

# SENATE BILL No. 261

February 27, 2001, Introduced by Senator SHUGARS 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 1996 PA  
484.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 527a. (1) For tax years 1985 through 1994, a claimant  
2 may claim a credit against the state income tax for heating fuel  
3 costs for the claimant's homestead in this state. For the 1995  
4 tax year and subject to subsection (18), a claimant may claim a  
5 credit for heating fuel costs for the claimant's homestead in  
6 this state. For tax years 1996 through 2000 and subject to  
7 subsections (19) and (20), a claimant may claim a credit for  
8 heating fuel costs for the claimant's homestead in this state.  
9 An adult foster care home, nursing home, home for the aged, or  
10 substance abuse center is not a homestead for purposes of this

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1 section. The credit shall be determined in the following  
2 manner:

3 (a) For the 1988 tax year through the 1994 tax year; subject  
4 to subsection (18), for the 1995 tax year; and subject to  
5 subsections (19) and (20) for the 1996 tax year through the 2000  
6 tax year, the following table shall be used for the computation  
7 of a credit as computed under subdivision (c):

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

13 (b) ~~For tax years after the 1988 tax year, the~~ THE amounts  
14 in the table in subdivision (a) shall be adjusted each year as  
15 necessary by the department so that a claimant with a household  
16 income less than 110% of the federal poverty income standards as  
17 defined and determined annually by the United States office of  
18 management and budget is not denied a credit.

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

21 (i) Subtract 3.5% of the claimant's household income from  
22 the amount specified in subdivision (a) that corresponds with the  
23 number of exemptions claimed in the return filed under this act,  
24 except that the number of exemptions for purposes of this subdi-  
25 vision shall not exceed the actual number of persons living in  
26 the household plus the additional personal exemptions allowed

1 under section 30, and any dependency exemptions for a person or  
 2 persons living in the household under a custodial arrangement,  
 3 even if the exemptions may not be claimed for other income tax  
 4 purposes. ~~For a claimant whose heating costs are included in~~  
 5 ~~his or her rent, multiply the result of the preceding calculation~~  
 6 ~~by 50%.~~

7 (ii) Subject to subsection (2), for a claimant whose house-  
 8 hold income does not exceed the maximum specified in the follow-  
 9 ing table, as adjusted, that corresponds with the number of  
 10 exemptions claimed in the return filed under this act, subtract  
 11 11% of claimant's household income from the total cost incurred  
 12 by a claimant for heating fuel from a heating fuel provider  
 13 during the 12 consecutive monthly billing periods ending in  
 14 October of the tax year, and multiply the resulting amount by  
 15 70%:

16 Exemptions 0 or 1	2	3	4	5	For each
17					exemption
18					over 5,
19					add
20					\$2,441.00
21					to the
22					maximum
23					income
24 Maximum					
25 Income	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824

1       (d) ~~For the 1988 tax year for the purposes of subdivision~~  
2 ~~(c), the total cost incurred by a claimant for heating fuel from~~  
3 ~~a heating fuel provider shall not exceed \$1,190.00. For tax~~  
4 ~~years after the 1988 tax year, the~~ THE maximum cost incurred by  
5 a claimant for heating fuel during a tax year shall be adjusted  
6 by multiplying the maximum cost for the immediately preceding tax  
7 year by the percentage by which the average all urban Detroit  
8 consumer price index for fuels and other utilities for the 12  
9 months ending August 31 of the tax year for which the credit is  
10 claimed exceeds that index's average for the 12 months ending on  
11 August 31 of the previous tax year, but not more than 10%. That  
12 product shall be added to the maximum cost of the immediately  
13 preceding tax year and then rounded to the nearest whole dollar.  
14 That dollar amount is the new maximum cost for the current tax  
15 year. If the claimant received any credits to his or her heating  
16 bill during the tax year, as provided for in subsection (6), the  
17 credits shall be treated as costs incurred by the claimant.

