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Senate Bill 727 (as enrolled)  
Sponsor: Senator Dale Zorn  
Senate Committee: Finance  
House Committee: Tax Policy (discharged)

Date Completed: 12-12-22

### **CONTENT**

**The bill would amend the Income Tax Act to extend, from fiscal year (FY) 2021-22 to FY 2026-27, provisions for determining the amount of Federal block grant funds used for weatherization in the calculation of the home heating credit when the block grant funds are less than the full amount.**

The Income Tax Act allows a claimant to claim a credit for heating fuel costs of the claimant's homestead in the State. However, the credit is allowed only if there has been a Federal appropriation for the Federal fiscal year in the tax year of Federal Low-Income Home Energy Assistance Program (LIHEAP) block grant funds of any amount. If the amount of LIHEAP block grant funds available for the credit is less than the full credit amount, each credit claimed must be reduced proportionately. "Amount available for the home heating credit" means the sum of the LIHEAP block grant allotment for Michigan for the Federal fiscal year beginning in the tax year and the amount as certified by the Director of the Department of Health and Human Services (DHHS) carried forward from the immediately preceding fiscal year for the LIHEAP block grant, minus the sum of amounts certified by the Director of the DHHS for administration of the LIHEAP block grant, crisis assistance programs, and weatherization.

For FYs 2014-15 through 2021-22, the amount used for weatherization each fiscal year must be determined as follows: If the total LIHEAP block grant received for the current fiscal year is greater than or equal to 90% of the amount of block grant funds received in the preceding fiscal year, then the amount of LIHEAP block grant funds used for weatherization for that fiscal year must be at least \$6.0 million but not more than 15% of the total LIHEAP block grant funds received for that fiscal year. If the total LIHEAP block grant received for the current fiscal year is less than 90% of the amount received in the preceding fiscal year, then the amount of LIHEAP block grant funds used for weatherization for that fiscal year must be at least \$5.0 million but not more than 15% of the total LIHEAP block grant funds received for that fiscal year. The bill would extend the use of this method of calculating LIHEAP block grants used for weatherization to FY 2026-27.

MCL 206.527a

### **BACKGROUND**

The Weatherization Assistance Program provides free home energy conservation services to low-income Michigan homeowners and renters. Weatherization services are administered by local agencies and nonprofit organizations. These services typically include foundation and

wall insulation, attic insulation and ventilation, air leakage reduction, smoke detector installation, and dryer venting.

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The bill would have no impact on State or local revenue. The bill would affect the distribution of Federal funds from the LIHEAP. From Federal revenue received under the Program, an amount is used to pay for administrative expenses, and reductions are made for crisis assistance and weatherization assistance. Any remaining amount is used to fund payments for claims under Michigan's Home Heating Credit. If claims under the Home Heating Credit exceed the amount available to pay them, the credit amount that is paid is prorated.

Current law restricts the amount of Federal revenue that may be directed to weatherization assistance. The bill would extend that restriction through FY 2026-27. Absent the bill, weatherization assistance no longer would be restricted and if weatherization assistance claims were more than are currently paid under current law, it would reduce (or possibly eliminate) revenue available to pay the Home Heating Credit and a proration applied to the Home Heating Credit would be greater than under current law.

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.