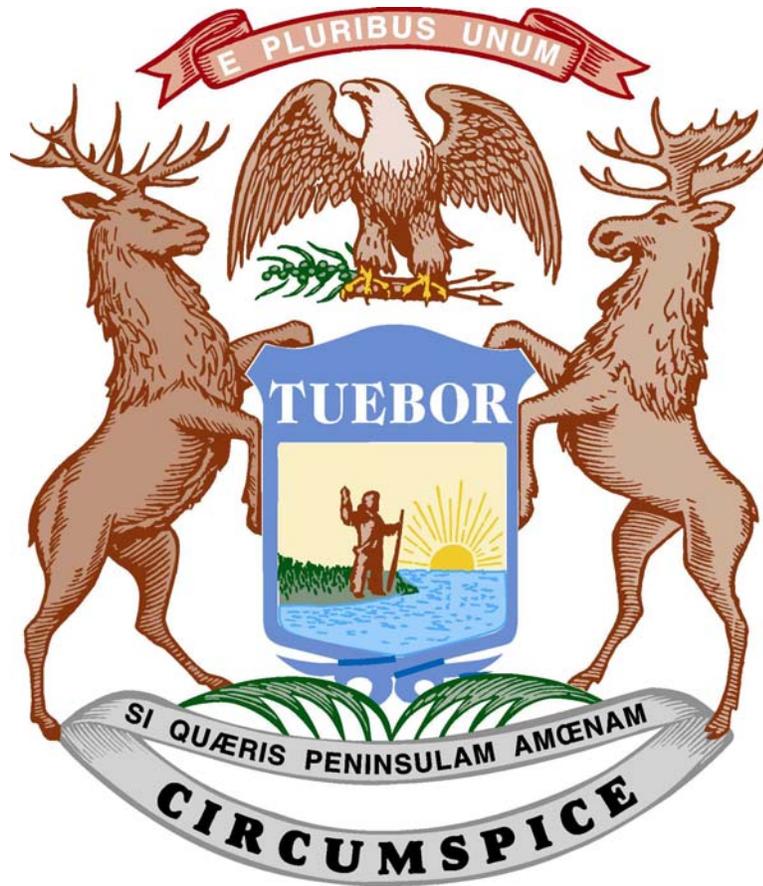


2011 Home Heating Expenses Reported by Home Heating Credit Filers



Prepared by
Office of Revenue and Tax Analysis
Michigan Department of Treasury
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Background

This report is completed in accordance with MCL 206.527a(15), which requires the Michigan Department of Treasury to complete an annual study of the heating costs of taxpayers receiving a home heating credit. The home heating credit is a refundable credit designed to assist low-income families with the cost of heating their homes. The credit was created by Public Act 458 of 1978, and is funded predominantly by federal funds disbursed to Michigan through the Low-Income Home Energy Assistance Program (LIHEAP).

The credit is based on the number of exemptions for which the household is eligible. Senior citizens, individuals who are disabled, deaf, blind, or have received unemployment compensation greater than 50 percent of their federal adjusted gross income (AGI) are entitled to extra exemptions. Prior to 1991, recipients of Aid to Families with Dependent Children or General Assistance were not eligible for this credit, but were provided comparable benefits from other state and local programs.

Michigan law requires home heating credits to be prorated or uniformly reduced so that the expected amount of total credit payments does not exceed the available federal funding. In the past few years, claimants have received only a percentage of their credit each year: 80 percent for 2003, 76 percent for 2004 through 2006, 53 percent for 2007, 65 percent for 2008 and 2009, 52 percent for 2010 and 2011, and 48 percent for 2012.

There are two methods, standard and alternative, to calculate a home heating credit. Claimants eligible to use both methods use the one that provides the higher benefit.

The standard credit for most claimants is equal to a standard allowance amount determined by the number of personal exemptions less 3.5 percent of household income. Taxpayers who rent their homestead may have heating expenses included in their rent. These taxpayers claim the credit using the standard calculation. The credit for renters with heat included in their rent is then reduced by 50 percent. Senior citizens and claimants with disabilities, who receive extra personal exemptions, have a greater average standard credit.

The alternative credit is equal to 70 percent of the difference between actual heating costs and 11 percent of household income.

Data

The detailed information in this report was gathered from the Department of Treasury's Data Warehouse based on the mainframe taxpayer tapes. The overall summary totals are from the TA-12720 reports.

