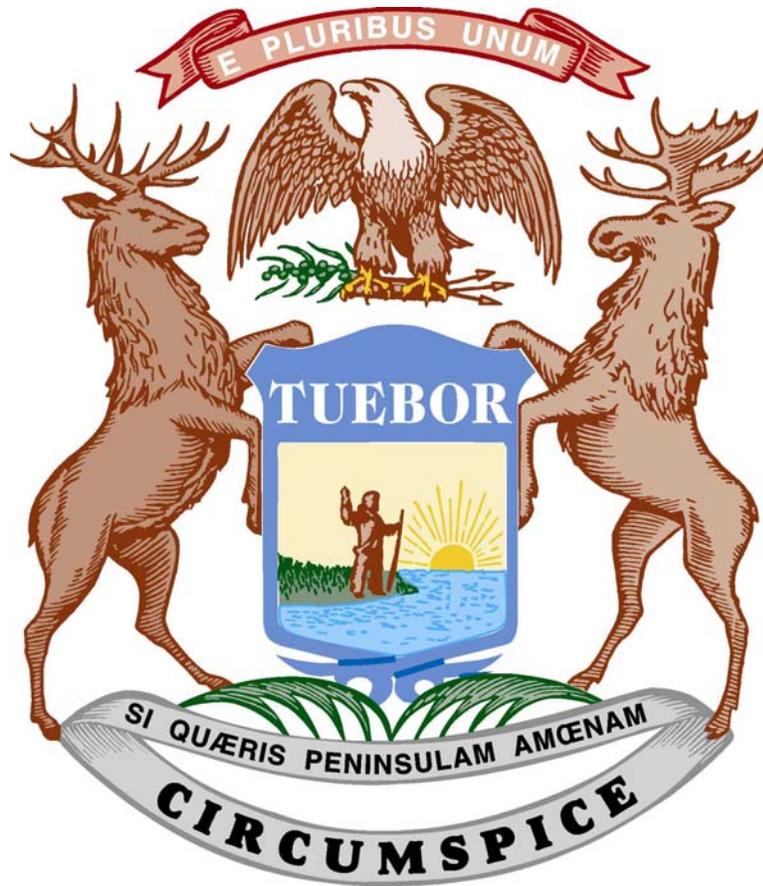


2003 Home Heating Expenses Reported by Home Heating Credit Filers



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August 2005

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 as well as 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. Since the adoption of the proration calculation for tax year 1995, claimants have received a higher percentage of their credit each year until 2003. For tax year 1995, each claimant received 64 percent of the credit amount. The percentage increased to 70 percent for 1996; 74 percent for 1997; 82 percent for 1998; 90 percent for 1999; 100 percent for tax years 2000 through 2002; and 80 percent in 2003.

There are two methods to calculate a home heating credit. If a claimant is eligible to use both methods, they use the one that provides the higher benefit. The standard credit for most claimants is equal to a standard allowance amount determined by family size 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. The standard allowance is increased for senior citizens and claimants with disabilities. 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 2003 Home Heating Credits

For tax year 2003, about 356,800 taxpayers received home heating credits totaling \$62.4 million. This represented an increase of 20,900 credits over the 2002 total, while \$6.5 million less in heating assistance was provided to low-income families. Total credit payments decreased by 9.4 percent. The average credit for 2003 (\$174.82) was 14.7 percent lower than the 2002 average (\$205.03).

A total of 48,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$16.3 million (about 26.1 percent of all home heating credits). The average credit under the alternative credit was \$337.01 compared to \$148.86 under the standard calculation. A total of 308,400 taxpayers used the standard calculation, claiming \$46.1 million in credits (about 73.9 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2003, approximately 60 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 4.5 percent reported that heating expenses were included in their rent. This represents about 11.5 percent of all claimants who reported that heating was included in their rent. About 74.6 percent of all claimants who reported that heating expenses were not included in their rent did not disclose their heating expenses in the credit form.

It is likely that filers 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 dollar amount of credits claimed for both 2003 and 2002. 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 2003 by income, credit amount, and expenses. Similar distributions are presented for 2002 in Tables 7 through 9.

The average heating expense amount reported increased from \$848 in 2002 to \$981 in 2003 (15.7 percent). Total reported expenses increased by \$35.1 million to \$204.7 million in 2003. The average home heating credit among those credits reporting expenses decreased from \$233 in 2002 to \$204 in 2003 (-12.4 percent). The average percentage of expenses reimbursed by the home heating credit decreased from 27.5 percent in 2002 to 20.8 percent in 2003.

