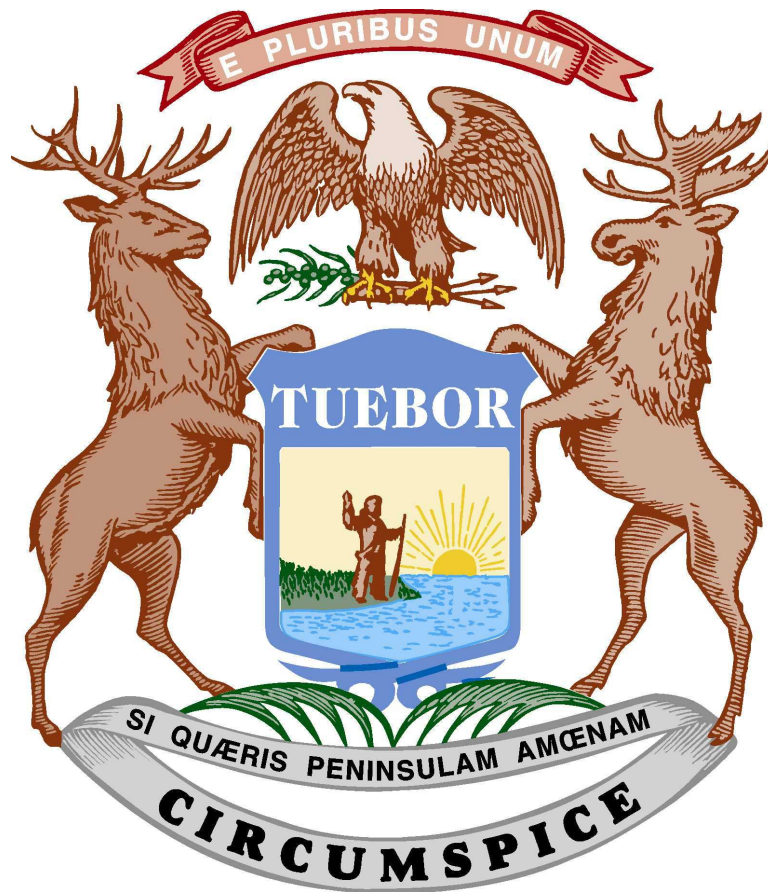


2017 Home Heating Expenses Reported by Home Heating Credit Filers



Prepared by
Office of Revenue and Tax Analysis
Michigan Department of Treasury
July 2019

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, 67 percent for 2016, and 75 percent for 2017 and 2018.

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 2017 Home Heating Credits

About 318,500 taxpayers received a total of \$61.4 million in home heating credits for tax year 2017, compared to a total of 320,900 taxpayers receiving \$68.3 million in total credits for tax year 2016 (\$56.3 million in regular credits and \$12.0 million in supplemental credits). Unlike tax year 2016, Michigan residents who received a regular home heating credit in tax year 2017 did not receive a supplemental credit payment.

The total of about \$61.4 million in regular credits represented a decrease of 2,300 credits over the 2016 regular credit total, with \$5.1 million (9.1 percent) more in heating assistance provided to low-income families. The average credit for 2017 (\$192.68) was 9.9 percent higher than the 2017 average regular credit (\$175.38). The home heating credit proration percentage for tax year 2017 increased to 75 percent from 67 percent in 2016.

About 30,200 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$13.4 million (about 21.8 percent of all home heating credits). The average credit under the alternative credit was \$442.78 compared to \$166.52 under the standard calculation. A total of 288,400 taxpayers used the standard calculation, claiming \$48.0 million in regular credits (about 78.2 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2017, approximately 52.1 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.3 percent reported that heating expenses were included in their rent. This represents about 5.4 percent of all claimants who reported that heating was included in their rent. About 65.4 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 2016 and 2017. 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 2017 by income, credit amount, and expenses. Similar distributions are presented for 2016 in Tables 7 through 9. In order to better compare

2016 and 2017 statistics, supplemental credit amounts for 2016 were not included in any of the tables in this report.

The average heating expense amount reported for 2017 (\$1,139) was higher than the amount reported for 2016 (\$1,118). Total reported expenses decreased by \$1.2 million to \$184.5 million for 2017. The average home heating credit among those credits reporting expenses increased, from \$210 for 2016 to \$236 for 2017 (11.9 percent), reflecting the proration percentage increase from 67 in 2016 to 75 percent in 2017. The average percentage of expenses reimbursed by the home heating credit increased from 2016 to 2017 (from 18.8 percent to 20.7 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 2017. Similar distributions are presented in Tables 10 through 12 for 2016.

