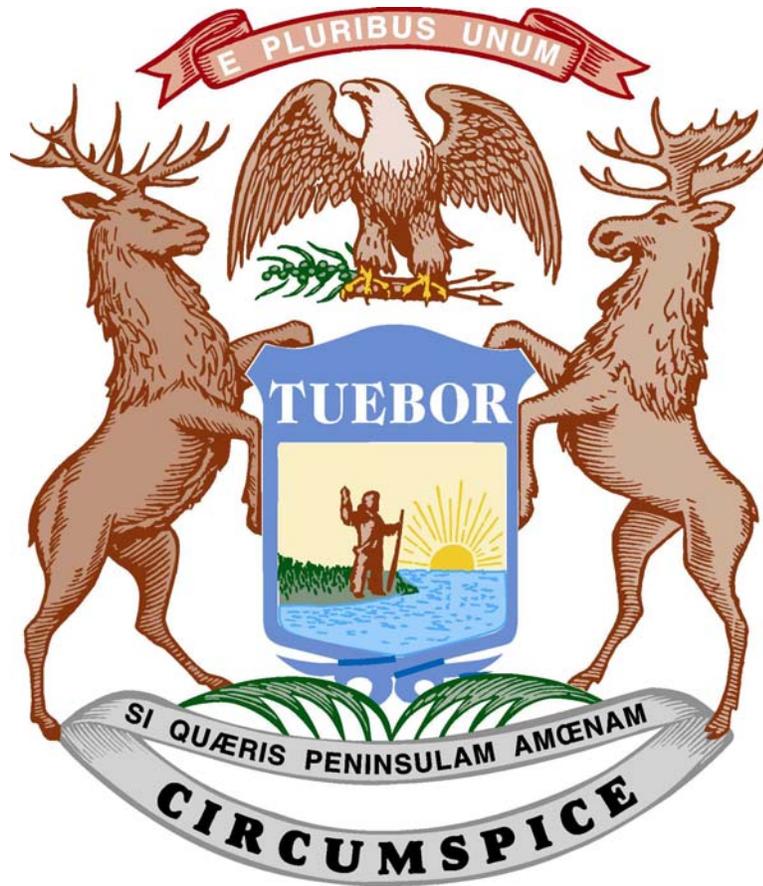


2004 Home Heating Expenses Reported by Home Heating Credit Filers



**Prepared by
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Bureau of Tax and Economic Policy
Michigan Department of Treasury
August 2006**

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; 80 percent for 2003; and 76 percent in 2004.

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 2004 Home Heating Credits

For tax year 2004, about 383,400 taxpayers received home heating credits totaling \$69.5 million. This represented an increase of 31,600 credits over the 2003 total, and \$7.2 million more in heating assistance was provided to low-income families. Total credit payments decreased by 11.4 percent. The average credit for 2004 (\$179.00) was 2.3 percent higher than the 2003 average (\$174.82).

A total of 58,700 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$21.5 million (about 30.9 percent of all home heating credits). The average credit under the alternative credit was \$335.89 compared to \$143.72 under the standard calculation. A total of 329,700 taxpayers used the standard calculation, claiming \$48.0 million in credits (about 69.1 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2004, approximately 65.1 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.8 percent reported that heating expenses were included in their rent. This represents about 8.2 percent of all claimants who reported that heating was included in their rent. About 81.2 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 2004 and 2003. 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 2004 by income, credit amount, and expenses. Similar distributions are presented for 2003 in Tables 7 through 9.

The average heating expense amount reported increased from \$981 in 2003 to \$1,044 in 2004 (6.4 percent). Total reported expenses increased by \$55.8 million to \$260.5 million in 2004. The average home heating credit among those credits reporting expenses increased from \$204 in 2003 to \$209 in 2004 (2.5 percent). The average percentage of expenses reimbursed by the home heating credit remained the same in 2003 (20.8 percent) and in 2004 (20.0 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 in 2004. Similar distributions are presented in Tables 10 through 12 for 2003.

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 \$1,552 in 2003 to \$1,620 in 2004 (4.3 percent). Total credits increased by \$5.9 million to \$21.2 million in 2004. The average credit using the alternative calculation increased from \$360

to \$373 (3.6 percent). Claimants using the alternative calculation had an average of 23.0 percent of their reported heating expenses reimbursed by the home heating credit in 2004, in line with the average of 23.2 percent in 2003.

