



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 1040 and 1041(as introduced 1-22-08)
Sponsor: Senator Roger Kahn, M.D. (S.B. 1040)
Senator Randy Richardville (S.B. 1041)
Committee: Energy Policy and Public Utilities

Date Completed: 1-24-08

CONTENT

Senate Bill 1040 would amend the Income Tax Act to allow a taxpayer to claim an income tax credit for participating in a qualified energy program for tax years beginning after December 31, 2008.

Senate Bill 1041 would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to require the PSC to issue orders requiring all electric suppliers in Michigan to offer green energy programs to their customers; and to require electric suppliers to notify their customers of the tax credit that Senate Bill 1040 would create.

The bills are described below in further detail.

Senate Bill 1040

Under the bill, a taxpayer could claim an income tax credit of up to \$200 per tax year equal to the difference between the cost he or she paid to supply electricity to his or her home under a qualified energy program and the cost the taxpayer would have paid to supply electricity to his or her home if he or she had not participated in the program.

"Home" would mean a principal residence exempt from local school district operating taxes under the General Property Tax Act. "Qualified energy program" would mean a green energy program approved by the PSC and certified by a nationally recognized, independent, credible third-party organization that verified both of the following:

- The green energy program met certain marketing standards established by the organization.
- The electricity sold under the program was generated from a renewable energy resource and its generation met certain environmental standards.

If the amount of the credit exceeded the taxpayer's tax liability for the tax year, that portion of the credit that exceeded the tax liability could not be refunded.

Notwithstanding any other provision of law, on the energy billing statement that was sent to the taxpayer in March of each year, the utility provider that provided a qualified energy program would have to give both of the following amounts to each taxpayer who participated in the program:

- The energy costs paid in the immediately preceding calendar year under the qualified energy program.
- The energy costs the taxpayer would have paid in the immediately preceding calendar year if he or she had not participated in the program.

Senate Bill 1041

Under the bill, after notice and hearing, the PSC would have to issue orders requiring all electric suppliers in Michigan to offer green energy programs to their customers. An electric supplier would have to include on each customer's bill the price differential for each kilowatt hour of electricity purchased from the green energy program compared to the purchase of nonrenewable electricity. A supplier would have to inform each customer on the customer's bill that an income tax credit was available for the purchase of green energy (as provided in Senate Bill 1040).

"Green energy programs" would mean programs that allowed customers to purchase electricity generated from renewable energy sources. "Renewable energy sources" would mean biomass, geothermal, solar, wind, hydroelectric (except for pump storage systems), and gas captured from the decomposition of waste.

Proposed MCL 206.253 (S.B. 1040)
Proposed MCL 460.10dd (S.B. 1041)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Senate Bill 1040

At the present time, approximately 20,000 households participate in green energy programs provided by eight utility companies in Michigan. Assuming that the additional cost incurred by these current participants to participate in these programs is at least \$200 per year, this credit would reduce income tax revenue by an estimated \$4.0 million beginning in FY 2009-10. The cost of the credit would increase to the extent that it would increase the participation in green energy programs. This loss in income tax revenue would reduce General Fund/General Purpose revenue an estimated \$3.9 million and School Aid Fund revenue an estimated \$0.1 million. Local governments would not be directly affected by this bill.

Senate Bill 1041

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Pratt
Maria Tyszkiewicz
Jay Wortley

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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.