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 \$2,279 in 2016 to \$2,296 in 2017 (0.7 percent). Total credits increased by \$0.9 million to \$12.9 million in 2017. The average credit using the alternative calculation increased from \$412 in 2016 to \$452 in 2017 (9.8 percent). Claimants using the alternative calculation had an average of 19.7 percent of their reported heating expenses reimbursed by the home heating credit in 2017, compared to the average of 18.1 percent reported in 2016.

Table 1
2017 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	5,374	\$4,147,232	\$772	\$2,428,558	\$452	58.6%
\$3,001 - \$6,000	7,334	6,331,177	863	2,658,678	363	42.0%
\$6,001 - \$9,000	20,983	18,655,410	889	5,858,317	279	31.4%
\$9,001 - \$12,000	37,325	38,778,944	1,039	9,009,628	241	23.2%
\$12,001 - \$15,000	32,237	39,177,002	1,215	7,649,676	237	19.5%
Over \$15,000	<u>58,708</u>	<u>77,403,339</u>	1,318	<u>10,545,367</u>	180	13.6%
Total	161,961	\$184,493,104	\$1,139	\$38,150,224	\$236	20.7%

Note:

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

Table 2
2017 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	41,955	\$38,216,415	\$911	\$2,150,807	\$51	5.6%
\$101 - \$150	22,817	20,603,427	903	2,805,473	123	13.6%
\$151 - \$200	18,330	17,679,353	965	3,192,575	174	18.1%
\$201 - \$250	21,421	19,724,115	921	4,806,528	224	24.4%
\$251 - \$300	11,761	12,910,026	1,098	3,218,464	274	24.9%
More than \$300	<u>45,677</u>	<u>75,359,768</u>	1,650	<u>21,976,377</u>	481	29.2%
Total	161,961	\$184,493,104	\$1,139	\$38,150,224	\$236	20.7%

Note:

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

Table 3
2017 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	32,386	\$9,935,233	\$307	\$5,774,568	\$178	58.1%
\$501 - \$750	31,324	19,233,787	614	5,656,263	181	29.4%
\$751 - \$1,000	25,761	22,313,058	866	4,928,004	191	22.1%
\$1,001 - \$1,500	32,326	38,989,707	1,206	6,821,899	211	17.5%
More than \$1,500	<u>40,164</u>	<u>94,021,319</u>	2,341	<u>14,969,490</u>	373	15.9%
Total	161,961	\$184,493,104	\$1,139	\$38,150,224	\$236	20.7%

Note:

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

Table 4
2017 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	1,954	\$2,353,994	\$1,205	\$1,119,811	\$573	47.6%
\$3,001 - \$6,000	2,045	3,109,814	1,521	1,079,745	528	34.7%
\$6,001 - \$9,000	4,260	7,627,542	1,791	2,038,616	479	26.7%
\$9,001 - \$12,000	7,556	16,933,983	2,241	3,754,467	497	22.2%
\$12,001 - \$15,000	6,545	16,911,330	2,584	2,924,766	447	17.3%
Over \$15,000	<u>6,281</u>	<u>18,809,841</u>	2,995	<u>2,027,534</u>	323	10.8%
Total	28,641	\$65,746,504	\$2,296	\$12,944,939	\$452	19.7%

Note:

. The household resources limits for the alternate credit for tax year 2017 were \$14,111 for one-person households, \$18,989 for two, \$23,872 for three, and \$24,882 for all others.

Table 5
2017 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	1,065	\$1,957,610	\$1,838	\$65,289	\$61	3.3%
\$101 - \$150	1,209	2,350,158	1,944	153,643	127	6.5%
\$151 - \$200	1,568	3,097,907	1,976	273,738	175	8.8%
\$201 - \$250	1,891	3,640,813	1,925	424,315	224	11.7%
\$251 - \$300	2,156	4,215,109	1,955	590,698	274	14.0%
More than \$300	<u>20,752</u>	<u>50,484,907</u>	2,433	<u>11,437,256</u>	551	22.7%
Total	28,641	\$65,746,504	\$2,296	\$12,944,939	\$452	19.7%

Table 6
2017 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	20	\$7,011	\$351	\$2,261	\$113	32.2%
\$501 - \$750	117	81,658	698	38,124	326	46.7%
\$751 - \$1,000	706	631,577	895	265,502	376	42.0%
\$1,001 - \$1,500	3,963	5,071,671	1,280	1,259,365	318	24.8%
More than \$1,500	<u>23,835</u>	<u>59,954,587</u>	2,515	<u>11,379,687</u>	477	19.0%
Total	28,641	\$65,746,504	\$2,296	\$12,944,939	\$452	19.7%

