

# SENATE BILL No. 344

April 19, 1989, Introduced by Senators CROPSEY, SCHWARZ, WELBORN, CRUCE, BINSFELD, BARCIA, MACK, GEAKE and FAUST and referred to the Committee on Finance.

A bill to amend section 527a of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," as amended by Act No. 516 of the Public Acts of 1988, being section 206.527a of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 527a of Act No. 281 of the Public Acts  
2 of 1967, as amended by Act No. 516 of the Public Acts of 1988,  
3 being section 206.527a of the Michigan Compiled Laws, is amended  
4 to read as follows:

5       Sec. 527a. (1) For tax years 1985 through ~~1988~~ 1990, a  
6 claimant may claim a credit against the state income tax for  
7 heating fuel costs for the claimant's homestead in this state.  
8 An adult foster care home, nursing home, home for the aged, or  
9 substance abuse center shall not be considered a homestead for

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

3 (a) For the 1988 tax year, the following table shall be used  
4 for the computation of a credit as computed under subdivision  
5 (c):

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

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

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

19 (i) Subtract 3.5% of the claimant's household income from  
20 the amount specified in subdivision (a) that corresponds with the  
21 number of exemptions claimed in the return filed under this act,  
22 except that the number of exemptions for purposes of this subdi-  
23 vision shall not exceed the actual number of persons living in  
24 the household plus the additional personal exemptions allowed  
25 under section 30, and any dependency exemptions for a person or  
26 persons living in the household under a custodial arrangement,

1 even if the exemptions may not be claimed for other income tax  
2 purposes.

3 (ii) Subject to subdivision ~~(f)~~ (H), for a claimant whose  
4 household income does not exceed the maximum specified in the  
5 following table, as adjusted, that corresponds with the number of  
6 exemptions claimed in the return filed under this act, subtract  
7 13% of claimant's household income from the total cost incurred  
8 by a claimant for heating fuel from a heating fuel provider  
9 during the 12 consecutive monthly billing periods ending in  
10 October of the tax year, and multiply the resulting amount by  
11 70%:

12 Exemptions 0 or 1	2	3	4	5	For each
13					exemption
14					over 5,
15					add
16					\$2,441.00
17					to the
18					maximum
19					income

20 Maximum

21 Income \$7,060 \$9,501 \$11,943 \$14,382 \$16,824

22 (D) For the 1988 tax year FOR THE PURPOSES OF SUBDIVISION  
23 (C), the total cost incurred by a claimant for heating fuel from  
24 a heating fuel provider ~~, for purposes of this subdivision,~~  
25 shall not exceed \$1,190.00. For tax years subsequent to the 1988  
26 tax year, the maximum cost incurred by a claimant for heating  
27 fuel during a tax year shall be adjusted by multiplying the

1 maximum cost for the preceding tax year by the percentage by  
2 which the average all urban Detroit consumer price index for  
3 fuels and other utilities for the 12 months ending August 31 of  
4 the tax year for which the credit is claimed exceeds that index's  
5 average for the 12 months ending on August 31 of the previous tax  
6 year, but not more than 10%. That product shall be added to the  
7 maximum cost of the preceding tax year and then rounded to the  
8 nearest whole dollar. ~~, which whole~~ THAT dollar amount is the  
9 new maximum cost for the current tax year. If the claimant  
10 received any credits to his or her heating bill during the tax  
11 year, as provided for in subsection (4), the credits shall be  
12 treated as costs incurred by the claimant.

13 (E) For tax years subsequent to the 1988 tax year, the maxi-  
14 mum income amounts SPECIFIED IN SUBDIVISION (C)(ii) shall be  
15 adjusted by multiplying the respective maximum income amounts for  
16 the previous tax year by the percentage by which the average all  
17 urban Detroit consumer price index for all items for the 12  
18 months ending August 31 of the tax year for which the credit is  
19 claimed exceeds that index's average for the 12 months ending on  
20 August 31 of the previous tax year, but not more than 10%. That  
21 product shall be added to the previous tax year's respective max-  
22 imum income level and then rounded to the nearest whole dollar.  
23 ~~, which whole~~ THAT dollar amount is the new maximum income  
24 level for the then current tax year.

25 (F) ~~(d)~~ As used in this section:

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

4       (ii) "Enrolled heating fuel provider" means a heating fuel  
5 provider that is enrolled with the department of social services  
6 as a heating fuel provider.