18       (e) ~~For tax years after the 1988 tax year, the~~ THE maximum  
19 income amounts specified in subdivision (c)(ii) shall be adjusted  
20 by multiplying the respective maximum income amounts for the  
21 immediately preceding tax year by the percentage by which the  
22 average all urban Detroit consumer price index for all items for  
23 the 12 months ending August 31 of the tax year for which the  
24 credit is claimed exceeds that index's average for the 12 months  
25 ending on August 31 of the immediately preceding tax year, but  
26 not more than 10%. That product shall be added to the  
27 immediately preceding tax year's respective maximum income level

1 and then rounded to the nearest whole dollar. That dollar amount  
2 is the new maximum income level for the then current tax year.

3 (2) An enrolled heating fuel provider shall notify each of  
4 its customers, not later than December 15 of each year, ~~or, for~~  
5 ~~1995 only, not later than 14 days after the effective date of~~  
6 ~~subsection (18) or for 1996 only, not later than 14 days after~~  
7 ~~the effective date of subsection (19), whichever is later, of~~  
8 the availability, upon request, of the information necessary for  
9 determining the credit under this section. For a claimant for  
10 whom, at the time of filing, the ~~department of social services~~  
11 FAMILY INDEPENDENCE AGENCY is making direct vendor payments to an  
12 enrolled heating fuel provider, the enrolled heating fuel pro-  
13 vider that accepts the direct payments shall mail the information  
14 necessary to determine the credit before February 1 of each  
15 year. If an enrolled heating fuel provider refuses or fails to  
16 provide to a customer the information required to determine the  
17 credit, or if the claimant is not a customer of an enrolled heat-  
18 ing fuel provider, a claimant may determine the credit provided  
19 in subsection (1)(c)(ii) based on his or her own records.

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

23 (4) If the allowable amount of the credit under this section  
24 exceeds the state income tax otherwise due for the tax year, the  
25 amount of credit not used as an offset against the state income  
26 tax that is due shall be remitted to the claimant, other than a  
27 claimant whose heating costs are included in his or her rent, in

1 the form of an energy draft that states the name of the claimant  
2 and is issued by the department. For a claimant for whom, at the  
3 time of filing, the ~~department of social services~~ FAMILY INDE-  
4 PENDENCE AGENCY is making direct vendor payments to an enrolled  
5 heating fuel provider, the department shall send the energy draft  
6 directly to the claimant's enrolled heating fuel provider, as  
7 identified by the claimant. After July 31, a refundable credit  
8 for a prior tax year may be paid in the form of a negotiable  
9 warrant. The energy draft shall be negotiable only through the  
10 claimant's enrolled heating fuel provider upon remittance by the  
11 claimant.

12 (5) If, when a claimant remits an energy draft to the  
13 claimant's enrolled heating fuel provider, the amount of the  
14 energy draft is greater than the total of outstanding bills  
15 incurred by the claimant with the enrolled heating fuel provider,  
16 the claimant, by checking the appropriate box to be included on  
17 the energy draft, may request from the enrolled heating fuel pro-  
18 vider a payment equal to the amount of the energy draft less the  
19 amount of the outstanding bills. The enrolled heating fuel pro-  
20 vider shall issue the payment within 14 days after the claimant's  
21 request.

22 (6) If a claimant whose energy draft exceeds his or her out-  
23 standing bills does not request a payment from an enrolled heat-  
24 ing fuel provider under subsection (5), an energy draft remitted  
25 to an enrolled heating fuel provider shall be applied upon  
26 receipt to the claimant's designated account. The energy draft  
27 may be used to cover outstanding bills that the claimant has

1 incurred with the enrolled heating fuel provider and to cover  
2 subsequent heating costs until the full amount of the energy  
3 draft is used or until 1 year after the date on which the energy  
4 draft is first applied to the claimant's designated account. If  
5 a credit amount remains from this energy draft after the 1-year  
6 period, or if prior to the end of the 1-year period a claimant is  
7 no longer a customer of the heating fuel provider, the heating  
8 fuel provider shall remit the remaining unused portion to the  
9 claimant in the form of a fully negotiable check within 14 days  
10 after the end of the 1-year period or within 14 days after termi-  
11 nation of service, whichever is sooner.

