

Act No. 516  
Public Act of 1988  
Approved by the Governor  
December 30, 1988  
Filed by the Secretary of State  
December 30, 1988

**STATE OF MICHIGAN  
84TH LEGISLATURE  
REGULAR SESSION OF 1988**

Introduced by Senators Shinkle, Faxon, Posthumus and Schwarz

# **ENROLLED SENATE BILL No. 279**

AN ACT to amend sections 30, 262, 520, and 527a of Act No. 281 of the Public Acts of 1967, entitled "An act to meet deficiencies in state funds by providing for the imposition, levy, computation, collection, assessment, and enforcement by lien and otherwise of taxes on or measured by net income; to prescribe the manner and time of making reports and paying the taxes, and the functions of public officers and others as to the taxes; to permit the inspection of the records of taxpayers; to provide for interest and penalties on unpaid taxes; to provide exemptions, credits and refunds of the taxes; to prescribe penalties for the violation of this act; to provide an appropriation; and to repeal certain acts and parts of acts," sections 30, 520, and 527a as amended by Act No. 254 of the Public Acts of 1987 and section 262 as amended by Act No. 190 of the Public Acts of 1983, being sections 206.30, 206.262, 206.520, and 206.527a of the Michigan Compiled Laws; to add section 273; and to repeal certain acts and parts of acts on specific dates.

*The People of the State of Michigan enact:*

Section 1. Sections 30, 262, 520, and 527a of Act No. 281 of the Public Acts of 1967, sections 30, 520, and 527a as amended by Act No. 254 of the Public Acts of 1987 and section 262 as amended by Act No. 190 of the Public Acts of 1983, being sections 206.30, 206.262, 206.520, and 206.527a of the Michigan Compiled Laws, are amended and section 273 is added to read as follows:

Sec. 30. (1) "Taxable income", for a person other than a corporation, estate, or trust, means adjusted gross income as defined in the internal revenue code subject to the following adjustments:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount that has been excluded from federal adjusted gross income less related expenses not deducted in computing federal adjusted gross income because of section 265(a)(1) of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at federal adjusted gross income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at federal adjusted gross income.

(d) Deduct, to the extent included in federal adjusted gross income, income derived from obligations, or the sale or exchange of obligations, of the United States government that this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations and by any expenses incurred in the production of that income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at federal adjusted gross income.

- (e) Deduct, to the extent included in federal adjusted gross income, compensation, including retirement benefits, received for services in the armed forces of the United States.
- (f) Deduct to the extent included in adjusted gross income:
- (i) Retirement or pension benefits received from a public retirement system of or created by this state or a political subdivision of this state.
- (ii) Any retirement or pension benefits received from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state.
- (iii) Social security benefits as defined in section 86 of the internal revenue code.
- (iv) Retirement or pension benefits from any other retirement or pension system as follows:
- (A) For a single return, the sum of not more than \$7,500.00.
- (B) For a joint return, the sum of not more than \$10,000.00.
- (v) The amount determined to be the section 22 amount eligible for the elderly and permanently and totally disabled credit provided in section 22 of the internal revenue code.
- (g) Adjustments resulting from the application of section 271.
- (h) Adjustments with respect to estate and trust income as provided in section 36.
- (i) Adjustments resulting from the allocation and apportionment provisions of chapter 3.
- (j) Deduct political contributions as defined in section 4 of Act No. 388 of the Public Acts of 1976, being section 169.204 of the Michigan Compiled Laws, or section 301 of title III of the federal election campaign act of 1971, Public Law 92-225, 2 U.S.C. 431, not in excess of \$50.00 per annum, or \$100.00 per annum for a joint return.
- (k) Deduct, to the extent included in adjusted gross income, wages not deductible under section 280C of the internal revenue code.
- (l) Deduct the following payments made by the taxpayer in the tax year:
- (i) The amount of payment made under an advance tuition payment contract as provided in the Michigan education trust act, Act No. 316 of the Public Acts of 1986, being sections 390.1421 to 390.1444 of the Michigan Compiled Laws.
- (ii) The amount of payment made under a contract with a private sector investment manager that meets all of the following criteria:
- (A) The contract is certified and approved by the board of directors of the Michigan education trust to provide equivalent benefits and rights to purchasers and beneficiaries as an advance tuition payment contract as described in subparagraph (i).
- (B) The contract applies only for a state institution of higher education as defined in the Michigan education trust act, Act No. 316 of the Public Acts of 1986, or a community or junior college in Michigan.
- (C) The contract provides for enrollment by the contract's qualified beneficiary in not less than 4 years after the date on which the contract is entered into.
- (D) The contract is entered into either:
- (I) After the purchaser has had his or her offer to enter into an advance tuition payment contract rejected by the board, if the board determines that the trust cannot accept an unlimited number of enrollees upon an actuarially sound basis.
- (II) After the board determines that the trust can accept an unlimited number of enrollees upon an actuarially sound basis.
- (m) If an advance tuition payment contract under the Michigan education trust act, Act No. 316 of the Public Acts of 1986, or another contract for which the payment was deductible under subdivision (l) is terminated and the qualified beneficiary under that contract does not attend a university, college, junior or community college, or other institution of higher education, add the amount of a refund received by the taxpayer as a result of that termination which amount shall be the lesser of the amount of the refund or the amount of the deduction taken under subdivision (l) for payment made under that contract.
- (n) Deduct from the taxable income of a purchaser the amount included as income to the purchaser under the internal revenue code after the advance tuition payment contract entered into under the Michigan education trust act, Act No. 316 of the Public Acts of 1986, is terminated because the qualified beneficiary attends an institution of postsecondary education other than either a state institution of higher education or an institution of postsecondary education located outside this state with which a state institution of higher education has reciprocity.