7       (G) ~~(e)~~ An enrolled heating fuel provider shall notify  
8 each of its customers, not later than December 15 of each year,  
9 of the availability, upon request, of the information necessary  
10 for determining the credit under this section.

11       (H) ~~(f)~~ If an enrolled heating fuel provider refuses or  
12 fails to provide to a customer the information required for  
13 determining the credit, or if the claimant is not a customer of  
14 an enrolled heating fuel provider, a claimant may determine the  
15 credit provided in subdivision (c)(ii) based on his or her own  
16 records.

17       (2) A credit claimed on a return covering a period of less  
18 than 12 months shall be calculated based on subsection (1)(c)(i)  
19 and shall be reduced proportionately.

20       (3) If the allowable amount of the credit under this section  
21 exceeds the state income tax otherwise due for the tax year, the  
22 amount of credit not used as an offset against the state income  
23 tax shall be remitted to the claimant, other than a claimant  
24 whose heating costs are included in his or her rent, in the form  
25 of an appropriate energy draft that states the name of the claim-  
26 ant and is issued by the department. After July 31, a refundable  
27 credit for a prior tax year may be paid in the form of a

1 negotiable warrant. The energy draft shall be negotiable only  
2 through an enrolled heating fuel provider upon remittance by the  
3 claimant to the claimant's enrolled heating fuel provider. If,  
4 when a claimant remits an energy draft to an enrolled heating  
5 fuel provider, the amount of the energy draft is greater than the  
6 total of outstanding bills incurred by the claimant with the  
7 enrolled heating fuel provider, the claimant, ~~may request,~~ by  
8 checking the appropriate box to be included on the energy draft,  
9 MAY REQUEST from the enrolled heating fuel provider a payment in  
10 an amount equal to the amount of the energy draft less the amount  
11 of the outstanding bills. The enrolled heating fuel provider  
12 shall issue the payment within 14 days after the claimant's  
13 request.

14 (4) If a claimant whose energy draft exceeds his or her out-  
15 standing bills does not request a payment from an enrolled heat-  
16 ing fuel provider under subsection (3), an energy draft remitted  
17 to an enrolled heating fuel provider shall be applied upon  
18 receipt to the claimant's designated account. The energy draft  
19 may be used to cover outstanding bills that the claimant has  
20 incurred with the enrolled heating fuel provider ~~—~~ and to cover  
21 subsequent heating costs until the full amount of the energy  
22 draft is used or until 1 year after the date on which the energy  
23 draft is first applied to the claimant's designated account. If  
24 a credit amount remains from this energy draft after the 1-year  
25 period, or if prior to the end of the 1-year period a claimant is  
26 no longer a customer of the heating fuel provider, the enrolled  
27 heating fuel provider shall remit the remaining unused portion to

1 the claimant in the form of a fully negotiable check within 14  
2 days after the end of the 1-year period or within 14 days after  
3 termination of service, whichever is sooner. A claimant who is  
4 no longer a resident of the state of Michigan, a claimant who is  
5 not a customer of an enrolled heating fuel provider, or a claim-  
6 ant whose heating fuel provider refuses to accept an energy draft  
7 shall return the energy draft to the department and request the  
8 issuance of a negotiable warrant. A claimant may return an  
9 energy draft to the department and request issuance of a negotia-  
10 ble warrant if the energy draft is impractical because the claim-  
11 ant has already purchased his or her energy supply for the year  
12 and does not have an outstanding obligation to an enrolled heat-  
13 ing fuel provider. The department may honor that request if it  
14 agrees that the use of the energy draft is impractical. The  
15 department shall issue the warrant within 14 days of receiving  
16 the energy draft from the claimant. The enrolled heating fuel  
17 provider shall bill the department for credit amounts that have  
18 been applied to claimant accounts pursuant to this subsection,  
19 and the department shall pay the bills within 14 days of  
20 receipt. The billing shall be accompanied by the energy drafts  
21 for which reimbursement is claimed. A claimant whose heating  
22 fuel is provided by a utility regulated by the Michigan public  
23 service commission shall be protected against the discontinuance  
24 of his or her heating fuel service during a period beginning  
25 December 1 of the tax year for which the credit is claimed and  
26 ending March 31 of the following year if the claimant  
27 participates in the winter protection program set forth in

1 R 460.2162(2) to (6) of the Michigan administrative code. The  
2 acceptance of an energy draft by a utility shall be considered an  
3 application by the claimant for the winter protection program.  
4 The energy draft shall be coded by the department to denote  
5 claimants who are age 65 or older. If the claimant is a renter  
6 whose heating cost is included in his or her rent payments, the  
7 amount of the claim not used as an offset against the state  
8 income tax, after examination and review, shall be approved for  
9 payment, without interest, to the claimant.

