

# SENATE BILL NO. 727

November 10, 2021, Introduced by Senator ZORN 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 2018 PA 309.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 527a. (1) Subject to subsections (18) and (19), a  
2 claimant may claim a credit for heating fuel costs for the  
3 claimant's homestead in this state. An adult foster care home,  
4 nursing home, home for the aged, or substance abuse center is not a  
5 homestead for purposes of this section. The credit shall be  
6 determined in the following manner:

1 (a) Subject to subsections (18) and (19), the following table  
2 shall be used for the computation of a credit as computed under  
3 subdivision (c):

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

7 (b) The amounts in the table in subdivision (a) shall be  
8 adjusted each year as necessary by the department so that a  
9 claimant with total household resources of less than 110% of the  
10 federal poverty income standards as defined and determined annually  
11 by the United States Office of Management and Budget is not denied  
12 a credit.

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

15 (i) Subtract 3.5% of the claimant's total household resources  
16 from the amount specified in subdivision (a) that corresponds with  
17 the number of exemptions claimed in the return filed under this  
18 part, except that the number of exemptions for purposes of this  
19 subdivision shall not exceed the actual number of ~~persons~~  
20 **individuals** living in the household plus the additional personal  
21 exemptions allowed under section 30, and any dependency exemptions  
22 for a ~~person or persons~~ **individuals** living in the household under a  
23 custodial arrangement, even if the exemptions may not be claimed  
24 for other income tax purposes. For a claimant whose heating costs  
25 are included in his or her rent, multiply the result of the  
26 preceding calculation by 50%.

27 (ii) Subject to subsection (2), for a claimant whose total  
28 household resources do not exceed the maximum specified in the  
29 following table, as adjusted, that corresponds with the number of

1 exemptions claimed in the return filed under this part, subtract  
2 11% of claimant's total household resources from the total cost  
3 incurred by a claimant for heating fuel from a heating fuel  
4 provider during the 12 consecutive monthly billing periods ending  
5 in October of the tax year, and multiply the resulting amount by  
6 70%:

7	Exemptions	0	or 1	2	3	4	5	For each
8								exemption
9								over 5,
10								add
11								\$2,441.00
12								to the
13								maximum
14								total
15								household
16								resources
17	Maximum							
18	Total							
19	Household							
20	Resources	\$7,060	\$9,501	\$11,943	\$14,382	\$16,824		

21 (d) The maximum cost incurred by a claimant for heating fuel  
22 during a tax year shall be adjusted by multiplying the maximum cost  
23 for the immediately preceding tax year by the percentage by which  
24 the average all urban Detroit Consumer Price Index for fuels and  
25 other utilities for the 12 months ending August 31 of the tax year  
26 for which the credit is claimed exceeds that index's average for  
27 the 12 months ending on August 31 of the previous tax year, but not  
28 more than 10%. That product shall be added to the maximum cost of  
29 the immediately preceding tax year and then rounded to the nearest

1 whole dollar. That dollar amount is the new maximum cost for the  
2 current tax year. If the claimant received any credits to his or  
3 her heating bill during the tax year, as provided for in subsection  
4 (6), the credits shall be treated as costs incurred by the  
5 claimant.

6 (e) The maximum total household resources specified in  
7 subdivision (c) (ii) shall be adjusted by multiplying the respective  
8 maximum total household resources for the immediately preceding tax  
9 year by the percentage by which the average all urban Detroit  
10 Consumer Price Index for all items for the 12 months ending August  
11 31 of the tax year for which the credit is claimed exceeds that  
12 index's average for the 12 months ending on August 31 of the  
13 immediately preceding tax year, but not more than 10%. That product  
14 shall be added to the immediately preceding tax year's respective  
15 maximum total household resources and then rounded to the nearest  
16 whole dollar. That dollar amount is the new maximum level for total  
17 household resources for the then current tax year.