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 in 2003. Similar distributions are presented in Tables 10 through 12 for 2002.

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

The average heating expense amount reported by filers using the alternative calculation increased from \$1,403 in 2002 to \$1,552 in 2003 (10.6 percent). Total credits increased by \$3.4 million to \$15.3 million in 2003. The average credit using the alternative calculation decreased from \$404 to \$360 (-10.9 percent). Claimants using the alternative calculation had an average of 23.2

percent of their reported heating expenses reimbursed by the home heating credit in 2003, down from the average 28.8 percent in 2002.

Additional Information

For more information on the history of the home heating credit, interested readers should obtain a copy of “Michigan Home Heating Credit: 1978 – 2003”, available at the Department of Treasury’s website at:

<http://www.michigan.gov/treasury>.

Table 1
2003 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	13,899	\$12,604,851	\$907	\$6,163,640	\$443	48.9%
\$3,001 - \$6,000	21,737	19,652,254	904	6,782,979	312	34.5%
\$6,001 - \$9,000	59,847	55,612,131	929	13,594,054	227	24.4%
\$9,001 - \$12,000	52,626	51,478,951	978	8,633,722	164	16.8%
\$12,001 - \$15,000	30,716	32,234,033	1,049	4,095,486	133	12.7%
Over \$15,000	<u>29,907</u>	<u>33,098,554</u>	1,107	<u>3,294,716</u>	110	10.0%
Total	208,732	\$204,680,774	\$981	\$42,564,597	\$204	20.8%

Note:

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

Table 2
2003 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	59,789	\$52,265,628	\$874	\$3,282,211	\$55	6.3%
\$101 - \$150	31,999	27,854,635	870	3,963,474	124	14.2%
\$151 - \$200	33,011	28,429,850	861	5,777,181	175	20.3%
\$201 - \$250	21,629	20,628,949	954	4,827,936	223	23.4%
\$251 - \$300	17,746	17,489,350	986	4,851,249	273	27.7%
More than \$300	<u>44,558</u>	<u>58,012,362</u>	1,302	<u>19,862,546</u>	446	34.2%
Total	208,732	\$204,680,774	\$981	\$42,564,597	\$204	20.8%

Note:

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

Table 3
2003 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	33,246	\$9,714,908	\$292	\$5,300,922	\$159	54.6%
\$501 - \$750	46,487	29,012,432	624	7,559,830	163	26.1%
\$751 - \$1,000	46,193	40,042,750	867	8,186,314	177	20.4%
\$1,001 - \$1,500	52,494	62,918,497	1,199	11,630,063	222	18.5%
More than \$1,500	<u>30,312</u>	<u>62,992,187</u>	2,078	<u>9,887,468</u>	326	15.7%
Total	208,732	\$204,680,774	\$981	\$42,564,597	\$204	20.8%

Note:

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

Table 4
2003 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	7,749	\$9,172,547	\$1,184	\$4,235,610	\$547	46.2%
\$3,001 - \$6,000	7,802	10,965,906	1,406	3,341,493	428	30.5%
\$6,001 - \$9,000	15,615	24,678,678	1,580	5,387,303	345	21.8%
\$9,001 - \$12,000	8,232	15,209,905	1,848	1,977,676	240	13.0%
\$12,001 - \$15,000	<u>3,110</u>	<u>5,933,971</u>	1,908	<u>343,621</u>	110	5.8%
Total	42,508	\$65,961,007	\$1,552	\$15,285,703	\$360	23.2%

Note:

- . The household income limits for the alternate credit for tax year 2003 were \$10,922 for one-person households and \$14,345 for all others.

Table 5
2003 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	2,505	\$3,974,984	\$1,587	\$152,817	\$61	3.8%
\$101 - \$150	2,617	4,096,162	1,565	328,234	125	8.0%
\$151 - \$200	3,574	5,400,870	1,511	628,374	176	11.6%
\$201 - \$250	4,350	6,034,457	1,387	977,854	225	16.2%
\$251 - \$300	4,748	6,925,547	1,459	1,300,810	274	18.8%
More than \$300	<u>24,714</u>	<u>39,528,987</u>	1,599	<u>11,897,614</u>	481	30.1%
Total	42,508	\$65,961,007	\$1,552	\$15,285,703	\$360	23.2%