10 (5) If an enrolled heating fuel provider does not issue a  
11 payment or a negotiable check within 14 days as provided in sub-  
12 section (3) or (4), beginning on the fifteenth day, the amount  
13 due to the claimant is increased by adding interest computed on  
14 the basis of the rate of interest prescribed FOR DELAYED REFUNDS  
15 OF EXCESS TAX PAYMENTS in section 30(3) of Act No. 122 of the  
16 Public Acts of 1941, being section 205.30 of the Michigan  
17 Compiled Laws. ~~, for delayed refunds of excess tax payments.~~  
18 The enrolled heating fuel provider shall pay the interest and  
19 shall not bill the interest to or be reimbursed for the interest  
20 by the department.

21 (6) Only the renter or lessee shall claim a credit on prop-  
22 erty that is rented or leased as a homestead.

23 (7) Only 1 credit may be claimed for a household.

24 (8) The credit under this section ~~shall be~~ IS in addition  
25 to other credits to which the claimant is entitled under this  
26 act.



1 (9) A person who is a full-time student at a school,  
2 community college, or college or university and who is claimed as  
3 a dependent by another person, or a person who is a current  
4 recipient of general assistance or aid to families with dependent  
5 children from the department of social services pursuant to the  
6 social welfare act, Act No. 280 of the Public Acts of 1939, as  
7 amended, being sections 400.1 to 400.121 of the Michigan Compiled  
8 Laws, is not eligible for the credit provided by this section.  
9 As used in this subsection, "current recipient" means a person  
10 who receives either general assistance or aid to families with  
11 dependent children during the entire qualifying period from  
12 January 1 through April 15 in the year following the year for  
13 which the claim is made.

14 (10) A claimant who shares a homestead with other eligible  
15 claimants shall prorate the credit by the number of claimants  
16 sharing the homestead.

17 (11) A claimant who is eligible for the credit provided by  
18 this section shall be referred by the department to the appropri-  
19 ate state agency for determination of eligibility for home weath-  
20 erization assistance and shall accept weatherization assistance  
21 if eligible and if assistance is available. A heating fuel pro-  
22 vider that is required by the Michigan public service commission  
23 to participate in the residential conservation services home  
24 energy analysis program shall annually contact each claimant to  
25 whom it provides heating fuel, and whose usage exceeds 200,000  
26 cubic feet of natural gas or 18,000 kilowatt hours of electricity  
27 annually, and shall offer to provide a home energy analysis at no

1 cost to the claimant. A heating fuel provider that is not  
2 required to participate in the residential conservation services  
3 program shall not be required to conduct a home energy analysis  
4 for its customers.

5 (12) If an enrolled heating fuel provider is regulated by  
6 the Michigan public service commission, the public service com-  
7 mission may use an enforcement method authorized by law or rule  
8 to enforce the requirements prescribed by this section on the  
9 enrolled heating fuel provider. If an enrolled heating fuel pro-  
10 vider is not regulated by the public service commission, the  
11 department of social services may use an enforcement method  
12 authorized by law or rule to enforce the requirements prescribed  
13 by this section on the enrolled heating fuel provider.

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

18 (14) The department may promulgate rules necessary to admin-  
19 ister this section pursuant to the administrative procedures act  
20 of 1969, Act No. 306 of the Public Acts of 1969, as amended,  
21 being sections 24.201 to 24.328 of the Michigan Compiled Laws.

22 (15) The director of social services shall submit a revised  
23 state plan required by section 2605 of the low-income home energy  
24 assistance act of 1981, 42 U.S.C. 8624, to the legislature by  
25 March 1, 1989. The revised plan shall allocate the available  
26 federal low-income energy assistance program block grant money,  
27 including the private-oil company overcharge settlement money

1 appropriated in Act No. 322 of the Public Acts of 1988, to fund  
2 the credit allowed by this section in the same percentage as was  
3 actually used to fund the credit in fiscal year 1987-88, unless  
4 the appropriations committees of the house of representatives and  
5 senate approve an alternate plan as recommended by the director  
6 of social services.