(o) Add to the extent deducted in determining federal adjusted gross income the net operating loss deduction under section 172 of the internal revenue code.

(p) Deduct a net operating loss deduction for the taxable year as defined in section 172 of the internal revenue code subject to the modifications under section 172(b)(2) of the internal revenue code and subject to the allocation and apportionment provisions of chapter 3 of this act for the taxable year in which the loss was incurred.

(q) For a tax year beginning after 1986, deduct, to the extent included in adjusted gross income, benefits from a discriminatory self-insurance medical expense reimbursement plan.

(2) For a tax year beginning during 1987, a personal exemption of \$1,600.00; for a tax year beginning during 1988, a personal exemption of \$1,800.00; for a tax year beginning during 1989, a personal exemption of \$2,000.00; and for a tax year beginning after 1989, a personal exemption of \$2,100.00 times the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant to the internal revenue code shall be subtracted from taxable income.

(3) A single additional exemption of \$1,400.00 for a tax year beginning during 1987, \$1,200.00 for a tax year beginning during 1988, \$1,000.00 for a tax year beginning during 1989, and \$900.00 for a tax year beginning after 1989 is allowed for each of the following:

(a) The taxpayer is a paraplegic, a quadriplegic, a hemiplegic, a person who is blind as defined in section 504, or a totally and permanently disabled person as defined in section 522.

(b) The taxpayer is a deaf person as defined in section 2 of the deaf persons' interpreters act, Act No. 204 of the Public Acts of 1982, being section 393.502 of the Michigan Compiled Laws.

(c) The taxpayer is a person who is 65 years of age or older.

(d) The return includes unemployment compensation that amounts to 50% or more of adjusted gross income.

(4) For a tax year beginning after 1987, an individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of subsection (2), but may deduct \$500.00 from taxable income for a tax year beginning in 1988 and \$1,000.00 for a tax year beginning after 1988.

(5) A nonresident or a part-year resident is allowed that proportion of an exemption or deduction allowed under subsection (2), (3), or (4) that the taxpayer's income from Michigan sources bears to the total income from all sources.

(6) For a tax year beginning after 1987, in calculating taxable income, a taxpayer shall not subtract from adjusted gross income the amount of prizes won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of the Public Acts of 1972, being sections 432.1 to 432.47 of the Michigan Compiled Laws.

