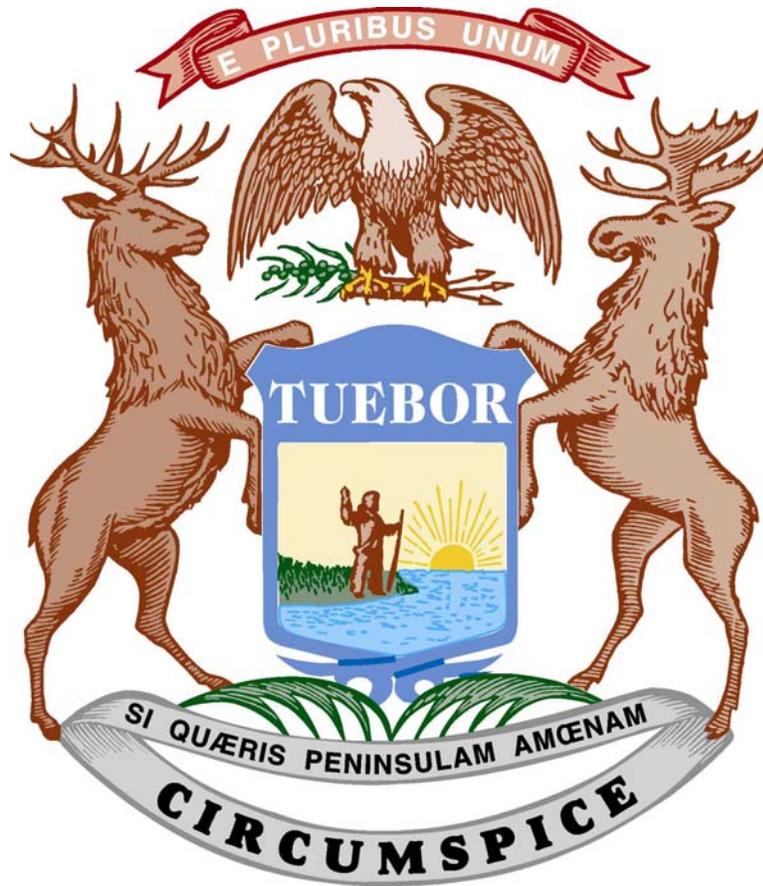


# 2013 Home Heating Expenses Reported by Home Heating Credit Filers



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. Individuals who are disabled, deaf, blind, or qualified disabled veterans 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, 49 percent for 2013, and 50 percent for 2014.

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 resources<sup>1</sup>. 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. 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**

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<sup>1</sup> 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 exclude net operating losses. For more information on total household resources, visit <http://www.michigan.gov/taxes/0,1607,7-238-43513-235899--,00.html>

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 2013 Home Heating Credits**

About 356,200 taxpayers received a total of \$48.5 million in home heating credits in tax year 2013. This represented a decrease of 19,500 credits over the 2012 total, with \$0.5 million (1.1 percent) more in heating assistance provided to low-income families. The average credit for 2013 (\$136.06) was 6.6 percent higher than the 2012 average credit (\$127.64).

A total of 45,800 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$14.1 million (about 29.1 percent of all home heating credits). The average credit under the alternative credit was \$308.77 compared to \$103.80 under the standard calculation. A total of 310,400 taxpayers used the standard calculation, claiming \$34.4 million in credits (about 70.9 percent of all home heating credits).

### **Home Heating Expenses**

From the total claimants of the home heating credits in tax year 2013, approximately 55.7 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 6.1 percent of all claimants who reported that heating was included in their rent. About 69.2 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 2013 and 2012. 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 2013 by income, credit amount, and expenses. Similar distributions are presented for 2012 in Tables 7 through 9.

The average heating expense amount reported for 2013 (\$1,238) was higher than the amount reported for 2012 (\$1,198). Total reported expenses decreased by \$22.1 million to \$238.6 million for 2013. The average home heating credit among those credits reporting expenses increased, from \$154 for 2012 to \$164 for 2013 (6.5 percent). The average percentage of

expenses reimbursed by the home heating credit increased from 2012 (12.8 percent) to 2013 (13.2 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 2013. Similar distributions are presented in Tables 10 through 12 for 2012.