Note: The data source used for this report shows approximately 60,000 more home heating credits than a summary report showing the number and amount of credits actually paid. The amount claimed exceeds the amount of credits actually paid by \$7.7 million. However, no way

was found to adjust the statistics that present the distribution of home heating credits by income or the distribution of heating expenses to eliminate the additional credit claims. It is unknown whether the inclusion of these additional records distorts the statistics presented here in a material way.

Summary of 2011 Home Heating Credits

About 461,200 taxpayers received a total of \$65.8 million in home heating credits in tax year 2011. This represented a decrease of 30,200 credits over the 2010 total, with \$4.0 million (-5.7 percent) less in heating assistance provided to low-income families. The average credit for 2011 (\$142.61) was nearly unchanged (0.5 percent higher) from the 2010 average credit (\$141.94).

A total of 68,200 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$21.9 million (about 33.3 percent of all home heating credits). The average credit under the alternative credit was \$321.36 compared to \$107.41 under the standard calculation. A total of 393,000 taxpayers used the standard calculation, claiming \$43.9 million in credits (about 66.7 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2011, approximately 60.4 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.2 percent reported that heating expenses were included in their rent. This represents about 5.8 percent of all claimants who reported that heating was included in their rent. About 76.5 percent of all claimants who reported that heating expenses were not included in their rent disclosed their heating expenses on the credit form.

Filers likely omit their heating expenses, in part, because these expenses are not required to calculate the standard credit. The attached tables are based on two subgroups of credit filers. The first subgroup is all credits with heating expenses reported. The second is all credits using the alternate credit calculation. The tables show the number of credits, reported heating expenses, and the credit amount claimed for both 2011 and 2010. The distribution of credits for each subgroup is presented by household income, credit amount, and heating expenses.

Tables 1 through 3 present the distribution of home heating credits for all credits with heating expenses reported on the credit form for tax year 2011 by income, credit amount, and expenses. Similar distributions are presented for 2010 in Tables 7 through 9.

The average heating expense amount reported for 2011 (\$1,298) was basically unchanged from the amount reported for 2010 (\$1,299). Total reported expenses decreased by \$18.0 million to \$352.0 million for 2011. The average home heating credit among those credits reporting expenses also remained basically the same from \$170 for 2010 to \$172 for 2011 (0.1 percent).

The average percentage of expenses reimbursed by the home heating credit increased minimally from 2010 (13.1 percent) to 2011 (13.3 percent).

Tables 4 through 6 present the distribution of home heating credits for filers using the alternative credit calculation method by income, credit amount, and heating expenses for 2011. Similar distributions are presented in Tables 10 through 12 for 2010.

In general, alternative-credit filers have lower average incomes and higher average heating expenses than filers using the standard-credit calculation method. The average alternative credit is also significantly larger.

The average heating expense amount reported by filers using the alternative calculation increased from \$2,137 in 2010 to \$2,177 in 2011 (1.9 percent). Total credits decreased by \$0.8 million to \$21.6 million in 2011. The average credit using the alternative calculation increased from \$319 in 2010 to \$322 in 2011 (0.9 percent). Claimants using the alternative calculation had an average of 14.8 percent of their reported heating expenses reimbursed by the home heating credit in 2011, virtually the same average reported in 2010 (14.9 percent).

Table 1
2011 Home Heating Credits Reporting Heating Expenses by Household Income

Household Income	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$3,000	13,277	\$15,008,098	\$1,130	\$5,232,469	\$394	34.9%
\$3,001 - \$6,000	15,069	16,665,883	1,106	4,251,245	282	25.5%
\$6,001 - \$9,000	45,012	52,565,268	1,168	10,103,703	224	19.2%
\$9,001 - \$12,000	56,091	68,822,066	1,227	9,931,095	177	14.4%
\$12,001 - \$15,000	53,921	71,039,390	1,317	7,932,935	147	11.2%
Over \$15,000	<u>87,925</u>	<u>127,911,055</u>	1,455	<u>9,274,398</u>	105	7.3%
Total	271,295	\$352,011,760	\$1,298	\$46,725,845	\$172	13.3%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 2
2011 Home Heating Credits Reporting Heating Expenses by Credit Amount

