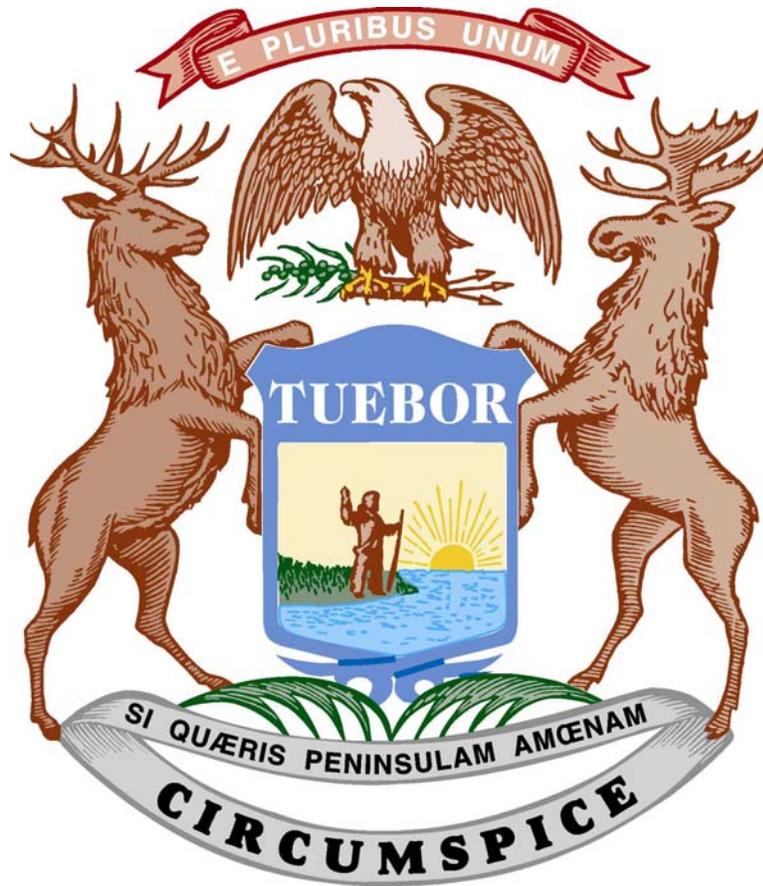


2012 Home Heating Expenses Reported by Home Heating Credit Filers



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, 48 percent for 2012, and 49 percent for 2013.

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 resources¹. 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.

¹ Starting in tax year 2012, the household income measure used to determine home heating credit eligibility is replaced by household resources. Household resources exclude net losses from business (including farm), rental and royalties, and also excludes net operating losses. For more information on total household resources, visit <http://www.michigan.gov/taxes/0,1607,7-238-43513-235899--,00.html>

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 2012 Home Heating Credits

About 375,700 taxpayers received a total of \$47.9 million in home heating credits in tax year 2012. This represented a decrease of 85,500 credits over the 2011 total, with \$17.8 million (-27.1 percent) less in heating assistance provided to low-income families. The average credit for 2012 (\$127.64) was 10.5 percent lower than the 2011 average credit (\$142.61).

A total of 49,300 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$14.3 million (about 29.9 percent of all home heating credits). The average credit under the alternative credit was \$289.97 compared to \$98.83 under the standard calculation. A total of 326,400 taxpayers used the standard calculation, claiming \$33.6 million in credits (about 70.1 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2012, approximately 59.7 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.4 percent reported that heating expenses were included in their rent. This represents about 6.5 percent of all claimants who reported that heating was included in their rent. About 74.8 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 2012 and 2011. 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 2012 by income, credit amount, and expenses. Similar distributions are presented for 2011 in Tables 7 through 9.

The average heating expense amount reported for 2012 (\$1,198) was lower than the amount reported for 2011 (\$1,298). Total reported expenses decreased by \$91.3 million to \$260.7 million for 2012. The average home heating credit among those credits reporting expenses also

decreased, from \$172 for 2011 to \$154 for 2012 (-10.5 percent). The average percentage of expenses reimbursed by the home heating credit reduced slightly from 2011 (13.3 percent) to 2012 (12.8 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 2012. Similar distributions are presented in Tables 10 through 12 for 2011.

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 remained virtually unchanged from \$2,177 in 2011 to \$2,172 in 2012 (0.2 percent). Total credits decreased by \$7.4 million to \$14.2 million in 2011. The average credit using the alternative calculation decreased from \$322 in 2011 to \$293 in 2012 (-9.0 percent). Claimants using the alternative calculation had an average of 13.5 percent of their reported heating expenses reimbursed by the home heating credit in 2012, slightly lower than the average reported in 2011 (14.8 percent).

