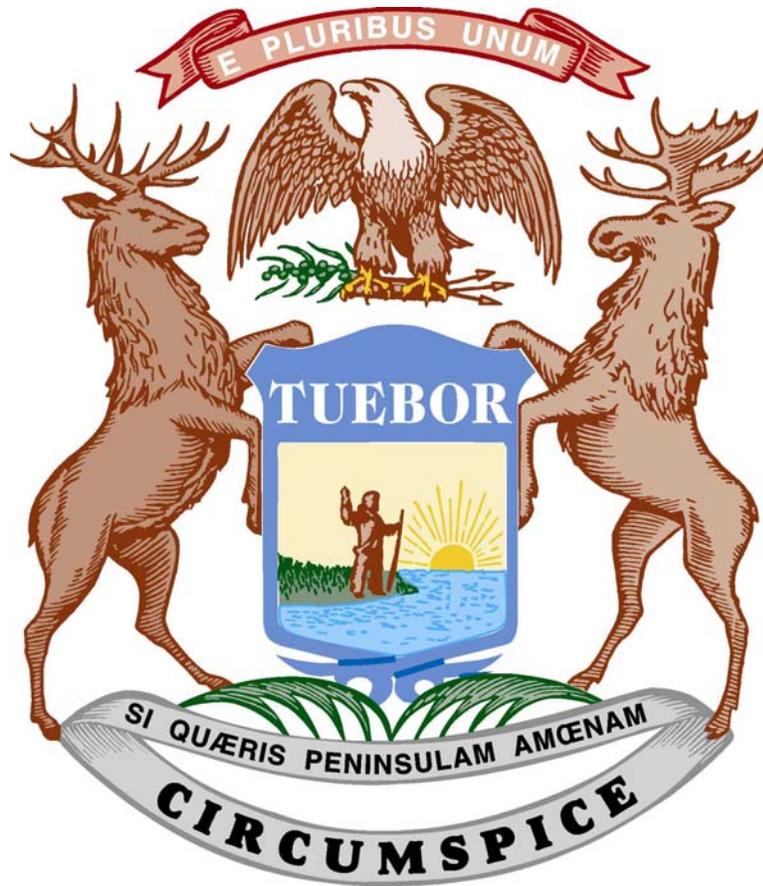


2010 Home Heating Expenses Reported by Home Heating Credit Filers



Prepared by
Office of Revenue and Tax Analysis
Michigan Department of Treasury
July 2012

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, and 52 percent for 2010 and 2011.

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.

Summary of 2010 Home Heating Credits

About 491,400 taxpayers received a total of \$69.8 million in home heating credits in tax year 2010. This represented an increase of 6,700 credits over the 2009 total, with \$19.0 million (-21.4 percent) less in heating assistance provided to low-income families. The average credit for 2010 (\$141.94) was 22.5 percent lower than the 2009 average credit (\$183.09). The decline reflects the 20 percentage reduction in the proration percentage, from 65 percent to 52 percent.

A total of 74,300 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$23.8 million (about 34.1 percent of all home heating credits). The average credit under the alternative credit was \$320.42 compared to \$106.00 under the standard calculation. A total of 417,100 taxpayers used the standard calculation, claiming \$46.0 million in credits (about 65.9 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2010, approximately 61.1 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.1 percent reported that heating expenses were included in their rent. This represents about 5.4 percent of all claimants who reported that heating was included in their rent. About 78.3 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 2010 and 2009. 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 2010 by income, credit amount, and expenses. Similar distributions are presented for 2009 in Tables 7 through 9.

The average heating expense amount reported a decrease from \$1,372 for 2009 to \$1,299 for 2010 (-5.3 percent). Total reported expenses decreased by \$25.6 million to \$370.0 million for 2010. The average home heating credit among those credits reporting expenses decreased from \$221 for 2009 to \$170 for 2010 (-23.1 percent). The average percentage of expenses reimbursed by the home heating credit decreased from 2009 (16.1 percent) to 2010 (13.1 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 2010. Similar distributions are presented in Tables 10 through 12 for 2009.

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 \$2,108 in 2009 to \$2,137 in 2010 (1.4 percent). Total credits decreased by \$9.6 million to \$22.3 million in 2010. The average credit using the alternative calculation decreased from \$397 in 2009 to \$319 in 2010 (19.6 percent). Claimants using the alternative calculation had an average of 14.9 percent of their reported heating expenses reimbursed by the home heating credit in 2010, a decrease from the average of 18.8 percent in 2009.