18 (2) An enrolled heating fuel provider shall notify each of its  
19 customers, not later than December 15 of each year, of the  
20 availability, upon request, of the information necessary for  
21 determining the credit under this section. For a claimant for whom,  
22 at the time of filing, the department of health and human services  
23 is making direct vendor payments to an enrolled heating fuel  
24 provider, the enrolled heating fuel provider that accepts the  
25 direct payments shall provide the information necessary to  
26 determine the credit before February 1 of each year. If an enrolled  
27 heating fuel provider refuses or fails to provide to a customer the  
28 information required to determine the credit, or if the claimant is  
29 not a customer of an enrolled heating fuel provider, a claimant may

1 determine the credit provided in subsection (1) (c) (ii) based on his  
2 or her own records.

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

6 (4) The allowable amount of the credit under this section  
7 shall be remitted to the claimant, other than a claimant whose  
8 heating costs are included in his or her rent, in the form of an  
9 energy draft that states the name of the claimant and is issued by  
10 the department. For a claimant for whom, at the time of filing, the  
11 department of health and human services has identified the enrolled  
12 heating fuel provider or is making direct vendor payments to an  
13 enrolled heating fuel provider, the department shall send the  
14 energy draft directly to the claimant's enrolled heating fuel  
15 provider, as identified by the claimant. If the department  
16 establishes a program or pilot program for the direct payment of  
17 energy drafts to enrolled heating fuel providers, enrolled heating  
18 fuel providers may submit to the department, in a manner prescribed  
19 by the department, the names of their customers who are claimants.  
20 If a claimant whose name has been submitted meets the standards  
21 established by the department, the department shall send that  
22 claimant's energy draft directly to the claimant's enrolled heating  
23 fuel provider. If the enrolled heating fuel provider submits names  
24 of claimants who are not its customers and the energy drafts of any  
25 of those claimants are sent to the enrolled heating fuel provider,  
26 the enrolled heating fuel provider shall return the energy drafts  
27 or pay the value of the energy drafts to the department plus  
28 interest on the amount of the energy drafts at the rate calculated  
29 under section 23 of 1941 PA 122, MCL 205.23, for deficiencies in

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

6 (5) If a claimant received home heating assistance from the  
7 department of health and human services, a governmental agency, or  
8 a nonprofit organization 12 months prior to remitting an energy  
9 draft to the claimant's enrolled heating fuel provider and the  
10 amount of the energy draft is greater than the total of outstanding  
11 bills incurred by the claimant with the enrolled heating fuel  
12 provider as of the date that the energy draft was remitted to the  
13 enrolled heating fuel provider, the enrolled heating fuel provider  
14 shall first apply the full amount of the energy draft to the  
15 claimant's outstanding bills and then apply any remaining amount to  
16 subsequent bills of the claimant until the full amount of the  
17 energy draft is used up or the expiration of 9 months after the  
18 date on which the energy draft was first applied to cover the  
19 claimant's outstanding bills. If there is any remaining energy  
20 draft amount at the end of the 9-month period, or if before the end  
21 of the 9-month period the claimant is no longer a customer of the  
22 enrolled heating fuel provider, the enrolled heating fuel provider  
23 shall remit the remaining amount to the claimant in the form of a  
24 fully negotiable check within 14 days after the end of the 9-month  
25 period or 14 days after the termination of services, whichever  
26 occurs sooner. If the claimant did not receive home heating  
27 assistance from the department of health and human services, a  
28 governmental agency, or a nonprofit organization 12 months prior to  
29 remitting an energy draft, the claimant, by checking the

1 appropriate box to be included on the energy draft or application  
2 for participation with an enrolled heating fuel provider, may  
3 request from the enrolled heating fuel provider a payment equal to  
4 the amount of the energy draft less the amount of the outstanding  
5 bills. The enrolled heating fuel provider shall issue the payment  
6 within 14 days after the claimant's request. For purposes of this  
7 subsection, home heating assistance does not include the credit  
8 allowed under this section.