Table 6
2003 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	120	\$29,957	\$250	\$8,569	\$71	28.6%
\$501 - \$750	1,457	945,730	649	433,505	298	45.8%
\$751 - \$1,000	4,173	3,697,480	886	1,314,071	315	35.5%
\$1,001 - \$1,500	17,510	22,016,204	1,257	5,648,521	323	25.7%
More than \$1,500	<u>19,248</u>	<u>39,271,636</u>	2,040	<u>7,881,037</u>	409	20.1%
Total	42,508	\$65,961,007	\$1,552	\$15,285,703	\$360	23.2%

Table 7
2002 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	12,165	\$9,611,510	\$790	\$5,620,739	\$462	58.5%
\$3,001 - \$6,000	21,761	17,441,896	802	7,788,704	358	44.7%
\$6,001 - \$9,000	59,481	48,476,311	815	15,406,814	259	31.8%
\$9,001 - \$12,000	51,237	43,016,312	840	9,547,858	186	22.2%
\$12,001 - \$15,000	28,622	25,751,904	900	4,628,159	162	18.0%
Over \$15,000	<u>26,675</u>	<u>25,317,297</u>	949	<u>3,605,212</u>	135	14.2%
Total	199,941	\$169,615,230	\$848	\$46,597,486	\$233	27.5%

Note:

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

Table 8
2002 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	45,107	\$35,855,850	\$795	\$2,433,563	\$54	6.8%
\$101 - \$150	28,771	22,024,311	766	3,555,324	124	16.1%
\$151 - \$200	25,373	19,560,038	771	4,416,439	174	22.6%
\$201 - \$250	27,998	21,090,587	753	6,277,130	224	29.8%
\$251 - \$300	16,963	14,171,751	835	4,637,566	273	32.7%
More than \$300	<u>55,729</u>	<u>56,912,693</u>	1,021	<u>25,277,464</u>	454	44.4%
Total	199,941	\$169,615,230	\$848	\$46,597,486	\$233	27.5%

Note:

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

Table 9
2002 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	41,406	\$13,899,074	\$336	\$8,099,794	\$196	58.3%
\$501 - \$750	56,045	34,632,091	618	11,304,378	202	32.6%
\$751 - \$1,000	43,276	37,363,581	863	9,669,342	223	25.9%
\$1,001 - \$1,500	41,109	48,986,135	1,192	11,290,615	275	23.0%
More than \$1,500	<u>18,105</u>	<u>34,734,349</u>	1,918	<u>6,233,357</u>	344	17.9%
Total	199,941	\$169,615,230	\$848	\$46,597,486	\$233	27.5%

Note:

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

Table 10
2002 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	5,867	\$6,273,352	\$1,069	\$3,071,012	\$523	49.0%
\$3,001 - \$6,000	6,117	7,997,617	1,307	3,043,362	498	38.1%
\$6,001 - \$9,000	11,314	16,700,927	1,476	4,415,230	390	26.4%
\$9,001 - \$12,000	4,836	8,154,493	1,686	1,233,688	255	15.1%
\$12,001 - \$15,000	<u>1,341</u>	<u>2,231,532</u>	1,664	<u>131,991</u>	98	5.9%
Total	29,475	\$41,357,921	\$1,403	\$11,895,283	\$404	28.8%

Note:

- . The household income limits for the alternate credit for tax year 2002 were \$10,922 for one-person households and \$14,345 for all others.

Table 11
2002 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	1,760	\$2,751,788	\$1,564	\$69,367	\$39	2.5%
\$101 - \$150	1,227	1,682,688	1,371	154,229	126	9.2%
\$151 - \$200	1,717	2,376,668	1,384	300,936	175	12.7%
\$201 - \$250	2,243	2,965,091	1,322	505,803	226	17.1%
\$251 - \$300	2,585	3,397,581	1,314	710,403	275	20.9%
More than \$300	<u>19,943</u>	<u>28,184,105</u>	1,413	<u>10,154,545</u>	509	36.0%
Total	29,475	\$41,357,921	\$1,403	\$11,895,283	\$404	28.8%

Table 12
2002 Home Heating Credits Reporting Heating Expenses
Alternate Credit Filers Only
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	90	\$31,987	\$355	\$11,626	\$129	36.3%
\$501 - \$750	1,417	916,951	647	522,678	369	57.0%
\$751 - \$1,000	3,699	3,283,032	888	1,438,502	389	43.8%
\$1,001 - \$1,500	13,598	16,954,386	1,247	5,344,752	393	31.5%
More than \$1,500	<u>10,671</u>	<u>20,171,565</u>	1,890	<u>4,577,725</u>	429	22.7%
Total	29,475	\$41,357,921	\$1,403	\$11,895,283	\$404	28.8%