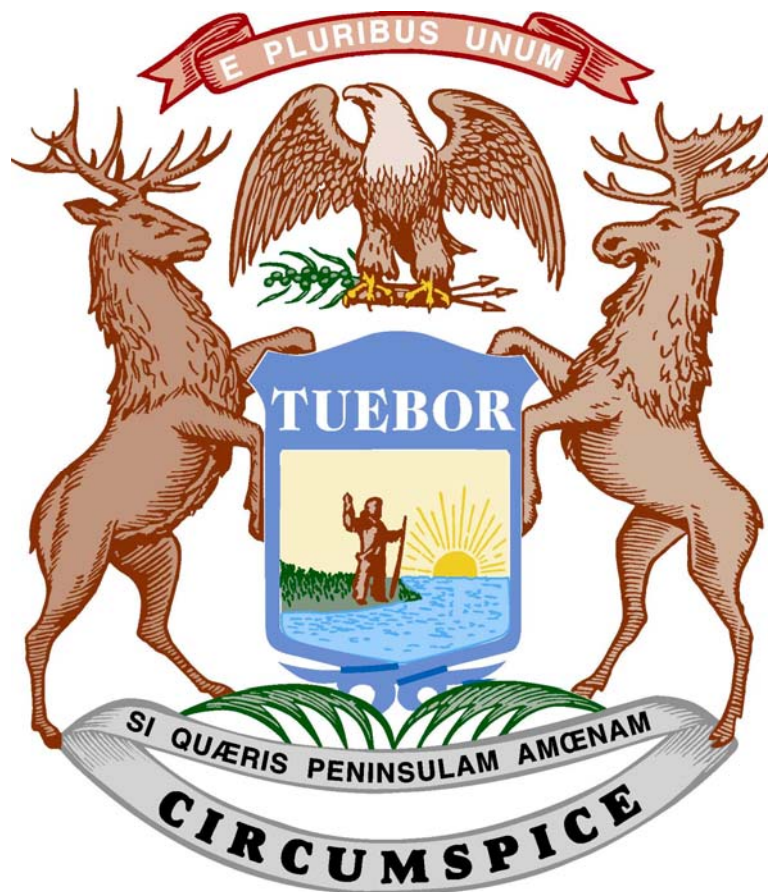
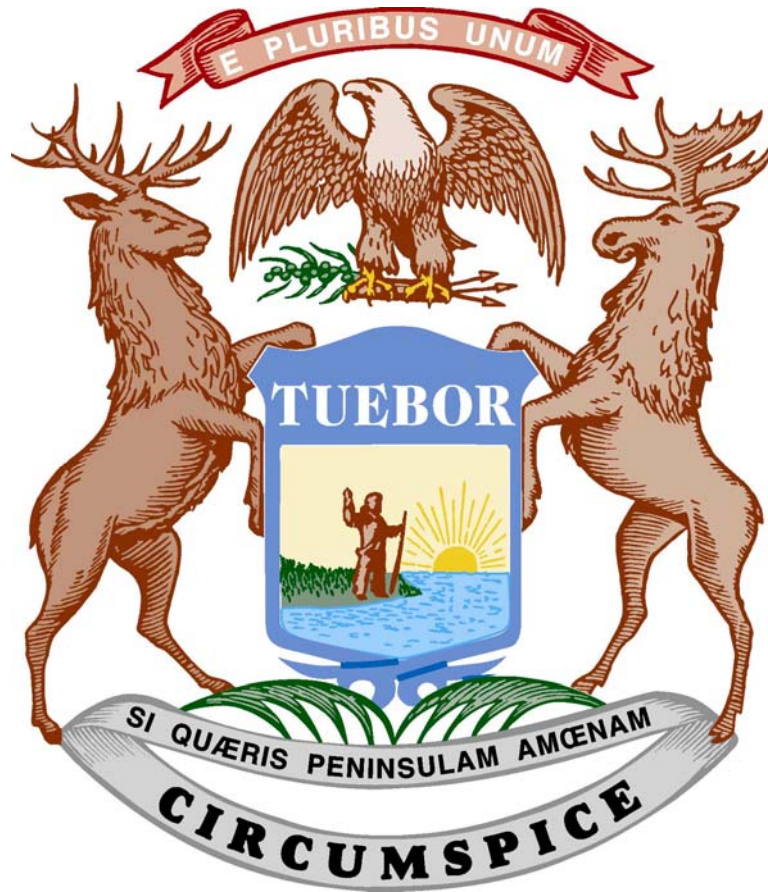


2002 Home Heating Expenses Reported by Home Heating Credit Filers



Office of Revenue and Tax Analysis
Michigan Department of Treasury
August 2004

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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 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. The proration calculation was adopted for tax year 1995, when 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; and 100 percent for tax years 2000 through 2002.

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, since the standard allowance is based on the number of exemptions, and senior citizens and the disable may claim an extra exemption. 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 2002 Home Heating Credits

For tax year 2002, about 335,900 taxpayers received home heating credits totaling \$68.9 million. This represented an increase of 20,700 credits over the 2001 total, while \$7.3 million in additional heating assistance was provided to low-income families. Total credit payments

increased by 11.8 percent. The average credit for 2002 (\$205.03) was 4.9 percent higher than the 2001 average (\$195.44).