9 (6) If a claimant whose energy draft exceeds his or her  
10 outstanding bills does not request a payment from an enrolled  
11 heating fuel provider under subsection (5), an energy draft  
12 remitted to an enrolled heating fuel provider shall be applied upon  
13 receipt to the claimant's designated account. The energy draft may  
14 be used to cover outstanding bills that the claimant has incurred  
15 with the enrolled heating fuel provider and to cover subsequent  
16 heating costs until the full amount of the energy draft is used or  
17 until 1 year after the date on which the energy draft is first  
18 applied to the claimant's designated account. If a credit amount  
19 remains from this energy draft after the 1-year period, or if prior  
20 to the end of the 1-year period a claimant is no longer a customer  
21 of the enrolled heating fuel provider, the heating fuel provider  
22 shall remit the remaining unused portion to the claimant in the  
23 form of a fully negotiable check within 14 days after the end of  
24 the 1-year period or within 14 days after termination of service,  
25 whichever is sooner.

26 (7) A claimant who is no longer a resident of this state, who  
27 is not a customer of an enrolled heating fuel provider, or whose  
28 heating fuel provider refuses to accept an energy draft shall  
29 return the energy draft to the department and request the issuance

1 of a negotiable warrant. A claimant may return an energy draft to  
2 the department and request issuance of a negotiable warrant if the  
3 energy draft is impractical because the claimant has already  
4 purchased his or her energy supply for the year and does not have  
5 an outstanding obligation to an enrolled heating fuel provider. The  
6 department may honor that request if it agrees that the use of the  
7 energy draft is impractical. The department shall issue the warrant  
8 within 14 days after receiving the energy draft from the claimant.

9 (8) The enrolled heating fuel provider shall bill the  
10 department for credit amounts that have been applied to claimant  
11 accounts pursuant to subsection (6), and the department shall pay  
12 the bills within 14 days of receipt. The billing shall be  
13 accompanied by the energy drafts for which reimbursement is  
14 claimed.

15 (9) A claimant whose heating fuel is provided by a utility  
16 regulated by the Michigan public service commission is protected  
17 against the discontinuance of his or her heating fuel service from  
18 the date of filing a claim for the credit under this section  
19 through the date of issuance of an energy draft and during a period  
20 beginning December 1 of the tax year for which the credit is  
21 claimed and ending March 31 of the following year if the claimant  
22 participates in the winter protection program set forth in R  
23 ~~460.148~~**460.131** of the Michigan Administrative Code or if the  
24 utility accepts the claimant's energy draft. The acceptance of an  
25 energy draft by a utility is considered a request by the claimant  
26 for the winter protection program. The energy draft shall be coded  
27 by the department to denote claimants who are 65 years of age or  
28 older. If the claimant is a claimant whose heating cost is included  
29 in his or her rent payments, the amount of the claim not used as an

1 offset against the state income tax, after examination and review,  
2 shall be approved for payment, without interest, to the claimant.

3 (10) If an enrolled heating fuel provider does not issue a  
4 payment or a negotiable check within 14 days or as otherwise  
5 provided in subsection (5) or (6), beginning on the fifteenth day  
6 or the fifteenth day after the expiration of the 9-month period  
7 under subsection (5), the amount due to the claimant is increased  
8 by adding interest computed on the basis of the rate of interest  
9 prescribed for delayed refunds of excess tax payments in section  
10 30(3) of 1941 PA 122, MCL 205.30. The enrolled heating fuel  
11 provider shall pay the interest and shall not bill the interest to  
12 or be reimbursed for the interest by the department.

13 (11) Only the renter or lessee shall claim a credit on  
14 property that is rented or leased as a homestead. Only 1 credit may  
15 be claimed for a household. The credit under this section is in  
16 addition to other credits to which the claimant is entitled under  
17 this part. ~~A person~~ **An individual** who is a full-time student at a  
18 school, community college, or college or university and who is  
19 claimed as a dependent by another ~~person~~ **individual** is not eligible  
20 for the credit provided by this section. A claimant who shares a  
21 homestead with other eligible claimants shall prorate the credit by  
22 the number of claimants sharing the homestead.