12       (7) A claimant who is no longer a resident of this state,  
13 who is not a customer of an enrolled heating fuel provider, or  
14 whose heating fuel provider refuses to accept an energy draft  
15 shall return the energy draft to the department and request the  
16 issuance of a negotiable warrant. A claimant may return an  
17 energy draft to the department and request issuance of a negotia-  
18 ble warrant if the energy draft is impractical because the claim-  
19 ant has already purchased his or her energy supply for the year  
20 and does not have an outstanding obligation to an enrolled heat-  
21 ing fuel provider. The department may honor that request if it  
22 agrees that the use of the energy draft is impractical. The  
23 department shall issue the warrant within 14 days after receiving  
24 the energy draft from the claimant.

25       (8) The enrolled heating fuel provider shall bill the  
26 department for credit amounts that have been applied to claimant  
27 accounts pursuant to subsection (6), and the department shall pay

1 the bills within 14 days of receipt. The billing shall be  
2 accompanied by the energy drafts for which reimbursement is  
3 claimed.

4 (9) A claimant whose heating fuel is provided by a utility  
5 regulated by the Michigan public service commission is protected  
6 against the discontinuance of his or her heating fuel service  
7 from the date of filing a claim for the credit under this section  
8 through the date of issuance of an energy draft and during a  
9 period beginning December 1 of the tax year for which the credit  
10 is claimed and ending March 31 of the following year if the  
11 claimant participates in the winter protection program set forth  
12 in R 460.2162(2) to (6) of the Michigan administrative code or if  
13 the utility accepts the claimant's energy draft. The acceptance  
14 of an energy draft by a utility is considered a request by the  
15 claimant for the winter protection program. The energy draft  
16 shall be coded by the department to denote claimants who are 65  
17 years of age or older. If the claimant is a claimant whose heat-  
18 ing cost is included in his or her rent payments, the amount of  
19 the claim not used as an offset against the state income tax,  
20 after examination and review, shall be approved for payment,  
21 without interest, to the claimant.

22 (10) If an enrolled heating fuel provider does not issue a  
23 payment or a negotiable check within 14 days as provided in sub-  
24 section (5) or (6), beginning on the fifteenth day, the amount  
25 due to the claimant is increased by adding interest computed on  
26 the basis of the rate of interest prescribed for delayed refunds  
27 of excess tax payments in section 30(3) of ~~Act No. 122 of the~~



~~1 Public Acts of 1941, being section 205.30 of the Michigan~~  
~~2 Compiled Laws~~ 1941 PA 122, MCL 205.30. The enrolled heating  
3 fuel provider shall pay the interest and shall not bill the  
4 interest to or be reimbursed for the interest by the department.

5 (11) Only the renter or lessee shall claim a credit on prop-  
6 erty that is rented or leased as a homestead. Only 1 credit may  
7 be claimed for a household. The credit under this section is in  
8 addition to other credits to which the claimant is entitled under  
9 this act. A person who is a full-time student at a school, com-  
10 munity college, or college or university and who is claimed as a  
11 dependent by another person is not eligible for the credit pro-  
12 vided by this section. A claimant who shares a homestead with  
13 other eligible claimants shall prorate the credit by the number  
14 of claimants sharing the homestead.

15 (12) A claimant who is eligible for the credit provided by  
16 this section shall be referred by the department to the appropri-  
17 ate state agency for determination of eligibility for home weath-  
18 erization assistance and shall accept weatherization assistance  
19 if eligible and if assistance is available. A heating fuel pro-  
20 vider that is required by the Michigan public service commission  
21 to participate in the residential conservation services home  
22 energy analysis program shall annually contact each claimant to  
23 whom it provides heating fuel, and whose usage exceeds 200,000  
24 cubic feet of natural gas or 18,000 kilowatt hours of electricity  
25 annually, and shall offer to provide a home energy analysis at no  
26 cost to the claimant. A heating fuel provider that is not  
27 required to participate in the residential conservation services

1 program shall not be required to conduct a home energy analysis  
2 for its customers.

3       (13) If an enrolled heating fuel provider is regulated by  
4 the Michigan public service commission, the Michigan public serv-  
5 ice commission may use an enforcement method authorized by law or  
6 rule to enforce the requirements prescribed by this section on  
7 the enrolled heating fuel provider. If an enrolled heating fuel  
8 provider is not regulated by the Michigan public service commis-  
9 sion, the ~~department of social services~~ FAMILY INDEPENDENCE  
10 AGENCY may use an enforcement method authorized by law or rule to  
11 enforce the requirements prescribed by this section on the  
12 enrolled heating fuel provider.