Table 1
2010 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	13,154	\$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 2
2010 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	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 3
2010 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	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 4
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 5
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 6
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%

Table 7
2009 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	15,222	\$18,115,760	\$1,190	\$7,841,989	\$515	43.3%
\$3,001 - \$6,000	16,767	19,403,518	1,157	6,122,678	365	31.6%
\$6,001 - \$9,000	48,657	61,367,218	1,261	14,275,196	293	23.3%
\$9,001 - \$12,000	58,154	76,315,685	1,312	13,258,068	228	17.4%
\$12,001 - \$15,000	57,349	80,126,530	1,397	10,480,394	183	13.1%
Over \$15,000	<u>92,185</u>	<u>140,285,556</u>	1,522	<u>11,774,557</u>	128	8.4%
Total	288,334	\$395,614,267	\$1,372	\$63,752,882	\$221	16.1%

Note:

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

Table 8
2009 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	86,565	\$99,197,232	\$1,146	\$4,506,417	\$52	4.5%
\$101 - \$150	40,672	46,955,162	1,154	5,047,020	124	10.7%
\$151 - \$200	39,744	45,334,231	1,141	6,903,312	174	15.2%
\$201 - \$250	25,951	33,043,222	1,273	5,793,593	223	17.5%
\$251 - \$300	22,092	30,114,105	1,363	6,028,487	273	20.0%
More than \$300	<u>73,310</u>	<u>140,970,315</u>	1,923	<u>35,474,053</u>	484	25.2%
Total	288,334	\$395,614,267	\$1,372	\$63,752,882	\$221	16.1%

Note:

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

Table 9
2009 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	24,684	\$7,331,989	\$297	\$3,669,844	\$149	50.1%
\$501 - \$750	31,452	19,623,969	624	4,770,499	152	24.3%
\$751 - \$1,000	46,075	40,374,984	876	7,227,986	157	17.9%
\$1,001 - \$1,500	85,209	103,737,218	1,217	15,128,090	178	14.6%
More than \$1,500	<u>100,914</u>	<u>224,546,107</u>	2,225	<u>32,956,463</u>	327	14.7%
Total	288,334	\$395,614,267	\$1,372	\$63,752,882	\$221	16.1%

Note:

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

Table 10
2009 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	9,890	\$14,528,310	\$1,469	\$5,959,518	\$603	41.0%
\$3,001 - \$6,000	7,861	13,080,906	1,664	3,857,671	491	29.5%
\$6,001 - \$9,000	19,034	37,019,872	1,945	8,400,171	441	22.7%
\$9,001 - \$12,000	18,188	39,358,407	2,164	6,921,424	381	17.6%
\$12,001 - \$15,000	14,069	34,386,972	2,444	4,523,272	322	13.2%
Over \$15,000	11,290	30,981,731	2,744	2,244,650	199	7.2%
Total	80,332	\$169,356,198	\$2,108	\$31,906,706	\$397	18.8%

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 11
2009 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	4,000	\$7,662,402	\$1,916	\$255,998	\$64	3.3%
\$101 - \$150	4,634	9,062,626	1,956	581,774	126	6.4%
\$151 - \$200	6,137	11,494,853	1,873	1,075,790	175	9.4%
\$201 - \$250	6,922	12,552,274	1,813	1,555,806	225	12.4%
\$251 - \$300	7,762	14,782,750	1,905	2,132,043	275	14.4%
More than \$300	50,877	113,801,293	2,237	26,305,295	517	23.1%
Total	80,332	\$169,356,198	\$2,108	\$31,906,706	\$397	18.8%

Table 12
2009 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	13	\$2,431	\$187	\$691	\$53	28.4%
\$501 - \$750	444	299,835	675	124,264	280	41.4%
\$751 - \$1,000	2,538	2,267,742	894	794,641	313	35.0%
\$1,001 - \$1,500	14,176	18,202,311	1,284	4,367,873	308	24.0%
More than \$1,500	63,161	148,583,879	2,352	26,619,237	421	17.9%
Total	80,332	\$169,356,198	\$2,108	\$31,906,706	\$397	18.8%