Sec. 262. (1) For the 1983 through the 1991 tax years, a taxpayer, other than an estate or a trust, may claim a credit against the tax imposed by this act for the taxable year in the amount as provided in this section for the purchase and installation, but excluding finance charges, of a solar, wind, or water energy conversion device in the taxpayer's domicile located in this state, or a building that is owned by the taxpayer and rented or leased for the purpose of providing a domicile and located within this state, or both the taxpayer's domicile located in this state and such a building. A subsequent purchaser may claim the credit if the person who installed the solar, wind, or water energy conversion device does not claim the credit. Only 1 person may claim the credit for each installation except as allowed in subsection (7). The credit shall be claimed for the tax year in which the installation of the device was completed.

(2) As used in this section:

(a) "Solar, wind, or water energy conversion device" means a mechanism or system or series of mechanisms or systems designed primarily to collect, convert, transfer, or store for future use solar, wind, or water energy for the purposes of heating, cooling, or electric supply, but not those parts of a heating, cooling, or electric supply system that would be required regardless of the energy source being utilized.

(b) "Water energy conversion device" includes only those devices that utilize ground water heat pumps or low head hydroenergy conversion systems.

(3) The amount of the credit allowed by this section for the cost of purchase and installation, but excluding finance charges, of a solar, wind, or water energy conversion device in the taxpayer's domicile, or a building that is owned by the taxpayer and rented or leased for the purpose of providing a domicile, that is a single family dwelling and that is located within this state is 30% of the first \$2,000.00 of cost and 15% of the next \$3,000.00 of cost. However, the amount of the credit computed pursuant to this subsection shall be reduced by the amount of any sales or use tax exemption attributable to the taxpayer in 1983 pursuant to either former section 4h of the general sales tax act, Act No. 167 of the Public Acts of 1933, or former section 4e of the use tax act, Act No. 94 of the Public Acts of 1937.

(4) The amount of the credit allowed by this section for the cost of purchase and installation, but excluding finance charges, of a solar, wind, or water energy conversion device in the taxpayer's domicile, or a building that is owned by the taxpayer and rented or leased for the purpose of providing a domicile, that is other than a single family dwelling and that is located within this state is 30% of the first \$2,000.00 of cost and 15% of the next \$7,000.00 of cost. However, the amount of the credit computed pursuant to this subsection shall be reduced by the amount of any sales or use tax exemption attributable to the taxpayer in 1983 pursuant to either former section 4h of the general sales tax act, Act No. 167 of the Public Acts of 1933, or former section 4e of the use tax act, Act No. 94 of the Public Acts of 1937.

(5) A taxpayer who owns and resides in a condominium located within this state and who installs a solar, wind, or water energy conversion device for the condominium is eligible for the credit provided by this section in proportion to the number of households served by the device.

(6) Energy conservation measures applied in conjunction with a solar, wind, or water energy conversion device to increase the energy efficiency of the device shall be considered part of the device and are eligible for the tax credit. These measures shall be defined in the rules promulgated by the department of commerce pursuant to subsection (9). A wood-burning apparatus, excluding a fireplace, installed in conjunction with a solar, wind, or water energy conversion system, to decrease the nonrenewable back-up energy requirements of the building in which the apparatus is installed, shall be considered part of the device and is eligible for the tax credit. Swimming pool heating devices are eligible for the credit only if 25% or more of the system's heating capacity is used for residential purposes. Energy conservation measures that are eligible for the tax credit when applied in conjunction with a solar, wind, or water energy conversion device shall be defined by rules promulgated by the department of commerce as part of the eligibility criteria.

(7) In the case of a husband or wife who files a separate return, the credit may be taken by either or equally divided between them.

(8) If the credit allowed under this section exceeds the tax liability for the taxable year, that portion of the credit that exceeds the tax liability may be refunded.

(9) Before July 3, 1981, the department of commerce shall promulgate rules pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws, to implement this section and to establish the performance and quality standards and other standards for energy conservation measures and solar, wind, or water energy conversion devices that are eligible for the tax credit under this section. A taxpayer shall file for certification of a device with the department of commerce on a form prescribed by the department not later than 1 year following the date on which the installation of the device was completed. The department of commerce may grant an extension for filing upon a showing of good cause. On a form provided by the department, the department of commerce shall certify to the taxpayer that the solar, wind, or water energy conversion device qualifies under this section and shall specify the amount of the credit to which the taxpayer is entitled. A copy of the certificate shall be attached to the return filed under this act. The department of treasury may promulgate rules necessary to carry out the purposes of this section.