13       (14) The department shall mail a home heating credit return  
14 to every person who received ~~aid to families with dependent~~  
15 ~~children, state family assistance, or state disability~~ assist-  
16 ance THROUGH FAMILY INDEPENDENCE PROGRAMS pursuant to the social  
17 welfare act, ~~Act No. 280 of the Public Acts of 1939, being sec-~~  
18 ~~tions 400.1 to 400.119b of the Michigan Compiled Laws~~ 1939 PA  
19 280, MCL 400.1 TO 400.119B, during the tax year.

20       (15) The department shall complete a study by August 1 of  
21 1985, and of each subsequent year, of the actual heating costs of  
22 each claimant who received a credit from the department under  
23 this section for the immediately preceding tax year.

24       (16) The department may promulgate rules necessary to admin-  
25 ister this section pursuant to the administrative procedures act  
26 of 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~

1 ~~24.201 to 24.328 of the Michigan Compiled Laws 1969 PA 306, MCL~~  
2 ~~24.201 TO 24.328.~~

3 (17) The department shall provide a simplified procedure for  
4 claiming the credit under this section for claimants for whom, at  
5 the time of filing, the ~~department of social services~~ FAMILY  
6 INDEPENDENCE AGENCY is making direct vendor payments to an  
7 enrolled heating fuel provider.

8 (18) For the 1995 tax year, the credit under this section is  
9 allowed only if there has been a federal appropriation for fed-  
10 eral fiscal year 1995-96 of the total amount of federal low  
11 income home heating energy assistance block grant funds and if  
12 the federal low income home heating energy assistance block grant  
13 allotment for this state is at least \$25,400,000.00. If the fed-  
14 eral low income home heating energy assistance block grant allot-  
15 ment for this state is less than \$75,400,000.00, each individual  
16 credit claimed under this section shall be reduced by multiplying  
17 the credit amount by a fraction the numerator of which is  
18 Michigan's 1995-96 fiscal year federal low income home heating  
19 energy assistance block grant allotment minus \$400,000.00 and the  
20 denominator of which is \$75,000,000.00.

21 (19) For the 1996 tax year through the 2000 tax year, the  
22 credit under this section is allowed only if there has been a  
23 federal appropriation for the federal fiscal year beginning in  
24 the tax year of the total amount of federal low income home  
25 energy assistance program block grant funds and if the amount  
26 available for the home heating credit is not less than  
27 \$20,000,000.00. If the amount available for the home heating

1 credit is less than the full home heating credit amount, each  
2 individual credit claimed under this section shall be reduced by  
3 multiplying the credit amount by a fraction, the numerator of  
4 which is the amount available for the home heating credit and the  
5 denominator of which is the full home heating credit amount. As  
6 used in this subsection, "amount available for the home heating  
7 credit" means the sum of the federal low income home energy  
8 assistance program block grant allotment for this state for the  
9 federal fiscal year beginning in the tax year and the amount as  
10 certified by the director of the family independence agency car-  
11 ried forward from the immediately preceding fiscal year for the  
12 low income home energy assistance program block grant minus the  
13 sum of the amount certified by the director of the family inde-  
14 pendence agency for administration of the low income home energy  
15 assistance program block grant and the amount certified by the  
16 director of the family independence agency for crisis assistance  
17 programs. The amounts under this subsection that require certi-  
18 fication by the director of the family independence agency or by  
19 the state treasurer and the director of the department of manage-  
20 ment and budget shall be certified on or before December 30 of  
21 the tax year for the 1996 tax year, and on or before November 1  
22 of the tax year for the 1997 through 2000 tax years. As used in  
23 this subsection, "full home heating credit amount" means  
24 \$62,000,000.00 for the 1996 tax year and for the 1997 through  
25 2000 tax years the amount certified by the state treasurer and  
26 the director of the department of management and budget to be the  
27 estimated amount of the credits that would have been provided

1 under this section for the tax year if no reduction as provided  
2 in this subsection were made for that tax year.

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

12       (21) As used in this section:

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

16       (b) "Enrolled heating fuel provider" means a heating fuel  
17 provider that is enrolled with the ~~department of social~~  
18 ~~services~~ FAMILY INDEPENDENCE AGENCY as a heating fuel provider.

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