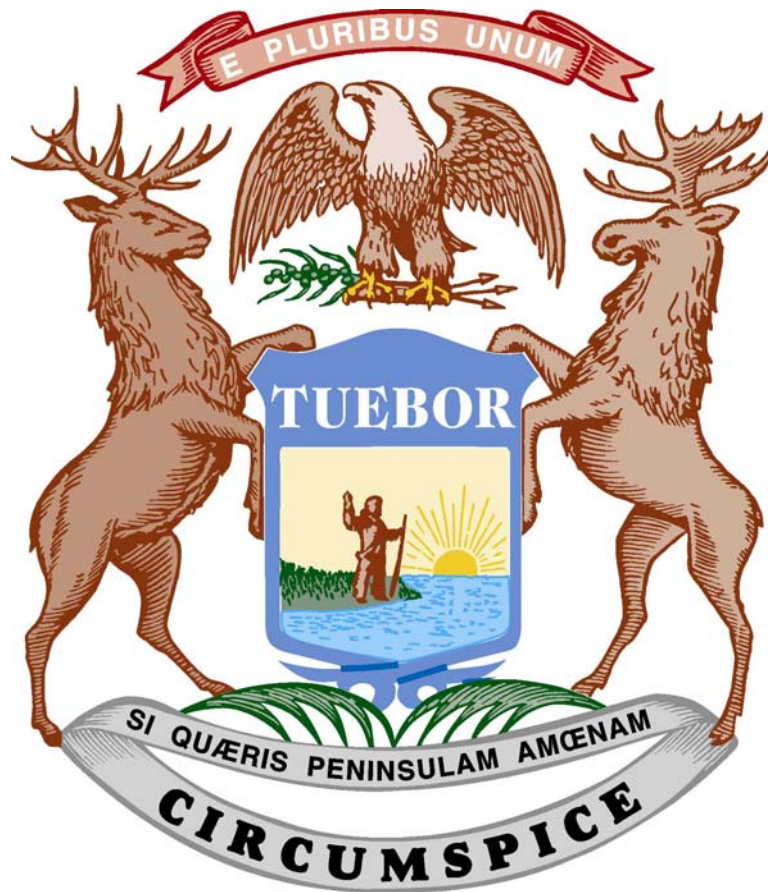


2015 Home Heating Expenses Reported by Home Heating Credit Filers



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. Since 2003, 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, 50 percent for 2014 and 2015, and 67 percent for 2016.

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. 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 resources.

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 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>

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 2015 Home Heating Credits

About 327,700 taxpayers received a total of \$43.6 million in home heating credits for tax year 2015, compared to a total of 375,400 taxpayers receiving \$50.7 million in credits for tax year 2014. This represented a decrease of 47,700 credits over the 2014 total, with \$7.1 million (14.1 percent) less in heating assistance provided to low-income families. The average credit for 2015 (\$133.08) was 1.5 percent lower than the 2014 average credit (\$135.18).

A total of 37,900 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$11.9 million (about 27.2 percent of all home heating credits). The average credit under the alternative credit was \$313.09 compared to \$109.56 under the standard calculation. A total of 289,800 taxpayers used the standard calculation, claiming \$31.8 million in credits (about 72.8 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2015, approximately 54.4 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 1.8 percent reported that heating expenses were included in their rent. This represents about 4.4 percent of all claimants who reported that heating was included in their rent. About 68.7 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 2014 and 2015. The distribution of credits for each subgroup is presented by total household resources, 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 2015 by income, credit amount, and expenses. Similar distributions are presented for 2014 in Tables 7 through 9.

The average heating expense amount reported for 2015 (\$1,212) was lower than the amount reported for 2014 (\$1,310). Total reported expenses decreased by \$34.9 million to \$213.1

million for 2015. The average home heating credit among those credits reporting expenses decreased, from \$173 for 2014 to \$166 for 2015 (-4.1 percent). The average percentage of expenses reimbursed by the home heating credit increased slightly from 2014 to 2015 (from 13.2 percent to 13.7 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 2015. Similar distributions are presented in Tables 10 through 12 for 2014.

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 decreased slightly from \$2,269 in 2014 to \$2,216 in 2015 (-2.3 percent). Total credits decreased by \$3.5 million to \$11.7 million in 2015. The average credit using the alternative calculation decreased from \$322 in 2014 to \$314 in 2015 (-2.5 percent). Claimants using the alternative calculation had an average of 14.2 percent of their reported heating expenses reimbursed by the home heating credit in 2015, the same as the average reported in 2014.

