



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

BILL ANALYSIS



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

Senate Bill 562 (as introduced 9-18-25)
Sponsor: Senator Jeff Irwin
Committee: Housing and Human Services

Date Completed: 10-17-25

CONTENT

The bill would amend the Income Tax Act to increase the percentage of Low-Income Home Energy Assistance Program (LIHEAP) funding that the Department of Housing and Human Services (DHHS) must use for home weatherization assistance.

The U.S. Department of Health and Human Services administers LIHEAP, a Federal program that works to reduce costs associated with high home energy burdens, weatherization, and energy-related home repairs. Generally, states apply to the Department for LIHEAP awards and are responsible for award disbursement. Michigan uses LIHEAP funds to provide energy assistance to low-income households, including weatherization assistance (see **BACKGROUND**).

Currently, the Income Tax Act determines the amount of LIHEAP funding available to be used for weatherization assistance, among other things, as follows:

- If the total LIHEAP award received is *greater than* or equal to 90% of the prior fiscal year's award, funding for weatherization must be at least \$6.0 million, up to 15% of the total LIHEAP award.
- If the total LIHEAP award received is *less than* 90% of the prior fiscal year's award, funding for weatherization must be at least \$5.0 million, up to 15% of the total LIHEAP award.

The bill delete the requirements for weatherization allocation described above. Instead, the bill would provide that, for each fiscal year a LIHEAP award was received, at least 15% of the award would have to be used for home weatherization assistance.

MCL 206.527a

BACKGROUND

The State uses LIHEAP funds to provide the following energy assistance for low-income households: the Home Heating tax credit, energy crisis intervention, and weatherization assistance. Generally, the Department of Treasury administers the Home Heating Credit, while the DHHS oversees the other two energy assistance programs.

Currently, the Income Tax Act allows an eligible claimant to claim on a State income tax return the Home Heating Credit. Household income, exemptions, and heating costs determine eligibility for the credit. The Act requires an eligible claimant to be referred to the DHHS for determination of eligibility for home weatherization assistance, which is the process of protecting a building from the weather and making it more energy efficient. An eligible claimant must accept weatherization assistance if eligible and if assistance is available.

As for energy crisis intervention, the DHHS administers the State Emergency Relief Program, which assists in paying heating or electric bills, keeping utilities in service, or restoring service for households facing extreme hardship or emergencies.

Legislative Analyst: Abby Schneider

FISCAL IMPACT

The bill would have no impact on State or local revenue. The bill would affect the distribution of Federal funds from LIHEAP. From Federal revenue received under LIHEAP, an amount is used to pay for administrative expenses, and reductions are made for crisis assistance and weatherization assistance. Any remaining amount is used to fund payments for claims under Michigan's Home Heating Credit. If claims under the Home Heating Credit exceed the amount available to pay them, the credit amount that is paid is prorated.

Current law restricts the amount of Federal revenue that may be directed to weatherization assistance. The bill would eliminate the sunset on that restriction and replace the current ceiling on weatherization expenses with a floor. Absent the bill, weatherization assistance no longer would be restricted and if weatherization assistance expenses were more than are currently paid under current law, revenue available to pay the Home Heating Credit would be reduced (or possibly eliminated) and the proration applied to the Home Heating Credit would be greater than under current law (lowering average credits). Because the bill would swap the current 15% maximum with a 15% minimum, the bill would exhibit a similar effect and almost certainly reduce, relevant to previous years, the proportion of revenue available for the Home Heating Credit. If 100% of the expenses were used for weatherization, Home Heating Credits would effectively be eliminated.

However, the net impact of the bill on Home Heating Credits is indeterminate: the Home Heating Credit is based on energy costs, which partially reflect energy usage and presumably greater weatherization would reduce energy usage. For taxpayers with more weatherization, usage will fall and reduce claims eligible for the credit. The net effect of reducing the number and/or dollar amount of claims due to increased weatherization and reducing the revenue available to fund credits is unknown.

Fiscal Analyst: John P. Maxwell
David Zin

SAS\S2526\s562sa

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.