(10) A solar, wind, or water energy conversion device that qualifies for a credit provided under federal law and that was purchased and installed before promulgation of rules required by this section is eligible for the appropriate tax credit provided by this section.

(11) Solar equipment testing, if required by the rules, shall be carried out at a federal, state, or independent testing laboratory and shall be done pursuant to applicable federal and state guidelines.

Sec. 273. (1) For a tax year beginning after 1988, an individual meeting the qualifications prescribed in subsection (2) may claim a refundable credit equal to the amount by which the individual's expenditures for prescription drugs exceed 5% of household income, but not more than \$600.00 per individual. An expenditure for a prescription drug shall not be included in the calculation of this credit unless the prescription drug is purchased directly by the individual and the cost of the prescription drug is not covered by a third party reimbursement plan.

(2) An individual shall not claim the credit allowed by this section unless the individual meets all of the following qualifications:

(a) The individual is 65 years of age or older.

(b) The individual's household income does not exceed 150% of the federal poverty income standards as defined and determined annually by the United States office of management and budget and as approved by the state treasurer.

(c) The individual is not a resident in a health care or mental health facility licensed or operated by the state. The qualification prescribed by this subdivision does not apply to a resident of a licensed home for the aged.

(3) An individual claiming a credit under this section shall not report the credit amount on the individual's return filed under this act as an offset against the tax imposed by this act, but shall claim the credit on a

separate form prescribed by the department. A credit claimed under this section shall not be refunded unless the claim for the credit is filed with the department not later than the June 1 immediately following the tax year for which the credit is claimed. The department shall administer the credit under this section as a refundable credit.

(4) The total amount of the credits refunded under this section for each tax year shall not exceed \$20,000,000.00 minus the amount expended in that tax year for the older Michiganians pharmaceutical assistance fund. The department shall reduce each credit under this section by the percentage necessary to limit the total credits to the maximum provided by this subsection.

(5) As used in this section:

(a) "Household income" means that term as defined in section 508.

(b) "Prescription drug" means that term as defined in section 17708 of the public health code, Act No. 368 of the Public Acts of 1978, being section 333.17708 of the Michigan Compiled Laws. In addition, prescription drug includes insulin, syringes, and needles.

Sec. 520. (1) Subject to the limitations and the definitions set out in this chapter, a claimant may claim against his or her state income tax otherwise due for the tax year a credit for the property taxes on the homestead deductible for federal income taxes pursuant to section 164 of the internal revenue code, or that would have been deductible if the claimant had not elected the zero bracket amount or if the claimant had been subject to the federal income tax. The property taxes used for the credit computation shall not be greater than the amount levied for 1 tax year.

(2) A person who is renting or leasing a homestead may claim a similar credit, computed pursuant to section 522, that shall be based upon 17% of the gross rent paid. A person renting or leasing a homestead subject to a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, Act No. 346 of the Public Acts of 1966, as amended, being section 125.1415a of the Michigan Compiled Laws, may claim a similar credit, computed pursuant to section 522, that shall be based upon 10% of the gross rent paid.

(3) If the allowable amount of the claim exceeds the state income tax otherwise due for the tax year or if there is no state income tax due for the tax year, the amount of the claim not used as an offset against the state income tax shall, after examination and review, be approved for payment, without interest, to the claimant. A payment approved pursuant to this subsection to a claimant eligible for a credit under subsection (1) shall be made in a check or warrant exclusive of refunds due for withholdings or other credits allowed by this act and, in determining the amount of this check or warrant, withholdings and other credits shall be used first to offset any tax liabilities.