23 (12) A claimant who is eligible for the credit provided by  
24 this section shall be referred by the department to the appropriate  
25 state agency for determination of eligibility for home  
26 weatherization assistance and shall accept weatherization  
27 assistance if eligible and if assistance is available. A heating  
28 fuel provider that is required by the Michigan public service  
29 commission to participate in the residential conservation services

1 home energy analysis program shall annually contact each claimant  
2 to whom it provides heating fuel, and whose usage exceeds 200,000  
3 cubic feet of natural gas or 18,000 kilowatt hours of electricity  
4 annually, and shall offer to provide a home energy analysis at no  
5 cost to the claimant. A heating fuel provider that is not required  
6 to participate in the residential conservation services program  
7 shall not be required to conduct a home energy analysis for its  
8 customers. For all rental properties that are weatherized pursuant  
9 to this section, each agency that determines eligibility for  
10 weatherization assistance shall require that not less than 25% of  
11 the total cost of the weatherization services for that property  
12 shall be contributed by the property owner unless the property  
13 owner is also eligible for weatherization assistance or is a  
14 nonprofit organization, governmental agency, or municipal  
15 corporation.

16 (13) If an enrolled heating fuel provider is regulated by the  
17 Michigan public service commission, the Michigan public service  
18 commission may use an enforcement method authorized by law or rule  
19 to enforce the requirements prescribed by this section on the  
20 enrolled heating fuel provider. If an enrolled heating fuel  
21 provider is not regulated by the Michigan public service  
22 commission, the department of health and human services may use an  
23 enforcement method authorized by law or rule to enforce the  
24 requirements prescribed by this section on the enrolled heating  
25 fuel provider.

26 (14) The department shall mail a home heating credit return to  
27 every ~~person~~**individual** who received assistance through the  
28 department of health and human services pursuant to the social  
29 welfare act, 1939 PA 280, MCL 400.1 to 400.119b, during the tax

1 year.

2 (15) The department shall complete a study by August 1 of  
 3 ~~1985, and of each subsequent year,~~ of the actual heating costs of  
 4 each claimant who received a credit from the department under this  
 5 section for the immediately preceding tax year.

6 (16) The department may promulgate rules necessary to  
 7 administer this section pursuant to the administrative procedures  
 8 act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

9 (17) The department shall provide a simplified procedure for  
 10 claiming the credit under this section for claimants for whom, at  
 11 the time of filing, the department of health and human services is  
 12 making direct vendor payments to an enrolled heating fuel provider.

13 (18) ~~For the 2001 tax year and each tax year after the 2001~~  
 14 ~~tax year, the~~ **The** credit under this section is allowed only if  
 15 there has been a federal appropriation for the federal fiscal year  
 16 beginning in the tax year of federal low income home energy  
 17 assistance program block grant funds of any amount. If the amount  
 18 of federal low income home energy assistance program block grant  
 19 funds available for the home heating credit is less than the full  
 20 home heating credit amount, each individual credit claimed under  
 21 this section shall be reduced by multiplying the credit amount by a  
 22 fraction, the numerator of which is the amount available for the  
 23 home heating credit and the denominator of which is the full home  
 24 heating credit amount. As used in this subsection, "amount  
 25 available for the home heating credit" means the sum of the federal  
 26 low income home energy assistance program block grant allotment for  
 27 this state for the federal fiscal year beginning in the tax year  
 28 and the amount as certified by the director of the department of  
 29 health and human services carried forward from the immediately

