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Senate Bill 727 (as reported without amendment)  
Sponsor: Senator Dale Zorn  
Committee: Finance

### **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 using the method prescribed in the Act. The bill would extend the use of the prescribed method of calculating LIHEAP block grants used for weatherization to FY 2026-27.

MCL 206.527a

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.

Date Completed: 2-17-22

Fiscal Analyst: David Zin

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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