(4) If the homestead is an integral part of a multipurpose or multidwelling building that is federally aided housing or state aided housing, a claimant who is a senior citizen entitled to a payment under subsection (2) may assign the right to that payment to a mortgagor who reduces the rent charged and collected on the claimant's homestead in an amount equal to the tax credit payment provided in this chapter. The assignment of the claim shall be valid only if the Michigan state housing development authority, by affidavit, verifies that the claimant's rent has been so reduced.

(5) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead.

(6) A person who discriminates in the charging or collection of rent on a homestead by increasing the rent charged or collected because the renter or lessee is claiming and receiving a credit or payment under this chapter is guilty of a misdemeanor. Discrimination against a renter claiming and receiving the credit by reduction of rent on the homestead of a person not claiming or receiving the credit is a misdemeanor. If discriminatory rents are charged or collected, each charge and collection of both the higher and lower payment shall be considered a separate offense. Each acceptance of a payment of rent shall be considered a separate offense.

(7) A person who received aid to dependent children payments pursuant to section 56 of the social welfare act, Act No. 280 of the Public Acts of 1939, as amended, being section 400.56 of the Michigan Compiled Laws, or general relief payments pursuant to sections 55 and 55a of the social welfare act, Act No. 280 of the Public Acts of 1939, as amended, being sections 400.55 and 400.55a of the Michigan Compiled Laws, in the tax year for which the person is filing a return shall have a credit that is authorized pursuant to this section and computed pursuant to section 522 reduced by an amount equal to the product of the claimant's credit, as computed pursuant to section 522, multiplied by the quotient of the sum of the claimant's aid to dependent children payments and general relief payments for the tax year divided by the claimant's household income. The reduction of credit shall not exceed the sum of the aid to dependent children payments and general relief payments for the tax year. For the purposes of this subsection, aid to dependent children payments shall not include child support payments that offset or reduce payments made to the claimant. This subsection applies only to the 1980 through the 1989 tax years.

(8) For tax years commencing after December 31, 1984, a credit under subsection (1) or (2) shall be reduced by 10% for each claimant whose household income exceeds \$73,650.00 and by an additional 10% for each increment of \$1,000.00 of household income in excess of \$73,650.00.

(9) If the credit permitted by subsection (2), which is calculated pursuant to section 522 and adjusted pursuant to subsections (7) and (8), does not provide to a senior citizen who is renting or leasing a homestead that amount attributable to rent that constitutes more than the following percentage of the household income of the senior citizen, the senior citizen may claim a credit based upon the amount of household income attributable to rent as provided by this section, subject to the limitations of this section:

(a) 50% for a credit claimed for the 1982 tax year.

(b) 45% for a credit claimed for the 1983 tax year.

(c) 40% for a credit claimed for the 1984 tax year or a tax year after the 1984 tax year.

(10) For tax years commencing after December 31, 1981, a senior citizen whose gross rent paid for the tax year is more than the percentage of household income specified in subsection (9) for the respective tax year may claim a credit for the amount of rent paid that constitutes more than the percentage of the household income of the senior citizen specified in subsection (9) for the respective tax year and that was not provided to the senior citizen by the credit computed pursuant to section 522 and adjusted pursuant to subsections (7) and (8).

(11) The department may promulgate rules to implement subsections (9) to (16) and may prescribe a table to allow a claimant to determine the credit provided under subsections (9) to (16) and section 522 in the instruction booklet that accompanies the respective income tax or property tax credit forms used by claimants.

(12) A senior citizen may claim the credit under subsections (9) to (16) on the same form as the property tax credit permitted by subsection (2). The department shall adjust the forms accordingly.

(13) A senior citizen who, after December 31, 1981, moves to a different rented or leased homestead shall determine, for 2 tax years after the move, both his or her qualification to claim a credit under subsections (9) to (16) and the amount of a credit under subsections (9) to (16) on the basis of the annualized final monthly rental payment at his or her previous homestead, if this annualized rental is less than the senior citizen's actual annual rental payments.

(14) For a return of less than 12 months the claim for a credit under subsections (9) to (16) shall be reduced proportionately.