Table 1
2015 Home Heating Credits Reporting Heating Expenses by Household Income

Total Household Resources	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$3,000	7,153	\$7,393,036	\$1,034	\$2,537,596	\$355	34.3%
\$3,001 - \$6,000	9,361	9,587,236	1,024	2,507,690	268	26.2%
\$6,001 - \$9,000	25,774	27,531,995	1,068	5,307,588	206	19.3%
\$9,001 - \$12,000	40,969	46,220,448	1,128	6,716,469	164	14.5%
\$12,001 - \$15,000	33,163	42,207,112	1,273	5,221,781	157	12.4%
Over \$15,000	<u>59,437</u>	<u>80,160,796</u>	1,349	<u>6,880,378</u>	116	8.6%
Total	175,857	\$213,100,623	\$1,212	\$29,171,502	\$166	13.7%

Note:

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

Table 2
2015 Home Heating Credits Reporting Heating Expenses by Credit Amount

Credit Amount	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$100	68,338	\$65,797,966	\$963	\$3,467,380	\$51	5.3%
\$101 - \$150	31,311	31,577,943	1,009	3,918,042	125	12.4%
\$151 - \$200	23,529	25,036,146	1,064	4,006,776	170	16.0%
\$201 - \$250	16,518	20,396,818	1,235	3,685,303	223	18.1%
\$251 - \$300	10,250	15,212,375	1,484	2,803,755	274	18.4%
More than \$300	<u>25,911</u>	<u>55,079,375</u>	2,126	<u>11,290,246</u>	436	20.5%
Total	175,857	\$213,100,623	\$1,212	\$29,171,502	\$166	13.7%

Note:

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

Table 3
2015 Home Heating Credits Reporting Heating Expenses by Heating Expenses

Annual Heating Expenses	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$500	24,689	\$7,336,654	\$297	\$2,867,268	\$116	39.1%
\$501 - \$750	30,487	18,939,060	621	3,643,591	120	19.2%
\$751 - \$1,000	31,935	27,769,627	870	4,048,246	127	14.6%
\$1,001 - \$1,500	42,030	50,640,685	1,205	5,956,000	142	11.8%
More than \$1,500	<u>46,716</u>	<u>108,414,597</u>	2,321	<u>12,656,397</u>	271	11.7%
Total	175,857	\$213,100,623	\$1,212	\$29,171,502	\$166	13.7%

Note:

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

Table 4
2015 Home Heating Credits Reporting Heating Expenses by Household Income
Alternate Credit Filers Only

Total Household Resources	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$3,000	3,487	\$5,336,222	\$1,530	\$1,619,177	\$464	30.3%
\$3,001 - \$6,000	3,354	5,732,033	1,709	1,314,124	392	22.9%
\$6,001 - \$9,000	7,117	13,952,428	1,960	2,460,350	346	17.6%
\$9,001 - \$12,000	9,672	21,336,895	2,206	3,090,902	320	14.5%
\$12,001 - \$15,000	7,113	17,969,463	2,526	1,999,316	281	11.1%
Over \$15,000	<u>6,414</u>	<u>18,026,172</u>	2,810	<u>1,191,118</u>	186	6.6%
Total	37,157	\$82,353,213	\$2,216	\$11,674,987	\$314	14.2%

Note:

. The household resources limits for the alternate credit for tax year 2015 were \$13,727 for one-person households, \$18,472 for two, \$23,222 for three, and \$24,018 for all others.

Table 5
2015 Home Heating Credits Reporting Heating Expenses by Credit Amount
Alternate Credit Filers Only

Credit Amount	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$100	3,432	\$5,944,411	\$1,732	\$196,724	\$57	3.3%
\$101 - \$150	3,208	5,917,784	1,845	404,244	126	6.8%
\$151 - \$200	3,944	7,239,805	1,836	689,000	175	9.5%
\$201 - \$250	4,394	8,501,799	1,935	988,042	225	11.6%
\$251 - \$300	4,311	9,089,324	2,108	1,183,108	274	13.0%
More than \$300	<u>17,868</u>	<u>45,660,090</u>	2,555	<u>8,213,869</u>	460	18.0%
Total	37,157	\$82,353,213	\$2,216	\$11,674,987	\$314	14.2%

Table 6
2015 Home Heating Credits Reporting Heating Expenses by Heating Expenses
Alternate Credit Filers Only

Annual Heating Expenses	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$500	50	\$13,592	\$272	\$1,939	\$39	14.3%
\$501 - \$750	233	157,962	678	39,496	170	25.0%
\$751 - \$1,000	1,162	1,031,567	888	260,742	224	25.3%
\$1,001 - \$1,500	6,122	7,822,446	1,278	1,221,771	200	15.6%
More than \$1,500	<u>29,590</u>	<u>73,327,646</u>	2,478	<u>10,151,039</u>	343	13.8%
Total	37,157	\$82,353,213	\$2,216	\$11,674,987	\$314	14.2%