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 slightly from \$2,172 in 2012 to \$2,218 in 2013 (2.1 percent). Total credits decreased by 0.2 million to \$14.0 million in 2013. The average credit using the alternative calculation increased from \$293 in 2012 to \$311 in 2013 (6.1 percent). Claimants using the alternative calculation had an average of 14.0 percent of their reported heating expenses reimbursed by the home heating credit in 2013, slightly higher than the average reported in 2012 (13.5 percent).

**Table 1**  
**2013 Home Heating Credits Reporting Heating Expenses by Household Income**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$3,000	8,045	\$8,366,940	\$1,040	\$2,761,263	\$343	33.0%
\$3,001 - \$6,000	10,904	11,371,484	1,043	2,826,390	259	24.9%
\$6,001 - \$9,000	34,257	37,104,264	1,083	6,793,677	198	18.3%
\$9,001 - \$12,000	44,033	50,971,630	1,158	6,996,238	159	13.7%
\$12,001 - \$15,000	35,559	46,809,818	1,316	5,566,604	157	11.9%
Over \$15,000	59,826	83,935,228	1,403	6,657,849	111	7.9%
<b>Total</b>	<b>192,624</b>	<b>\$238,559,364</b>	<b>\$1,238</b>	<b>\$31,602,021</b>	<b>\$164</b>	<b>13.2%</b>

Note:

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

**Table 2**  
**2013 Home Heating Credits Reporting Heating Expenses by Credit Amount**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$100	77,059	\$74,730,842	\$970	\$3,895,526	\$51	5.2%
\$101 - \$150	37,132	37,136,824	1,000	4,687,570	126	12.6%
\$151 - \$200	21,993	25,195,096	1,146	3,810,031	173	15.1%
\$201 - \$250	16,977	21,388,676	1,260	3,771,605	222	17.6%
\$251 - \$300	11,251	17,208,128	1,529	3,086,076	274	17.9%
More than \$300	28,212	62,899,798	2,230	12,351,213	438	19.6%
<b>Total</b>	<b>192,624</b>	<b>\$238,559,364</b>	<b>\$1,238</b>	<b>\$31,602,021</b>	<b>\$164</b>	<b>13.2%</b>

Note:

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

**Table 3**  
**2013 Home Heating Credits Reporting Heating Expenses by Heating Expenses**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$500	25,690	\$7,885,787	\$307	\$2,880,285	\$112	36.5%
\$501 - \$750	34,390	21,402,883	622	3,923,281	114	18.3%
\$751 - \$1,000	34,336	29,785,212	867	4,134,861	120	13.9%
\$1,001 - \$1,500	43,968	52,944,615	1,204	5,963,623	136	11.3%
More than \$1,500	54,240	126,540,867	2,333	14,699,971	271	11.6%
<b>Total</b>	<b>192,624</b>	<b>\$238,559,364</b>	<b>\$1,238</b>	<b>\$31,602,021</b>	<b>\$164</b>	<b>13.2%</b>

Note:

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

**Table 4**  
**2013 Home Heating Credits Reporting Heating Expenses by Household Income**  
**Alternate Credit Filers Only**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$3,000	4,063	\$6,108,076	\$1,503	\$1,819,705	\$448	29.8%
\$3,001 - \$6,000	4,093	6,980,574	1,705	1,565,737	383	22.4%
\$6,001 - \$9,000	9,886	19,462,910	1,969	3,373,936	341	17.3%
\$9,001 - \$12,000	11,118	24,515,184	2,205	3,454,771	311	14.1%
\$12,001 - \$15,000	8,422	21,295,904	2,529	2,362,925	281	11.1%
Over \$15,000	7,374	21,347,537	2,895	1,412,702	192	6.6%
<b>Total</b>	<b>44,956</b>	<b>\$99,710,185</b>	<b>\$2,218</b>	<b>\$13,989,776</b>	<b>\$311</b>	<b>14.0%</b>

Note:

- The household resources limits for the alternate credit for tax year 2013 were \$13,576 for one-person households, \$18,269 for two, \$22,967 for three, and \$24,018 for all others.