(15) The Michigan state housing development authority shall report on the effect of the credit provided by subsections (9) to (16) on the price of rented and leased homesteads. If the authority determines that the price of rented and leased homesteads has increased as a result of the credit provided by subsections (9) to (16), the authority shall make recommendations to the legislature to remedy this situation. The report shall be made to the chairpersons of the house and senate committees that have primary responsibility for taxation legislation 2 years after the credit provided by subsections (9) to (16) is in effect.

(16) The total credit allowed by subsections (9) to (15) and section 522 shall not exceed \$1,200.00 per year.

(17) Subsection (8) does not apply to a tax year to which subsection (7) does not apply.

Sec. 527a. (1) For tax years 1985 through 1988, a claimant may claim a credit against the state income tax for heating fuel costs for the claimant's homestead in this state. An adult foster care home, nursing home, home for the aged, or substance abuse center shall not be considered a homestead for purposes of this section. The credit shall be determined in the following manner:

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

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

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

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

(i) Subtract 3.5% of the claimant's household income from the amount specified in subdivision (a) that corresponds with the number of exemptions claimed in the return filed under this act, except that the number of exemptions for purposes of this subdivision shall not exceed the actual number of persons living in the household plus the additional personal exemptions allowed under section 30, and any dependency exemptions for a person or persons living in the household under a custodial arrangement, even if the exemptions may not be claimed for other income tax purposes.

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

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

For the 1988 tax year, the total cost incurred by a claimant for heating fuel from a heating fuel provider, for purposes of this subdivision, shall not exceed \$1,190.00. For tax years subsequent to the 1988 tax year, the maximum cost incurred by a claimant for heating fuel during a tax year shall be adjusted by multiplying the maximum cost for the preceding tax year by the percentage by which the average all urban Detroit consumer price index for fuels and other utilities for the 12 months ending August 31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the previous tax year, but not more than 10%. That product shall be added to the maximum cost of the preceding tax year and then rounded to the nearest whole dollar, which whole dollar amount is the new maximum cost for the current tax year. If the claimant received any credits to his or her heating bill during the tax year, as provided for in subsection (4), the credits shall be treated as costs incurred by the claimant. For tax years subsequent to the 1988 tax year, the maximum income amounts shall be adjusted by multiplying the respective maximum income amounts for the previous tax year by the percentage by which the average all urban Detroit consumer price index for all items for the 12 months ending August 31 of the tax year for which the credit is claimed exceeds that index's average for the 12 months ending on August 31 of the previous tax year, but not more than 10%. That product shall be added to the previous tax year's respective maximum income level and then rounded to the nearest whole dollar, which whole dollar amount is the new maximum income level for the then current tax year.

(d) As used in this section:

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

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

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

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

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

(3) If the allowable amount of the credit under this section exceeds the state income tax otherwise due for the tax year, the amount of credit not used as an offset against the state income tax shall be remitted to the claimant, other than a claimant whose heating costs are included in his or her rent, in the form of an appropriate energy draft that states the name of the claimant and is issued by the department. After July 31, a refundable credit for a prior tax year may be paid in the form of a negotiable warrant. The energy draft shall be negotiable only through an enrolled heating fuel provider upon remittance by the claimant to the claimant's enrolled heating fuel provider. If, when a claimant remits an energy draft to an enrolled heating fuel provider, the amount of the energy draft is greater than the total of outstanding bills incurred by the claimant with the enrolled heating fuel provider, the claimant may request, by checking the appropriate box to be included on the energy draft, from the enrolled heating fuel provider a payment in an amount equal to the amount of the energy draft less the amount of the outstanding bills. The enrolled heating fuel provider shall issue the payment within 14 days after the claimant's request.

