

Legislative Analysis



HOME HEATING CREDIT INFLATION ADJUSTMENT

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<http://www.house.mi.gov/hfa>

House Bill 4543 as introduced
Sponsor: Rep. Bill G. Schuette
Committee: Economic Competitiveness
Complete to 6-24-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4543 would amend the Income Tax Act to change the inflation index used to adjust certain limits on eligibility for the Home Heating Credit.

The Home Heating Credit is an income tax credit to assist low-income homeowners and renters with heating expenses. Eligibility for the credit and maximum credit amount depend on the number of income tax exemptions claimed by the taxpayer (i.e., the size of the household) and the total household resources.¹

Under the act, the household resource cap and total heating costs that can be reimbursed by the credit (standard allowance) are adjusted annually using the all urban Detroit Consumer Price Index (CPI) for fuels and other utilities, for maximum heating costs, and the Detroit CPI for all items, for the household resources, for the previous calendar year ending August 31. The annual inflation adjustments only account for positive changes in the relevant index and are capped at 10%. The amounts as adjusted for the 2024 tax year are shown below.

Exemptions	Standard Allowance	Total Household Resources Cap
0 or 1	\$581	\$16,586
2	\$788	\$22,500
3	\$995	\$28,414
4	\$1,202	\$34,328
5	\$1,409	\$40,243
6	\$1,616	\$46,157
7 or more	+\$208 for each additional exemption	+\$5,943 for each additional exemption

The act also allows an alternative method of calculating the credit for households with very low incomes and high heating costs. The maximum household resources for this method for the 2024 tax year are shown below.

Exemptions	Total Household Resources Cap
0 or 1	\$18,111
2	\$24,371
3	\$30,636
4 or more	\$32,782

¹ Total household resources is a household's total income calculated according to these guidelines:
<https://www.michigan.gov/taxes/iit/total-household-resources>

Under the bill, the annual inflation adjustments would instead be made using the United States CPI for household energy (for heating costs) or for all items (for the household resources cap). The tables below compare the changes since August 2020 in the current and proposed inflation indexes.

Year	All Urban Detroit for Fuel and Other Utilities (current) ²	U.S. CPI for household energy (proposed) ³
2020	1.04%	-0.86%
2021	7.16%	9.39%
2022	13.19%	21.22%
2023	-0.21%	-3.23%
2024	3.71%	2.55%

Year	Detroit CPI for all items (current) ⁴	U.S. CPI for all items (proposed) ⁵
2020	1.78%	1.28%
2021	3.91%	5.18%
2022	8.62%	8.22%
2023	5.86%	3.72%
2024	3.51%	2.61%

BACKGROUND:

It appears that the Detroit CPI for Fuel and Other Utilities was discontinued, along with the same index for other metropolitan areas, after December 2024.⁶

FISCAL IMPACT:

By changing the inflation index used in calculating total heating costs and household resources, the bill would result in a modestly different home heating credit revenue impact. As is shown in the tables above, the inflationary indexes vary, and in some cases substantially, year to year. However, projecting the overall effect on an annual basis cannot be done with any accuracy. Any revenue impact is not expected to be significant. As noted above, the change is being proposed due to the discontinuation of the Detroit CPI for fuels and other utilities as an index series.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

² <https://fred.stlouisfed.org/series/CUURA208SAH2>

³ <https://fred.stlouisfed.org/series/CUUR0000SAH21>

⁴ <https://fred.stlouisfed.org/series/CUURA208SA0>

⁵ <https://fred.stlouisfed.org/series/CPIAUCSL>

⁶ <https://www.bls.gov/cpi/additional-resources/discontinued-series.htm>