Credit Amount	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$100	102,666	\$109,055,558	\$1,062	\$5,283,009	\$51	4.8%
\$101 - \$150	51,490	54,614,529	1,061	6,465,877	126	11.8%
\$151 - \$200	32,477	38,800,121	1,195	5,612,138	173	14.5%
\$201 - \$250	24,391	31,964,755	1,311	5,424,943	222	17.0%
\$251 - \$300	16,510	25,153,329	1,524	4,524,719	274	18.0%
More than \$300	<u>43,761</u>	<u>92,423,468</u>	2,112	<u>19,415,159</u>	444	21.0%
Total	271,295	\$352,011,760	\$1,298	\$46,725,845	\$172	13.3%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 3
2011 Home Heating Credits Reporting Heating Expenses by Heating Expenses

Annual Heating Expenses	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$500	27,911	\$8,356,534	\$299	\$3,306,553	\$118	39.6%
\$501 - \$750	39,085	24,445,832	625	4,721,756	121	19.3%
\$751 - \$1,000	49,572	43,254,096	873	6,216,040	125	14.4%
\$1,001 - \$1,500	72,143	87,267,085	1,210	10,209,769	142	11.7%
More than \$1,500	<u>82,584</u>	<u>188,688,213</u>	2,285	<u>22,271,727</u>	270	11.8%
Total	271,295	\$352,011,760	\$1,298	\$46,725,845	\$172	13.3%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 4
2011 Home Heating Credits Reporting Heating Expenses by Household Income
Alternate Credit Filers Only

<u>Household Income</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$3,000	7,860	\$11,496,745	\$1,463	\$3,755,299	\$478	32.7%
\$3,001 - \$6,000	6,321	10,728,664	1,697	2,513,666	398	23.4%
\$6,001 - \$9,000	14,665	28,833,376	1,966	5,290,471	361	18.3%
\$9,001 - \$12,000	15,036	33,272,717	2,213	4,837,246	322	14.5%
\$12,001 - \$15,000	11,840	29,486,423	2,490	3,234,917	273	11.0%
Over \$15,000	11,262	31,999,089	2,841	1,960,995	174	6.1%
Total	66,984	\$145,817,014	\$2,177	\$21,592,594	\$322	14.8%

Note:

- . The household income limits for the alternate credit for tax year 2009 were \$12,590 for one-person households, \$16,942 for two, \$21,298 for three, and \$21,373 for all others (same as in 2008).

Table 5
2011 Home Heating Credits Reporting Heating Expenses by Credit Amount
Alternate Credit Filers Only

<u>Credit Amount</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$100	5,042	\$10,112,471	\$2,006	\$324,483	\$64	3.2%
\$101 - \$150	5,887	11,324,788	1,924	741,471	126	6.5%
\$151 - \$200	7,134	13,318,279	1,867	1,245,900	175	9.4%
\$201 - \$250	7,828	15,327,466	1,958	1,755,827	224	11.5%
\$251 - \$300	7,776	15,977,793	2,055	2,131,246	274	13.3%
More than \$300	33,317	79,756,217	2,394	15,393,667	462	19.3%
Total	66,984	\$145,817,014	\$2,177	\$21,592,594	\$322	14.8%

Table 6
2011 Home Heating Credits Reporting Heating Expenses by Heating Expenses
Alternate Credit Filers Only

<u>Annual Heating Expenses</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$500	19	\$5,173	\$272	\$981	\$52	19.0%
\$501 - \$750	520	351,990	677	117,277	226	33.3%
\$751 - \$1,000	2,270	2,023,738	892	559,788	247	27.7%
\$1,001 - \$1,500	10,899	13,916,657	1,277	2,621,141	240	18.8%
More than \$1,500	53,276	129,519,456	2,431	18,293,407	343	14.1%
Total	66,984	\$145,817,014	\$2,177	\$21,592,594	\$322	14.8%

Table 7
2010 Home Heating Credits Reporting Heating Expenses by Household Income

<u>Household Income</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$3,000	13,154	\$14,904,652	\$1,133	\$5,244,168	\$399	35.2%
\$3,001 - \$6,000	16,298	18,044,470	1,107	4,640,636	285	25.7%
\$6,001 - \$9,000	47,474	55,479,214	1,169	10,637,680	224	19.2%
\$9,001 - \$12,000	57,968	70,751,074	1,221	10,071,440	174	14.2%
\$12,001 - \$15,000	56,907	75,093,308	1,320	8,222,651	144	10.9%
Over \$15,000	<u>93,016</u>	<u>135,744,259</u>	1,459	<u>9,509,116</u>	102	7.0%
Total	284,817	\$370,016,977	\$1,299	\$48,325,691	\$170	13.1%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 8
2010 Home Heating Credits Reporting Heating Expenses by Credit Amount

