



SENATE BILL No. 721

October 5, 1995, Introduced by Senators NORTH, PETERS, SHUGARS, STALLINGS, KOIVISTO, DINGELL, EMMONS, MC MANUS, GOUGEON, CISKY, YOUNG and STILLE 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. 181 of the Public Acts of 1991, 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. 181 of the Public Acts of 1991,
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 ~~1994~~ 1999, 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~~ IS not ~~be considered~~ a homestead

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

3 (a) For the 1988 tax year through the ~~1994~~ 1999 tax year,
4 the following table shall be used for the computation of a credit
5 as computed under subdivision (c):

6

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

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

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

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

1 even if the exemptions may not be claimed for other income tax
2 purposes. For a claimant whose heating costs are included in his
3 or her rent, multiply the result of the preceding calculation by
4 50%.

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

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

24 (d) For the 1988 tax year for the purposes of subdivision
25 (c), the total cost incurred by a claimant for heating fuel from
26 a heating fuel provider shall not exceed \$1,190.00. For tax
27 years subsequent to the 1988 tax year, the maximum cost incurred

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

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

1 (2) An enrolled heating fuel provider shall notify each of
2 its customers, not later than December 15 of each year, of the
3 availability, upon request, of the information necessary for
4 determining the credit under this section. For a claimant for
5 whom, at the time of filing, the department of social services is
6 making direct vendor payments to an enrolled heating fuel provid-
7 er, the enrolled heating fuel provider that accepts the direct
8 payments shall mail the information necessary ~~for determining~~
9 TO DETERMINE the credit before February 1 of each year. If an
10 enrolled heating fuel provider refuses or fails to provide to a
11 customer the information required ~~for determining~~ TO DETERMINE
12 the credit, or if the claimant is not a customer of an enrolled
13 heating fuel provider, a claimant may determine the credit pro-
14 vided in subsection (1)(c)(ii) based on his or her own records.

15 (3) A credit claimed on a return ~~covering~~ THAT COVERS a
16 period of less than 12 months shall be calculated based on sub-
17 section (1)(c)(i) and shall be reduced proportionately.

18 (4) If the allowable amount of the credit under this section
19 exceeds the state income tax otherwise due for the tax year, the
20 amount of credit not used as an offset against the state income
21 tax THAT IS DUE shall be remitted to the claimant, other than a
22 claimant whose heating costs are included in his or her rent, in
23 the form of an energy draft that states the name of the claimant
24 and is issued by the department. For a claimant for whom, at the
25 time of filing, the department of social services is making
26 direct vendor payments to an enrolled heating fuel provider, the
27 department shall send the energy draft directly to the claimant's

1 enrolled heating fuel provider, as identified by the claimant.
2 After July 31, a refundable credit for a prior tax year may be
3 paid in the form of a negotiable warrant. The energy draft shall
4 be negotiable only through the claimant's enrolled heating fuel
5 provider upon remittance by the claimant.

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

16 (6) If a claimant whose energy draft exceeds his or her out-
17 standing bills does not request a payment from an enrolled heat-
18 ing fuel provider under subsection (5), an energy draft remitted
19 to an enrolled heating fuel provider shall be applied upon
20 receipt to the claimant's designated account. The energy draft
21 may be used to cover outstanding bills that the claimant has
22 incurred with the enrolled heating fuel provider and to cover
23 subsequent heating costs until the full amount of the energy
24 draft is used or until 1 year after the date on which the energy
25 draft is first applied to the claimant's designated account. If
26 a credit amount remains from this energy draft after the 1-year
27 period, or if prior to the end of the 1-year period a claimant is

1 no longer a customer of the heating fuel provider, the heating
2 fuel provider shall remit the remaining unused portion to the
3 claimant in the form of a fully negotiable check within 14 days
4 after the end of the 1-year period or within 14 days after termi-
5 nation of service, whichever is sooner.

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

19 (8) The enrolled heating fuel provider shall bill the
20 department for credit amounts that have been applied to claimant
21 accounts pursuant to subsection (6), and the department shall pay
22 the bills within 14 days of receipt. The billing shall be accom-
23 panied by the energy drafts for which reimbursement is 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
27 from 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
2 period beginning December 1 of the tax year for which the credit
3 is claimed and ending March 31 of the following year if the
4 claimant participates in the winter protection program set forth
5 in R 460.2162(2) to (6) of the Michigan administrative code or if
6 the utility accepts the claimant's energy draft. The acceptance
7 of an energy draft by a utility ~~shall be~~ IS considered a
8 request by the claimant for the winter protection program. The
9 energy draft shall be coded by the department to denote claimants
10 who are 65 years of age or older. If the claimant is a claimant
11 whose heating cost is included in his or her rent payments, the
12 amount of the claim not used as an offset against the state
13 income tax, after examination and review, shall be approved for
14 payment, without interest, to the claimant.

15 (10) If an enrolled heating fuel provider does not issue a
16 payment or a negotiable check within 14 days as provided in sub-
17 section (5) or (6), beginning on the fifteenth day, the amount
18 due to the claimant is increased by adding interest computed on
19 the basis of the rate of interest prescribed for delayed refunds
20 of excess tax payments in section 30(3) of Act No. 122 of the
21 Public Acts of 1941, being section 205.30 of the Michigan
22 Compiled Laws. The enrolled heating fuel provider shall pay the
23 interest and shall not bill the interest to or be reimbursed for
24 the interest by the department.

25 (11) Only the renter or lessee shall claim a credit on prop-
26 erty 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 act. A person who is a full-time student at a school, com-
3 munity college, or college or university and who is claimed as a
4 dependent by another person is not eligible for the credit pro-
5 vided by this section. A claimant who shares a homestead with
6 other eligible claimants shall prorate the credit by the number
7 of 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 appropri-
10 ate state agency for determination of eligibility for home weath-
11 erization assistance and shall accept weatherization assistance
12 if eligible and if assistance is available. A heating fuel pro-
13 vider that is required by the Michigan public service commission
14 to participate in the residential conservation services home
15 energy analysis program shall annually contact each claimant to
16 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
20 required to participate in the residential conservation services
21 program shall not be required to conduct a home energy analysis
22 for its customers.

23 (13) If an enrolled heating fuel provider is regulated by
24 the Michigan public service commission, the public service com-
25 mission may use an enforcement method authorized by law or rule
26 to enforce the requirements prescribed by this section on the
27 enrolled heating fuel provider. If an enrolled heating fuel

1 provider is not regulated by the public service commission, the
2 department of social services may use an enforcement method
3 authorized by law or rule to enforce the requirements prescribed
4 by this section on the enrolled heating fuel provider.

5 (14) Not later than December 1 of each year, the department
6 shall mail a home heating credit return to every person who ~~was~~
7 ~~a recipient of general assistance or~~ RECEIVED aid to families
8 with dependent children, ~~from the department of social services~~
9 STATE FAMILY ASSISTANCE, OR STATE DISABILITY ASSISTANCE pursuant
10 to the social welfare act, Act No. 280 of the Public Acts of
11 1939, being sections 400.1 to ~~400.121~~ 400.119B of the Michigan
12 Compiled Laws, during the tax year.

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

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

21 (17) The department shall provide a simplified procedure for
22 claiming the credit under this section for those claimants for
23 whom, at the time of filing, the department of social services is
24 making direct vendor payments to an enrolled heating fuel
25 provider.

26 (18) As used in this section:

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

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