A total of 30,100 taxpayers used the alternative calculation based on energy consumption, claiming credits worth \$12.6 million (about 18 percent of all home heating credits). The average alternative credit was \$419.41 compared to \$205.03 under the standard calculation. A total of 305,800 taxpayers used the standard calculation, claiming \$56.3 million in credits (about 82 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2002, approximately 60 percent reported their heating expenses on the home heating credit form. Of the total of claimants who reported their heating expenses, only 4 percent reported that heating expenses were included in their rent. This represents about 10 percent of the claimants who reported that heating was included in their rent. About 74 percent of all the claimants who reported that heating expenses were not included in their rent disclosed 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 2002 and 2001. 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 2002 by income, credit amount, and expenses. Similar distributions are presented for 2001 in Tables 7 through 9.

The average heating expense amount reported increased from \$807 in 2001 to \$848 in 2002 (5.1 percent). Total reported expenses increased by \$18.7 million to \$169.6 million in 2002. The average home heating credit among those credits reporting expenses rose from \$225 in 2001 to \$233 in 2002 (2.3 percent). The average percentage of expenses reimbursed by the home heating credit decreased slightly, from 27.9 percent in 2001 to 27.5 percent in 2002.

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 2002. Similar distributions are presented in Tables 10 through 12 for 2001.

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 \$1,371 in 2001 to \$1,403 in 2002 (2.3 percent). Total credits increased by less than \$1 million to \$11.9 million in 2002. The average credit using the alternative calculation decreased slightly from \$406 to \$404 (-0.5 percent). Claimants using the alternative calculation had an average of 28.8 percent of their reported heating expenses reimbursed by the home heating credit in 2002, down from 29.6 percent in 2001.

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 – 2002”, available at the Department of Treasury’s website at:

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

Table 1
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 2
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 3
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 4
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 5
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 6
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%

Table 7
2001 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	10,887	\$8,449,369	\$776	\$5,446,128	\$500	64.5%
\$3,001 - \$6,000	21,639	16,558,711	765	7,278,351	336	44.0%
\$6,001 - \$9,000	60,250	47,040,168	781	14,445,073	240	30.7%
\$9,001 - \$12,000	48,574	39,055,260	804	8,329,841	171	21.3%
\$12,001 - \$15,000	24,754	20,983,694	848	3,880,151	157	18.5%
Over \$15,000	<u>20,808</u>	<u>18,814,346</u>	904	<u>2,722,786</u>	131	14.5%
Total	186,912	\$150,901,548	\$807	\$42,102,330	\$225	27.9%

Note:

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

Table 8
2001 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	43,849	\$32,087,541	\$732	\$2,412,737	\$55	7.5%
\$101 - \$150	28,306	20,580,695	727	3,492,436	123	17.0%
\$151 - \$200	24,741	18,257,667	738	4,302,383	174	23.6%
\$201 - \$250	26,547	19,223,274	724	5,906,372	222	30.7%
\$251 - \$300	15,490	12,642,054	816	4,234,296	273	33.5%
More than \$300	<u>47,979</u>	<u>48,110,317</u>	1,003	<u>21,754,106</u>	453	45.2%
Total	186,912	\$150,901,548	\$807	\$42,102,330	\$225	27.9%

Note:

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

Table 9
2001 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	45,031	\$15,151,541	\$336	\$8,356,936	\$186	55.2%
\$501 - \$750	54,531	33,533,205	615	10,604,506	194	31.6%
\$751 - \$1,000	37,487	32,334,352	863	8,119,634	217	25.1%
\$1,001 - \$1,500	35,684	42,863,328	1,201	9,889,628	277	23.1%
More than \$1,500	<u>14,179</u>	<u>27,019,122</u>	1,906	<u>5,131,626</u>	362	19.0%
Total	186,912	\$150,901,548	\$807	\$42,102,330	\$225	27.9%

Note:

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

Table 10
2001 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	5,177	\$5,509,322	\$1,064	\$3,230,456	\$624	58.6%
\$3,001 - \$6,000	5,684	7,293,919	1,283	2,695,456	474	37.0%
\$6,001 - \$9,000	10,917	15,760,750	1,444	3,998,851	366	25.4%
\$9,001 - \$12,000	4,277	7,038,318	1,646	927,720	217	13.2%
\$12,001 - \$15,000	<u>810</u>	<u>1,219,904</u>	1,506	<u>55,230</u>	68	4.5%
Total	26,865	\$36,822,213	\$1,371	\$10,907,713	\$406	29.6%

Note:

- . The household income limits for the alternate credit for tax year 2001 were \$10,703 for one-person households and \$13,573 for all others.

Table 11
2001 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	1,155	\$1,556,896	\$1,348	\$70,106	\$61	4.5%
\$101 - \$150	1,208	1,612,090	1,335	151,539	125	9.4%
\$151 - \$200	1,719	2,298,696	1,337	303,108	176	13.2%
\$201 - \$250	2,277	2,969,428	1,304	513,264	225	17.3%
\$251 - \$300	2,645	3,428,188	1,296	726,514	275	21.2%
More than \$300	17,861	24,956,915	1,397	9,143,182	512	36.6%
Total	26,865	\$36,822,213	\$1,371	\$10,907,713	\$406	29.6%

Table 12
2001 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	118	\$49,391	\$419	\$22,774	\$193	46.1%
\$501 - \$750	1,410	908,573	644	508,145	360	55.9%
\$751 - \$1,000	3,319	2,951,077	889	1,240,316	374	42.0%
\$1,001 - \$1,500	13,538	16,972,412	1,254	5,258,556	388	31.0%
More than \$1,500	8,480	15,940,760	1,880	3,877,922	457	24.3%
Total	26,865	\$36,822,213	\$1,371	\$10,907,713	\$406	29.6%