Table 1
2004 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	17,116	\$16,589,159	\$969	\$8,047,724	\$470	48.5%
\$3,001 - \$6,000	24,845	23,659,499	952	8,049,915	324	34.0%
\$6,001 - \$9,000	65,779	65,248,266	992	15,675,258	238	24.0%
\$9,001 - \$12,000	61,216	63,310,124	1,034	10,598,135	173	16.7%
\$12,001 - \$15,000	40,748	45,050,350	1,106	5,445,921	134	12.1%
Over \$15,000	<u>39,780</u>	<u>46,611,050</u>	1,172	<u>4,224,444</u>	106	9.1%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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

Table 2
2004 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	71,775	\$65,605,222	\$914	\$3,886,532	\$54	5.9%
\$101 - \$150	38,109	34,975,034	918	4,719,389	124	13.5%
\$151 - \$200	38,237	34,688,765	907	6,677,216	175	19.2%
\$201 - \$250	24,996	24,971,565	999	5,583,353	223	22.4%
\$251 - \$300	20,673	21,451,206	1,038	5,651,155	273	26.3%
More than \$300	<u>55,694</u>	<u>78,776,656</u>	1,414	<u>25,523,752</u>	458	32.4%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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

Table 3
2004 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	32,546	\$9,947,748	\$306	\$5,154,626	\$158	51.8%
\$501 - \$750	48,936	30,573,951	625	7,751,246	158	25.4%
\$751 - \$1,000	54,883	47,650,301	868	9,363,248	171	19.6%
\$1,001 - \$1,500	68,425	82,118,283	1,200	14,556,069	213	17.7%
More than \$1,500	<u>44,694</u>	<u>90,178,165</u>	2,018	<u>15,216,208</u>	340	16.9%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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

Table 4
2004 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	10,272	\$12,689,914	\$1,235	\$5,795,371	\$564	45.7%
\$3,001 - \$6,000	9,687	13,864,689	1,431	4,298,581	444	31.0%
\$6,001 - \$9,000	19,379	31,391,401	1,620	7,065,583	365	22.5%
\$9,001 - \$12,000	11,438	21,295,336	1,862	3,141,019	275	14.7%
\$12,001 - \$15,000	5,114	10,808,414	2,113	874,275	171	8.1%
Over \$15,000	<u>1,037</u>	<u>2,163,198</u>	2,086	<u>64,891</u>	63	3.0%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%

Note:

- . The household income limits for the alternate credit for tax year 2004 were \$11,360 for one-person households and \$16,757 for all others.

Table 5
2004 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	3,110	\$4,999,266	\$1,607	\$195,567	\$63	3.9%
\$101 - \$150	3,212	4,839,660	1,507	402,718	125	8.3%
\$151 - \$200	4,637	6,846,791	1,477	815,126	176	11.9%
\$201 - \$250	5,826	8,785,187	1,508	1,310,825	225	14.9%
\$251 - \$300	6,038	8,928,716	1,479	1,659,881	275	18.6%
More than \$300	<u>34,104</u>	<u>57,813,332</u>	1,695	<u>16,855,603</u>	494	29.2%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%

Table 6
2004 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	44	\$12,476	\$284	\$2,349	\$53	18.8%
\$501 - \$750	1,417	932,884	658	422,004	298	45.2%
\$751 - \$1,000	4,693	4,178,940	890	1,503,091	320	36.0%
\$1,001 - \$1,500	20,808	26,211,710	1,260	6,693,127	322	25.5%
More than \$1,500	<u>29,965</u>	<u>60,876,942</u>	2,032	<u>12,619,149</u>	421	20.7%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%

Table 7
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 8
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 9
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 10
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 11
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	24,714	39,528,987	1,599	11,897,614	481	30.1%
Total	42,508	\$65,961,007	\$1,552	\$15,285,703	\$360	23.2%

Table 12
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	19,248	39,271,636	2,040	7,881,037	409	20.1%
Total	42,508	\$65,961,007	\$1,552	\$15,285,703	\$360	23.2%