater
8 than 15% of the total federal low income home energy assistance
9 program block grant funds received for that fiscal year. If the
10 total federal low income home energy assistance block grant
11 received for the current fiscal year is less than 90% of the amount
12 of block grant funds received in the immediately preceding fiscal
13 year, then the amount of federal low income home energy assistance
14 program block grant funds used for weatherization for that fiscal
15 year shall be at least \$5,000,000.00 but not greater than 15% of
16 the total federal low income home energy assistance program block
17 grant funds received for that fiscal year. The amounts under this
18 subsection that require certification by the director of the
19 department of **HEALTH AND** human services or by the state treasurer
20 and the director of the department of technology, management, and
21 budget shall be certified on or before December 30 of the tax year
22 and each tax year thereafter. As used in this subsection, "full
23 home heating credit amount" means the amount certified by the state
24 treasurer and the director of the department of technology,
25 management, and budget to be the estimated amount of the credits
26 that would have been provided under this section for the tax year
27 if no reduction as provided in this subsection were made for that

1 tax year.

2 (19) For tax years after the 1994 tax year, a claimant who
3 claims a credit under this section shall not report the credit
4 amount on the claimant's income tax return filed under this part as
5 an offset against the tax imposed by this part, but shall claim the
6 credit on a separate form prescribed by the department. For tax
7 years after the 1995 tax year, a credit claimed under this section
8 shall not be allowed unless the claim for the credit is filed with
9 the department on or before the September 30 immediately following
10 the tax year for which the credit is claimed.

11 (20) The state treasurer shall notify all of the following
12 each state fiscal year that the federal low income home energy
13 assistance program block grant allotment for this state for that
14 fiscal year is less than the full home heating credit amount:

15 (a) The chairpersons and vice-chairpersons of the senate and
16 house of representatives appropriations committees.

17 (b) The senate and house of representatives committees on
18 taxation and finance related issues.

19 (c) The senate and house of representatives committees on
20 energy and technology related issues.

21 (21) Notwithstanding section 30a of 1941 PA 122, MCL 205.30a,
22 the credit allowed under this section is exempt from interception,
23 execution, levy, attachment, garnishment, or other legal process to
24 collect a debt. No portion of the credit allowed or any rights
25 existing under this section shall be applied as an offset to any
26 liability of the claimant under section 30a of 1941 PA 122, MCL
27 205.30a, or any arrearage or other debt of the claimant.

(22) The department shall meet with interested parties including enrolled heating fuel providers and advocacy groups to identify and implement methods of improving the processing of claims for the credit allowed under this section and payments attributable to those credits.

(23) BY JULY 1, 2018 AND BY EACH JULY 1 THEREAFTER, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES SHALL SUBMIT A REPORT ON THE OPERATION AND EFFECTIVENESS OF THE HOME HEATING AND WEATHERIZATION ASSISTANCE PROGRAMS UNDER THIS SECTION AND ANY RECOMMENDATIONS REGARDING THE HOME HEATING AND WEATHERIZATION ASSISTANCE PROGRAMS TO ALL OF THE FOLLOWING:

(A) THE CHAIRPERSONS AND VICE-CHAIRPERSONS OF THE SENATE AND HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEES.

(B) THE SENATE AND HOUSE OF REPRESENTATIVES COMMITTEES ON TAXATION AND FINANCE RELATED ISSUES.

(C) THE SENATE AND HOUSE OF REPRESENTATIVES COMMITTEES ON ENERGY AND TECHNOLOGY RELATED ISSUES.

(24) ~~(23)~~—As used in this section:

(a) "Claimant whose heating costs are included in his or her rent" means a claimant whose rent includes the cost of heat at the time the claim for the credit under this section is filed.

(b) "Enrolled heating fuel provider" means a heating fuel provider that is enrolled with the department of **HEALTH AND** human services as a heating fuel provider.

(c) "Heating fuel provider" means an individual or entity that provides a claimant with heating fuel or electricity for heating purposes.