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BILL ANALYSIS

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House Bill 4544 (Substitute S-1 as passed by the Senate)
Sponsor: Representative Dale W. Zorn
House Committee: Appropriations

Date Completed: 12-19-14

CONTENT

The bill would amend Section 527a of the Income Tax Act to do the following:

- Revise the calculation of the home heating credit when Federal block grant funds are less than the full credit amount, by prescribing a new formula to determine the amount used for weatherization.**
- Provide that the owner of property that was weatherized under Section 527a would have to be required to contribute at least 25% of the cost, subject to certain exceptions.**

Section 527a allows an eligible individual to claim a credit for heating fuel costs for his or her homestead in Michigan. Eligibility for the credit and the amount of the credit are based on various factors, including household resources, exemptions claimed, and heating costs.

The credit may be allowed in a tax year only if there has been a Federal appropriation of Low Income Home Energy Assistance Program (LIHEAP) block grants for the Federal fiscal year beginning in the tax year. If the amount of LIHEAP funds available for the home heating credit is less than the full credit amount, each individual credit must be reduced proportionately. As used in this provision, "amount available for the home heating credit" means the sum of the LIHEAP block grant, plus the amount carried forward from the previous fiscal year, minus the amounts certified by the Director of the Department of Human Services for administration of the block grant, for crisis assistance programs, and for weatherization.

The amount used for weatherization each fiscal year may not exceed \$9.0 million minus the amount used for weatherization from the emergency contingency funds received in the prior year. The bill would delete this provision. For fiscal years 2014-15, 2015-16, and 2016-17, the amount used for weatherization would have to be determined as provided below.

If the total LIHEAP block grant received for the current fiscal year were equal to or greater than 90% of the amount of block grant funds received in the previous fiscal year, then the amount of LIHEAP block grant funds used for weatherization for that fiscal year would have to be at least \$6.0 million but not more than 15% of the total LIHEAP block grant funds received for that fiscal year. If the total block grant received for the current fiscal year were less than 90% of the amount received in the prior fiscal year, then the amount of LIHEAP block grant funds used for weatherization for that fiscal year would have to be at least \$5.0 million, but not more than 15% of the total LIHEAP block grant funds received for that fiscal year.

Under Section 527a, a claimant who is eligible for the home heating credit must be referred by the Department of Treasury to the appropriate State agency for a determination of his or her eligibility for weatherization assistance, and must accept that assistance if it is available.

The bill specifies that, for all rental property that was weatherized under Section 527a, each agency that determined eligibility for weatherization assistance would have to require that at least 25% of the total cost of the weatherization services be contributed by the property owner, unless the owner also was eligible for weatherization assistance or was a nonprofit organization, governmental agency, or municipal corporation.

MCL 206.527a

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill likely would have no impact on State or local revenue or expenditure. Almost all of the home heating credit is paid with Federal funds, and the State contribution toward the credit would not likely be affected by the bill. However, the provisions of the bill could alter some taxpayers' receipt of the credit and/or the amounts they receive.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.