Table 7
2014 Home Heating Credits Reporting Heating Expenses by Household Income

Total Household Resources	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$3,000	7,470	\$8,350,936	\$1,118	\$2,754,766	\$369	33.0%
\$3,001 - \$6,000	10,145	11,177,275	1,102	2,815,557	278	25.2%
\$6,001 - \$9,000	30,145	34,796,581	1,154	6,447,735	214	18.5%
\$9,001 - \$12,000	43,384	53,402,041	1,231	7,561,972	174	14.2%
\$12,001 - \$15,000	36,650	51,011,590	1,392	6,103,682	167	12.0%
Over \$15,000	<u>61,546</u>	<u>89,305,263</u>	1,451	<u>7,135,959</u>	116	8.0%
Total	189,340	\$248,043,686	\$1,310	\$32,819,671	\$173	13.2%

Note:

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

Table 8
2014 Home Heating Credits Reporting Heating Expenses by Credit Amount

Credit Amount	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$100	71,682	\$73,051,072	\$1,019	\$3,636,152	\$51	5.0%
\$101 - \$150	33,714	35,531,017	1,054	4,250,870	126	12.0%
\$151 - \$200	23,626	27,398,991	1,160	4,050,892	171	14.8%
\$201 - \$250	17,485	22,855,229	1,307	3,893,950	223	17.0%
\$251 - \$300	11,324	17,846,023	1,576	3,103,485	274	17.4%
More than \$300	<u>31,509</u>	<u>71,361,354</u>	2,265	<u>13,884,322</u>	441	19.5%
Total	189,340	\$248,043,686	\$1,310	\$32,819,671	\$173	13.2%

Note:

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

Table 9
2014 Home Heating Credits Reporting Heating Expenses by Heating Expenses

Annual Heating Expenses	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$500	22,045	\$6,522,119	\$296	\$2,533,798	\$115	38.8%
\$501 - \$750	28,128	17,546,112	624	3,310,337	118	18.9%
\$751 - \$1,000	33,255	28,936,379	870	4,141,590	125	14.3%
\$1,001 - \$1,500	47,181	57,052,851	1,209	6,546,701	139	11.5%
More than \$1,500	<u>58,731</u>	<u>137,986,225</u>	2,349	<u>16,287,245</u>	277	11.8%
Total	189,340	\$248,043,686	\$1,310	\$32,819,671	\$173	13.2%

Note:

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

Table 10
2014 Home Heating Credits Reporting Heating Expenses by Household Income
Alternate Credit Filers Only

Total Household Resources	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$3,000	4,043	\$6,351,797	\$1,571	\$1,911,957	\$473	30.1%
\$3,001 - \$6,000	4,105	7,093,364	1,728	1,625,119	396	22.9%
\$6,001 - \$9,000	9,583	19,149,120	1,998	3,381,087	353	17.7%
\$9,001 - \$12,000	12,146	27,281,635	2,246	3,953,980	326	14.5%
\$12,001 - \$15,000	9,429	24,168,925	2,563	2,737,097	290	11.3%
Over \$15,000	<u>7,772</u>	<u>22,771,610</u>	2,930	<u>1,541,642</u>	198	6.8%
Total	47,078	\$106,816,451	\$2,269	\$15,150,882	\$322	14.2%

Note:

. The household resources limits for the alternate credit for tax year 2014 were \$13,727 for one-person households, \$18,472 for two, \$23,222 for three, and \$24,018 for all others.

Table 11
2014 Home Heating Credits Reporting Heating Expenses by Credit Amount
Alternate Credit Filers Only

Credit Amount	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$100	3,783	\$6,842,011	\$1,809	\$238,348	\$63	3.5%
\$101 - \$150	4,046	7,514,863	1,857	510,799	126	6.8%
\$151 - \$200	4,956	9,134,719	1,843	864,454	174	9.5%
\$201 - \$250	5,299	10,466,555	1,975	1,192,339	225	11.4%
\$251 - \$300	5,317	11,290,434	2,123	1,459,427	274	12.9%
More than \$300	<u>23,677</u>	<u>61,567,869</u>	2,600	<u>10,885,515</u>	460	17.7%
Total	47,078	\$106,816,451	\$2,269	\$15,150,882	\$322	14.2%

Table 12
2014 Home Heating Credits Reporting Heating Expenses by Heating Expenses
Alternate Credit Filers Only

Annual Heating Expenses	Number of Credits	Total Expenses Reported	Average Expense Amount	Total Credit Amount	Average Credit Amount	Credit as Percent of Expenses
Up to \$500	14	\$5,024	\$359	\$1,285	\$92	25.6%
\$501 - \$750	197	136,418	692	42,701	217	31.3%
\$751 - \$1,000	1,243	1,107,733	891	290,708	234	26.2%
\$1,001 - \$1,500	7,363	9,448,501	1,283	1,485,584	202	15.7%
More than \$1,500	<u>38,261</u>	<u>96,118,775</u>	2,512	<u>13,330,604</u>	348	13.9%
Total	47,078	\$106,816,451	\$2,269	\$15,150,882	\$322	14.2%