(4) If a claimant whose energy draft exceeds his or her outstanding bills does not request a payment from an enrolled heating fuel provider under subsection (3), an energy draft remitted to an enrolled heating fuel provider shall be applied upon receipt to the claimant's designated account. The energy draft may be used to cover outstanding bills that the claimant has incurred with the enrolled heating fuel provider, and to cover subsequent heating costs until the full amount of the energy draft is used or until 1 year after the date on which the energy draft is first applied to the claimant's designated account. If a credit amount remains from this energy draft after the 1-year period, or if prior to the end of the 1-year period a claimant is no longer a

customer of the heating fuel provider, the enrolled heating fuel provider shall remit the remaining unused portion to the claimant in the form of a fully negotiable check within 14 days after the end of the 1-year period or within 14 days after termination of service, whichever is sooner. A claimant who is no longer a resident of the state of Michigan, a claimant who is not a customer of an enrolled heating fuel provider, or a claimant whose heating fuel provider refuses to accept an energy draft shall return the energy draft to the department and request the issuance of a negotiable warrant. A claimant may return an energy draft to the department and request issuance of a negotiable warrant if the energy draft is impractical because the claimant has already purchased his or her energy supply for the year and does not have an outstanding obligation to an enrolled heating fuel provider. The department may honor that request if it agrees that the use of the energy draft is impractical. The department shall issue the warrant within 14 days of receiving the energy draft from the claimant. The enrolled heating fuel provider shall bill the department for credit amounts that have been applied to claimant accounts pursuant to this subsection, and the department shall pay the bills within 14 days of receipt. The billing shall be accompanied by the energy drafts for which reimbursement is claimed. A claimant whose heating fuel is provided by a utility regulated by the Michigan public service commission shall be protected against the discontinuance of his or her heating fuel service during a period beginning December 1 of the tax year for which the credit is claimed and ending March 31 of the following year if the claimant participates in the winter protection program set forth in R 460.2162(2) to (6) of the Michigan administrative code. The acceptance of an energy draft by a utility shall be considered an application by the claimant for the winter protection program. The energy draft shall be coded by the department to denote claimants who are age 65 or older. If the claimant is a renter whose heating cost is included in his or her rent payments, the amount of the claim not used as an offset against the state income tax, after examination and review, shall be approved for payment, without interest, to the claimant.

(5) If an enrolled heating fuel provider does not issue a payment or a negotiable check within 14 days as provided in subsection (3) or (4), beginning on the fifteenth day, the amount due to the claimant is increased by adding interest computed on the basis of the rate of interest prescribed in section 30(3) of Act No. 122 of the Public Acts of 1941, being section 205.30 of the Michigan Compiled Laws, for delayed refunds of excess tax payments. The enrolled heating fuel provider shall pay the interest and shall not bill the interest to or be reimbursed for the interest by the department.

(6) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead.

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

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

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

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

(11) A claimant who is eligible for the credit provided by this section shall be referred by the department to the appropriate state agency for determination of eligibility for home weatherization assistance and shall accept weatherization assistance if eligible and if assistance is available. A heating fuel provider that is required by the Michigan public service commission to participate in the residential conservation services home energy analysis program shall annually contact each claimant to whom it provides heating fuel, and whose usage exceeds 200,000 cubic feet of natural gas or 18,000 kilowatt hours of electricity annually, and shall offer to provide a home energy analysis at no cost to the claimant. A heating fuel provider that is not required to participate in the residential conservation services program shall not be required to conduct a home energy analysis for its customers.

(12) If an enrolled heating fuel provider is regulated by the Michigan public service commission, the public service commission may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider. If an enrolled heating fuel provider is not regulated by the public service commission, the department of social services may use an enforcement method authorized by law or rule to enforce the requirements prescribed by this section on the enrolled heating fuel provider.

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



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

(15) The director of social services shall submit a revised state plan required by section 2605 of the low-income home energy assistance act of 1981, 42 U.S.C. 8624, to the legislature by March 1, 1989. The revised plan shall allocate the available federal low-income energy assistance program block grant money, including the private-oil company overcharge settlement money appropriated in Act No. 322 of the Public Acts of 1988, to fund the credit allowed by this section in the same percentage as was actually used to fund the credit in fiscal year 1987-88, unless the appropriations committees of the house of representatives and senate approve an alternate plan as recommended by the director of social services.

Section 2. Section 34 of the McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of the Public Acts of 1972, being section 432.34 of the Michigan Compiled Laws, is repealed effective January 1, 1988.

This act is ordered to take immediate effect.

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Secretary of the Senate.

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Clerk of the House of Representatives.

Approved .....

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Governor.