

**SUBSTITUTE FOR  
SENATE BILL NO. 562**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 527a (MCL 206.527a), as amended by 2022 PA 266.

**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~~**must** be  
6     determined in the following manner:

7           (a) Subject to subsections (18) and (19), the following table  
8     ~~shall~~**must** be used for the computation of a credit as computed  
9     under subdivision (c):



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

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

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

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

24 (ii) Subject to subsection (2), for a claimant whose total  
25 household resources do not exceed the maximum specified in the  
26 following table, as adjusted, that corresponds with the number of  
27 exemptions claimed in the return filed under this part, subtract  
28 11% of claimant's total household resources from the total cost  
29 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 total household resources |
|------------|---|------|---|---|---|---|------------------------------------------------------------------------------------|

Maximum

Total

Household

Resources \$7,060 \$9,501 \$11,943 \$14,382 \$16,824

(d) The maximum cost incurred by a claimant for heating fuel during a tax year ~~shall~~**must** be adjusted by multiplying the maximum cost for the immediately preceding tax year by the percentage by which the average ~~all urban Detroit~~**United States** Consumer Price Index for ~~fuels and other utilities~~**household energy** 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~~**must** be added to the maximum cost of the immediately preceding tax year and then rounded to the nearest whole dollar. That dollar amount is the new maximum cost for the current tax year. If the claimant received any credits to ~~his or her~~**the**



1 **claimant's** heating bill during the tax year, as provided for in  
2 subsection (6), the credits ~~shall be~~ **are** treated as costs incurred  
3 by the claimant.

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

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



1 ~~or her~~ **the claimant's** own records.

2 (3) A credit claimed on a return that covers a period of less  
3 than 12 months ~~shall~~ **must** be calculated based on subsection

4 (1) (c) (i) and ~~shall be~~ reduced proportionately.

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



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

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



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

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

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



1 the department and request issuance of a negotiable warrant if the  
2 energy draft is impractical because the claimant has already  
3 purchased ~~his or her~~ **the claimant's** energy supply for the year and  
4 does not have an outstanding obligation to an enrolled heating fuel  
5 provider. The department may honor that request if it agrees that  
6 the use of the energy draft is impractical. The department shall  
7 issue the warrant within 14 days after receiving the energy draft  
8 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~~ **must** 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~~ **the claimant's** heating  
18 fuel service from the date of filing a claim for the credit under  
19 this section through the date of issuance of an energy draft and  
20 during a period beginning December 1 of the tax year for which the  
21 credit is claimed and ending March 31 of the following year if the  
22 claimant participates in the winter protection program set forth in  
23 R 460.131 of the Michigan Administrative Code or if the utility  
24 accepts the claimant's energy draft. The acceptance of an energy  
25 draft by a utility is considered a request by the claimant for the  
26 winter protection program. The energy draft ~~shall~~ **must** be coded by  
27 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~~ **the claimant's** rent payments, the amount of the claim



1 not used as an offset against the state income tax, after  
2 examination and review, ~~shall~~**must** be approved for payment, without  
3 interest, to the claimant.

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

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

24 (12) ~~A~~**The department shall refer a** claimant who is eligible  
25 for the credit provided by this section ~~shall be referred by the~~  
26 ~~department~~ to the appropriate state agency for determination of  
27 eligibility for home weatherization assistance and **the claimant**  
28 shall accept weatherization assistance if eligible and if  
29 assistance is available. A heating fuel provider that is required



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

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

27 (14) The department shall mail a home heating credit return to  
28 every individual who received assistance through the department of  
29 health and human services pursuant to the social welfare act, 1939



1 PA 280, MCL 400.1 to 400.119b, during the tax year.

2 (15) The department shall complete a study by August 1 of each  
3 year, of the actual heating costs of each claimant who received a  
4 credit from the department under this section for the immediately  
5 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) The credit under this section is allowed only if there  
14 has been a federal appropriation for the federal fiscal year  
15 beginning in the tax year of federal low income home energy  
16 assistance program block grant funds of any amount. If the amount  
17 of federal low income home energy assistance program block grant  
18 funds available for the home heating credit is less than the full  
19 home heating credit amount, each individual credit claimed under  
20 this section ~~shall~~**must** be reduced by multiplying the credit amount  
21 by a fraction, the numerator of which is the amount available for  
22 the home heating credit and the denominator of which is the full  
23 home heating credit amount. As used in this subsection, "amount  
24 available for the home heating credit" means the sum of the federal  
25 low income home energy assistance program block grant allotment for  
26 this state for the federal fiscal year beginning in the tax year  
27 and the amount as certified by the director of the department of  
28 health and human services carried forward from the immediately  
29 preceding fiscal year for the low income home energy assistance



1 program block grant minus the sum of the amount certified by the  
 2 director of the department of health and human services for  
 3 administration of the low income home energy assistance program  
 4 block grant, the amount certified by the director of the department  
 5 of health and human services for crisis assistance programs, and  
 6 the amount certified by the director of the department of health  
 7 and human services for weatherization. For the 2014-2015 fiscal  
 8 year and ~~continuing through the 2026-2027~~ **each** fiscal year  
 9 **thereafter**, the amount used for weatherization each fiscal year  
 10 ~~shall~~ **must** be determined as provided under this subsection. ~~If the~~  
 11 ~~total federal low income home energy assistance program block grant~~  
 12 ~~received for the current fiscal year is greater than or equal to~~  
 13 ~~90% of the amount of block grant funds received in the immediately~~  
 14 ~~preceding fiscal year, then the~~ **The** amount of federal low income  
 15 home energy assistance program block grant funds used for  
 16 weatherization for ~~that~~ **each** fiscal year ~~shall~~ **must** be at least  
 17 ~~\$6,000,000.00 but not greater than 15%~~ **12.5%** of the total federal  
 18 low income home energy assistance program block grant funds  
 19 received for that fiscal year. ~~If the total federal low income home~~  
 20 ~~energy assistance block grant received for the current fiscal year~~  
 21 ~~is less than 90% of the amount of block grant funds received in the~~  
 22 ~~immediately preceding fiscal year, then the amount of federal low~~  
 23 ~~income home energy assistance program block grant funds used for~~  
 24 ~~weatherization for that fiscal year shall be at least \$5,000,000.00~~  
 25 ~~but not greater than 15% of the total federal low income home~~  
 26 ~~energy assistance program block grant funds received for that~~  
 27 ~~fiscal year.~~ The amounts under this subsection that require  
 28 certification by the director of the department of health and human  
 29 services or by the state treasurer and the director of the



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

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

28 (20) Notwithstanding section 30a of 1941 PA 122, MCL 205.30a,  
29 the credit allowed under this section is exempt from interception,



1 execution, levy, attachment, garnishment, or other legal process to  
 2 collect a debt. ~~No~~**The department shall not apply any** portion of  
 3 the credit allowed or any rights existing under this section ~~shall~~  
 4 ~~be applied~~ as an offset to any liability of the claimant under  
 5 section 30a of 1941 PA 122, MCL 205.30a, or any arrearage or other  
 6 debt of the claimant.

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

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

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

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

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

24 (23) As used in this section:

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

6 (d) "United States Consumer Price Index" means the United  
7 States Consumer Price Index for all urban consumers as defined and  
8 reported by the United States Department of Labor, Bureau of Labor  
9 Statistics.