**Table 5**  
**2013 Home Heating Credits Reporting Heating Expenses by Credit Amount**  
**Alternate Credit Filers Only**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$100	3,994	\$7,125,665	\$1,784	\$254,543	\$64	3.6%
\$101 - \$150	4,228	7,717,524	1,825	531,537	126	6.9%
\$151 - \$200	4,896	8,934,288	1,825	857,290	175	9.6%
\$201 - \$250	5,289	10,262,687	1,940	1,187,857	225	11.6%
\$251 - \$300	5,180	11,021,127	2,128	1,421,642	274	12.9%
More than \$300	21,369	54,648,894	2,557	9,736,907	456	17.8%
<b>Total</b>	<b>44,956</b>	<b>\$99,710,185</b>	<b>\$2,218</b>	<b>\$13,989,776</b>	<b>\$311</b>	<b>14.0%</b>

**Table 6**  
**2013 Home Heating Credits Reporting Heating Expenses by Heating Expenses**  
**Alternate Credit Filers Only**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$500	29	\$9,902	\$341	\$2,494	\$86	25.2%
\$501 - \$750	263	182,111	692	55,804	212	30.6%
\$751 - \$1,000	1,300	1,156,842	890	297,295	229	25.7%
\$1,001 - \$1,500	7,543	9,648,169	1,279	1,458,192	193	15.1%
More than \$1,500	35,821	88,713,161	2,477	12,175,991	340	13.7%
<b>Total</b>	<b>44,956</b>	<b>\$99,710,185</b>	<b>\$2,218</b>	<b>\$13,989,776</b>	<b>\$311</b>	<b>14.0%</b>

**Table 7**  
**2012 Home Heating Credits Reporting Heating Expenses by Household Income**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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	67,207	92,014,503	1,369	7,130,706	106	7.7%
<b>Total</b>	<b>217,586</b>	<b>\$260,668,863</b>	<b>\$1,198</b>	<b>\$33,441,226</b>	<b>\$154</b>	<b>12.8%</b>

Note:

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

**Table 8**  
**2012 Home Heating Credits Reporting Heating Expenses by Credit Amount**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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	27,537	60,596,160	2,201	11,818,638	429	19.5%
<b>Total</b>	<b>217,586</b>	<b>\$260,668,863</b>	<b>\$1,198</b>	<b>\$33,441,226</b>	<b>\$154</b>	<b>12.8%</b>

Note:

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

**Table 9**  
**2012 Home Heating Credits Reporting Heating Expenses by Heating Expenses**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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	57,320	132,348,480	2,309	14,702,208	256	11.1%
<b>Total</b>	<b>217,586</b>	<b>\$260,668,863</b>	<b>\$1,198</b>	<b>\$33,441,226</b>	<b>\$154</b>	<b>12.8%</b>

Note:

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

**Table 10**  
**2012 Home Heating Credits Reporting Heating Expenses by Household Income**  
**Alternate Credit Filers Only**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>48,544</b>	<b>\$105,428,384</b>	<b>\$2,172</b>	<b>\$14,208,085</b>	<b>\$293</b>	<b>13.5%</b>

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 11**  
**2012 Home Heating Credits Reporting Heating Expenses by Credit Amount**  
**Alternate Credit Filers Only**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>48,544</b>	<b>\$105,428,384</b>	<b>\$2,172</b>	<b>\$14,208,085</b>	<b>\$293</b>	<b>13.5%</b>

**Table 12**  
**2012 Home Heating Credits Reporting Heating Expenses by Heating Expenses**  
**Alternate Credit Filers Only**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>48,544</b>	<b>\$105,428,384</b>	<b>\$2,172</b>	<b>\$14,208,085</b>	<b>\$293</b>	<b>13.5%</b>