<u>Credit Amount</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$100	110,164	\$118,821,322	\$1,079	\$5,565,817	\$51	4.7%
\$101 - \$150	53,455	57,498,120	1,076	6,696,100	125	11.6%
\$151 - \$200	33,863	40,479,452	1,195	5,854,967	173	14.5%
\$201 - \$250	25,250	32,984,222	1,306	5,612,941	222	17.0%
\$251 - \$300	17,242	26,272,898	1,524	4,722,603	274	18.0%
More than \$300	<u>44,843</u>	<u>93,960,963</u>	2,095	<u>19,873,263</u>	443	21.2%
Total	284,817	\$370,016,977	\$1,299	\$48,325,691	\$170	13.1%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 9
2010 Home Heating Credits Reporting Heating Expenses by Heating Expenses

<u>Annual Heating Expenses</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$500	28,715	\$8,501,986	\$296	\$3,367,299	\$117	39.6%
\$501 - \$750	38,778	24,244,594	625	4,602,548	119	19.0%
\$751 - \$1,000	50,775	44,333,847	873	6,252,002	123	14.1%
\$1,001 - \$1,500	78,508	94,887,842	1,209	10,952,905	140	11.5%
More than \$1,500	<u>88,041</u>	<u>198,048,708</u>	2,250	<u>23,150,937</u>	263	11.7%
Total	284,817	\$370,016,977	\$1,299	\$48,325,691	\$170	13.1%

Note:

. Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.

Table 10
2010 Home Heating Credits Reporting Heating Expenses by Household Income
Alternate Credit Filers Only

<u>Household Income</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$3,000	8,072	\$11,859,223	\$1,469	\$3,895,701	\$483	32.8%
\$3,001 - \$6,000	6,898	11,605,975	1,683	2,748,377	398	23.7%
\$6,001 - \$9,000	15,861	30,592,583	1,929	5,620,149	354	18.4%
\$9,001 - \$12,000	15,422	33,264,224	2,157	4,778,839	310	14.4%
\$12,001 - \$15,000	12,382	30,505,090	2,464	3,349,956	271	11.0%
Over \$15,000	11,427	31,863,062	2,788	1,951,180	171	6.1%
Total	70,062	\$149,690,157	\$2,137	\$22,344,202	\$319	14.9%

Note:

- . The household income limits for the alternate credit for tax year 2010 were \$12,691 for one-person households, \$17,078 for two, \$21,469 for three, and \$22,782 for all others.

Table 11
2010 Home Heating Credits Reporting Heating Expenses by Credit Amount
Alternate Credit Filers Only

<u>Credit Amount</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$100	5,537	\$10,640,902	\$1,922	\$353,701	\$64	3.3%
\$101 - \$150	6,393	12,205,722	1,909	802,914	126	6.6%
\$151 - \$200	7,608	14,057,155	1,848	1,329,937	175	9.5%
\$201 - \$250	8,257	15,771,379	1,910	1,855,906	225	11.8%
\$251 - \$300	8,101	16,301,567	2,012	2,220,455	274	13.6%
More than \$300	34,166	80,713,432	2,362	15,781,289	462	19.6%
Total	70,062	\$149,690,157	\$2,137	\$22,344,202	\$319	14.9%

Table 12
2010 Home Heating Credits Reporting Heating Expenses by Heating Expenses
Alternate Credit Filers Only

<u>Annual Heating Expenses</u>	<u>Number of Credits</u>	<u>Total Expenses Reported</u>	<u>Average Expense Amount</u>	<u>Total Credit Amount</u>	<u>Average Credit Amount</u>	<u>Credit as Percent of Expenses</u>
Up to \$500	45	\$14,664	\$326	\$4,318	\$96	29.4%
\$501 - \$750	522	350,953	672	111,788	214	31.9%
\$751 - \$1,000	2,355	2,102,295	893	567,332	241	27.0%
\$1,001 - \$1,500	11,994	15,330,513	1,278	2,856,463	238	18.6%
More than \$1,500	55,146	131,891,732	2,392	18,804,301	341	14.3%
Total	70,062	\$149,690,157	\$2,137	\$22,344,202	\$319	14.9%