



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 435 (as passed by the Senate)
Sponsor: Senator Sam Singh
Committee: Energy and Environment (discharged)

Date Completed: 8-28-25

CONTENT

The bill would amend the Income Tax Act to require the home heating credit to be adjusted annually by the United States Consumer Price Index (CPI) instead of the current all urban Detroit Consumer Price Index.

Section 527a of the Act allows residents to claim a tax credit for heating fuel costs for the resident's homestead if the resident meets certain requirements based on occupancy and income. Currently, the credit must be adjusted annually using the all urban Detroit Consumer Price Index. Under the bill, the credit would have to be adjusted annually using the United States Consumer Price Index. "United States Consumer Price Index" would mean the United States Consumer Price Index for all urban consumers as defined and reported by the United States Department of Labor, Bureau of Labor Statistics.

MCL 206.527a

BRIEF RATIONALE

According to a press release from the Sponsor's office, the Bureau of Labor Statistics is discontinuing the all urban Detroit Consumer Price Index. The Michigan Home Heating Credit is a tax credit that offsets the costs of home heating for over 250,000 low-income households in Michigan. With the discontinuation of the CPI currently used, the next appropriate CPI is the United States CPI for Household Energy. To ensure the Michigan Home Heating Credit continues to be adjusted by CPI for its beneficiaries, statutorily changing the CPI used in the calculation for inflationary adjustment has been suggested.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have no fiscal impact on State or local revenue. Federally-funded State expenditures would remain the same under the bill, although the distribution would potentially be different. The bill would allow the calculation of the alternate credit to be adjusted annually by changes in the U.S. Consumer Price Index (under current law the calculations are adjusted by the component index of the Detroit Consumer Price Index for fuels and other utilities, which is no longer computed by the Bureau of Labor Statistics). If the total amount of credits computed under the Act exceeds the funds available for distribution (the credit is paid from Federal funds), the individual credit amounts are prorated. Between 2003 and 2024, credits were prorated in every year except 2021. Because the total amount of credits is limited by available funding, changing the calculation would not affect the total amount paid as credits but would affect individual taxpayers' calculated credits and thus the prorated share of the total they would 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.