Table 1
2012 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	8,970	\$9,147,877	\$1,020	\$2,913,900	\$325	31.9%
\$3,001 - \$6,000	13,003	12,818,486	986	3,127,591	241	24.4%
\$6,001 - \$9,000	39,445	41,198,321	1,044	7,308,850	185	17.7%
\$9,001 - \$12,000	50,773	56,816,203	1,119	7,322,156	144	12.9%
\$12,001 - \$15,000	38,188	48,673,473	1,275	5,638,023	148	11.6%
Over \$15,000	<u>67,207</u>	<u>92,014,503</u>	1,369	<u>7,130,706</u>	106	7.7%
Total	217,586	\$260,668,863	\$1,198	\$33,441,226	\$154	12.8%

Note:

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

Table 2
2012 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	92,685	\$88,336,375	\$953	\$4,676,011	\$50	5.3%
\$101 - \$150	41,729	41,096,074	985	5,209,178	125	12.7%
\$151 - \$200	25,146	28,622,527	1,138	4,353,152	173	15.2%
\$201 - \$250	18,234	23,421,073	1,284	4,038,453	221	17.2%
\$251 - \$300	12,255	18,596,654	1,517	3,345,794	273	18.0%
More than \$300	<u>27,537</u>	<u>60,596,160</u>	2,201	<u>11,818,638</u>	429	19.5%
Total	217,586	\$260,668,863	\$1,198	\$33,441,226	\$154	12.8%

Note:

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

Table 3
2012 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	30,719	\$9,677,605	\$315	\$3,264,132	\$106	33.7%
\$501 - \$750	41,194	25,602,147	622	4,516,093	110	17.6%
\$751 - \$1,000	39,447	34,236,771	868	4,578,896	116	13.4%
\$1,001 - \$1,500	48,906	58,803,860	1,202	6,379,897	130	10.8%
More than \$1,500	<u>57,320</u>	<u>132,348,480</u>	2,309	<u>14,702,208</u>	256	11.1%
Total	217,586	\$260,668,863	\$1,198	\$33,441,226	\$154	12.8%

Note:

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

Table 4
2012 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	4,506	\$6,545,758	\$1,453	\$1,899,596	\$422	29.0%
\$3,001 - \$6,000	4,516	7,446,866	1,649	1,625,444	360	21.8%
\$6,001 - \$9,000	10,889	20,885,846	1,918	3,503,251	322	16.8%
\$9,001 - \$12,000	12,048	26,150,797	2,171	3,505,679	291	13.4%
\$12,001 - \$15,000	8,495	21,147,382	2,489	2,238,298	263	10.6%
Over \$15,000	8,090	23,251,735	2,874	1,435,817	177	6.2%
Total	48,544	\$105,428,384	\$2,172	\$14,208,085	\$293	13.5%

Note:

- The household resources limits for the alternate credit for tax year 2012 were \$13,317 for one-person households, \$17,920 for two, \$22,527 for three, and \$23,618 for all others.

Table 5
2012 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	5,049	\$8,920,807	\$1,767	\$321,441	\$64	3.6%
\$101 - \$150	5,026	9,161,993	1,823	631,688	126	6.9%
\$151 - \$200	5,783	10,618,141	1,836	1,009,592	175	9.5%
\$201 - \$250	6,109	11,913,933	1,950	1,368,985	224	11.5%
\$251 - \$300	5,641	11,903,864	2,110	1,545,337	274	13.0%
More than \$300	20,936	52,909,646	2,527	9,331,042	446	17.6%
Total	48,544	\$105,428,384	\$2,172	\$14,208,085	\$293	13.5%

Table 6
2012 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	39	\$12,795	\$328	\$3,490	\$89	27.3%
\$501 - \$750	403	273,953	680	78,790	196	28.8%
\$751 - \$1,000	1,654	1,471,347	890	358,958	217	24.4%
\$1,001 - \$1,500	8,817	11,228,776	1,274	1,627,907	185	14.5%
More than \$1,500	37,631	92,441,513	2,457	12,138,940	323	13.1%
Total	48,544	\$105,428,384	\$2,172	\$14,208,085	\$293	13.5%

Table 7
2011 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	13,277	\$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	87,925	127,911,055	1,455	9,274,398	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 8
2011 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	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	43,761	92,423,468	2,112	19,415,159	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 9
2011 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	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	82,584	188,688,213	2,285	22,271,727	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 10
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	<u>11,262</u>	<u>31,999,089</u>	2,841	<u>1,960,995</u>	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 2011 were \$12,973 for one-person households, \$17,458 for two, \$21,946 for three, and \$22,782 for all others.

Table 11
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	<u>33,317</u>	<u>79,756,217</u>	2,394	<u>15,393,667</u>	462	19.3%
Total	66,984	\$145,817,014	\$2,177	\$21,592,594	\$322	14.8%

Table 12
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	<u>53,276</u>	<u>129,519,456</u>	2,431	<u>18,293,407</u>	343	14.1%
Total	66,984	\$145,817,014	\$2,177	\$21,592,594	\$322	14.8%