1 preceding fiscal year for the low income home energy assistance  
2 program block grant minus the sum of the amount certified by the  
3 director of the department of health and human services for  
4 administration of the low income home energy assistance program  
5 block grant, the amount certified by the director of the department  
6 of health and human services for crisis assistance programs, and  
7 the amount certified by the director of the department of health  
8 and human services for weatherization. For the 2014-2015 fiscal  
9 year and continuing through the ~~2021-2022-2026-2027~~ fiscal year,  
10 the amount used for weatherization each fiscal year shall be  
11 determined as provided under this subsection. If the total federal  
12 low income home energy assistance program block grant received for  
13 the current fiscal year is greater than or equal to 90% of the  
14 amount of block grant funds received in the immediately preceding  
15 fiscal year, then the amount of federal low income home energy  
16 assistance program block grant funds used for weatherization for  
17 that fiscal year shall be at least \$6,000,000.00 but not greater  
18 than 15% of the total federal low income home energy assistance  
19 program block grant funds received for that fiscal year. If the  
20 total federal low income home energy assistance block grant  
21 received for the current fiscal year is less than 90% of the amount  
22 of block grant funds received in the immediately preceding fiscal  
23 year, then the amount of federal low income home energy assistance  
24 program block grant funds used for weatherization for that fiscal  
25 year shall be at least \$5,000,000.00 but not greater than 15% of  
26 the total federal low income home energy assistance program block  
27 grant funds received for that fiscal year. The amounts under this  
28 subsection that require certification by the director of the  
29 department of health and human services or by the state treasurer

1 and the director of the department of technology, management, and  
2 budget shall be certified on or before December 30 of the tax year  
3 and each tax year thereafter. As used in this subsection, "full  
4 home heating credit amount" means the amount certified by the state  
5 treasurer and the director of the department of technology,  
6 management, and budget to be the estimated amount of the credits  
7 that would have been provided under this section for the tax year  
8 if no reduction as provided in this subsection were made for that  
9 tax year.

10 (19) ~~For tax years after the 1994 tax year, a~~ **A** claimant who  
11 claims a credit under this section shall not report the credit  
12 amount on the claimant's income tax return filed under this part as  
13 an offset against the tax imposed by this part, but shall claim the  
14 credit on a separate form prescribed by the department. ~~For tax~~  
15 ~~years after the 1995 tax year, a~~ **A** credit claimed under this  
16 section shall not be allowed unless the claim for the credit is  
17 filed with the department on or before the September 30 immediately  
18 following the tax year for which the credit is claimed. For tax  
19 years after the 2017 tax year, a credit claimed under this section  
20 is not allowed unless the claimant provides the department with all  
21 of the information, as requested by the department of health and  
22 human services, necessary to comply with the requirements of the  
23 federal appropriation of the federal low income home energy  
24 assistance program block grant. The department shall disclose the  
25 information provided under this subsection to the department of  
26 health and human services or the United States Department of Health  
27 and Human Services or its successor. The confidentiality  
28 restrictions provided in section 28(1)(f) of 1941 PA 122, MCL  
29 205.28, do not apply to the disclosure required by this subsection.

1           (20) Notwithstanding section 30a of 1941 PA 122, MCL 205.30a,  
2 the credit allowed under this section is exempt from interception,  
3 execution, levy, attachment, garnishment, or other legal process to  
4 collect a debt. No portion of the credit allowed or any rights  
5 existing under this section shall be applied as an offset to any  
6 liability of the claimant under section 30a of 1941 PA 122, MCL  
7 205.30a, or any arrearage or other debt of the claimant.

8           (21) The department shall meet with interested parties  
9 including enrolled heating fuel providers and advocacy groups to  
10 identify and implement methods of improving the processing of  
11 claims for the credit allowed under this section and payments  
12 attributable to those credits.

13           (22) By July 1, 2018 and by each July 1 thereafter, the  
14 department of health and human services shall submit a report on  
15 the operation and effectiveness of the home heating and  
16 weatherization assistance programs under this section and any  
17 recommendations regarding the home heating and weatherization  
18 assistance programs to all of the following:

19           (a) The chairpersons and vice-chairpersons of the senate and  
20 house of representatives appropriations committees.

21           (b) The senate and house of representatives committees on  
22 taxation and finance related issues.

23           (c) The senate and house of representatives committees on  
24 energy and technology related issues.

25           (23) As used in this section:

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

29           (b) "Enrolled heating fuel provider" means a heating fuel

1 provider that is enrolled with the department of health and human  
2 services as a heating fuel provider.

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