

# Legislative Analysis



## DISASTER EXPENSES TAX CREDIT

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<http://www.house.mi.gov/hfa>

**House Bill 4387 (H-1) as reported from committee**

**Sponsor: Rep. John R. Roth**

**Committee: Finance**

**Complete to 5-14-25**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4387 would amend the Income Tax Act to allow *qualified taxpayers* to claim an individual income tax credit for *qualified expenses* incurred during the 2025 tax year to clean up, repair, restore, or rebuild the taxpayer's property or business located in the emergency area of a *qualified declaration*. The credit would be equal to the taxpayer's qualified expenses, up to a maximum of \$5,000, and would be refundable if it exceeded the taxpayer's tax liability.

*Qualified declaration* would mean the state of emergency declared by the governor on March 31, 2025, and updated on April 2, 2025, under the Emergency Management Act, for the severe winter weather and ice storm that began on March 28, 2025.<sup>1</sup>

*Qualified expenses* would mean those expenses directly attributable to the widespread power outages, impassable roads, loss of telephone and cellular services, and damages to homes, property, and businesses as a result of the severe winter weather and ice storm for which a qualified declaration was declared. At a minimum, qualified expenses would have to include the purchase of generators, chainsaws, and building materials needed to clean up, repair, restore, or rebuild the qualified taxpayer's home, property, or business. Qualified expenses would not include any expenses that were paid on behalf of the taxpayer by any source other than the taxpayer or for which the taxpayer was otherwise reimbursed from any source.

*Qualified taxpayer* would mean a taxpayer who is a resident of a county included in the emergency area of the qualified declaration (see **Background**, below).

To claim the credit, a taxpayer would have to provide reasonable proof of the qualified expenses being claimed on a form prescribed by the Department of Treasury. The form would have to include at least all of the following:

- The taxpayer's federal employer identification number or the Michigan treasury number assigned.
- The taxpayer's address in the emergency area affected by the severe winter weather and ice storm.
- A description of how the taxpayer was affected by the severe winter weather and ice storm.

Taxpayers would be prohibited from claiming the credit for any expenses that were paid for them or for which they were reimbursed from any source.

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<sup>1</sup> <https://www.michigan.gov/msp/divisions/emhsd/2025-northern-michigan-ice-storm>

The bill would allow taxpayers who are members of a flow-through entity to claim the credit against their individual income tax liability based on their distributive share of business income reported from that flow-through entity or an alternative method approved by the Department of Treasury.

Proposed MCL 206.282

#### **BRIEF DISCUSSION:**

The bill is in response to an extensive ice storm that left tens of thousands of residents in northern Michigan without power, in addition to damaging homes, roads, and other buildings and infrastructure and having other impacts on the residents.<sup>2</sup>

As referenced in the bill, the governor issued two related executive orders declaring a state of emergency under the Emergency Management Act. The state of emergency applied to the Lower Peninsula counties of Alcona, Alpena, Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Montmorency, Oscoda, Otsego, and Presque Isle and the Upper Peninsula county of Mackinac.<sup>3</sup>

Supporters of the bill argued that it would help affected taxpayers with costs that are not already covered by other state, federal, or local assistance programs.

Some raised concerns about how the Department of Treasury would verify which claimed expenses are eligible for the credit.

#### **FISCAL IMPACT:**

The bill would reduce income tax revenue by an indeterminate, but likely significant amount. The revenue reduction would be one-time in nature. As of this writing, no final assessment exists of damage and expenses that would be reimbursable under the provisions of the bill. Because the reduction is likely to occur through refunds, the impact would be borne by the general fund.

#### **POSITIONS:**

The Michigan Electric Cooperative Association indicated support for the bill. (5-6-25)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

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<sup>2</sup> <https://www.detroitnews.com/story/news/local/michigan/2025/03/30/historic-ice-storm-cripples-northern-michigan-90000-without-power/82729902007/>

<sup>3</sup> EO 2025-2 (<https://www.legislature.mi.gov/documents/2025-2026/executiveorder/pdf/2025-EO-02.pdf>), which was amended by EO 2025-3 (<https://www.legislature.mi.gov/documents/2025-2026/executiveorder/pdf/2025-EO-03.pdf>).