Table 7
2016 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	6,153	\$5,135,007	\$835	\$2,586,031	\$420	50.4%
\$3,001 - \$6,000	8,128	7,283,821	896	2,717,437	334	37.3%
\$6,001 - \$9,000	23,514	22,322,939	949	6,065,676	258	27.2%
\$9,001 - \$12,000	38,298	39,229,754	1,024	8,047,241	210	20.5%
\$12,001 - \$15,000	32,322	38,304,758	1,185	6,626,516	205	17.3%
Over \$15,000	<u>57,619</u>	<u>73,376,068</u>	1,273	<u>8,895,003</u>	154	12.1%
Total	166,034	\$185,652,347	\$1,118	\$34,937,904	\$210	18.8%

Note:

- . Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.
- . Does not include supplemental credit.

Table 8
2016 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	50,238	\$44,425,865	\$884	\$2,608,772	\$52	5.9%
\$101 - \$150	23,807	21,713,569	912	2,934,281	123	13.5%
\$151 - \$200	22,232	20,838,581	937	3,896,500	175	18.7%
\$201 - \$250	18,865	18,204,539	965	4,146,322	220	22.8%
\$251 - \$300	12,537	14,071,839	1,122	3,444,382	275	24.5%
More than \$300	<u>38,355</u>	<u>66,397,954</u>	1,731	<u>17,907,647</u>	467	27.0%
Total	166,034	\$185,652,347	\$1,118	\$34,937,904	\$210	18.8%

Note:

- . Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.
- . Does not include supplemental credit.

Table 9
2016 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	34,071	\$10,744,086	\$315	\$5,296,938	\$155	49.3%
\$501 - \$750	33,553	20,599,103	614	5,438,924	162	26.4%
\$751 - \$1,000	26,591	23,034,308	866	4,568,256	172	19.8%
\$1,001 - \$1,500	32,536	39,114,444	1,202	6,130,450	188	15.7%
More than \$1,500	<u>39,283</u>	<u>92,160,406</u>	2,346	<u>13,503,336</u>	344	14.7%
Total	166,034	\$185,652,347	\$1,118	\$34,937,904	\$210	18.8%

Note:

- . Totals include all home heating credits, both standard and alternate calculations, reporting annual heating costs.
- . Does not include supplemental credit.

Table 10
2016 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	2,293	\$3,075,100	\$1,341	\$1,289,381	\$562	41.9%
\$3,001 - \$6,000	2,313	3,826,477	1,654	1,170,906	506	30.6%
\$6,001 - \$9,000	5,148	10,127,467	1,967	2,376,432	462	23.5%
\$9,001 - \$12,000	7,502	16,831,757	2,244	3,288,065	438	19.5%
\$12,001 - \$15,000	6,140	15,783,323	2,571	2,356,807	384	14.9%
Over \$15,000	<u>5,756</u>	<u>16,790,908</u>	2,917	<u>1,520,199</u>	264	9.1%
Total	29,152	\$66,435,032	\$2,279	\$12,001,790	\$412	18.1%

Note:

- . The household resources limits for the alternate credit for tax year 2016 were \$13,826 for one-person households, \$18,605 for two, \$23,389 for three, and \$24,018 for all others.
- . Does not include supplemental credit.

Table 11
2016 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	1,407	\$2,660,059	\$1,891	\$87,111	\$62	3.3%
\$101 - \$150	1,590	3,040,956	1,913	200,718	126	6.6%
\$151 - \$200	1,888	3,615,886	1,915	330,557	175	9.1%
\$201 - \$250	2,412	4,632,231	1,920	543,244	225	11.7%
\$251 - \$300	2,459	4,883,843	1,986	677,505	276	13.9%
More than \$300	<u>19,396</u>	<u>47,602,057</u>	2,454	<u>10,162,655</u>	524	21.3%
Total	29,152	\$66,435,032	\$2,279	\$12,001,790	\$412	18.1%

Note:

- . Does not include supplemental credit.

Table 12
2016 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	15	\$5,382	\$359	\$1,436	\$96	26.7%
\$501 - \$750	154	106,453	691	45,026	292	42.3%
\$751 - \$1,000	743	659,400	887	244,909	330	37.1%
\$1,001 - \$1,500	4,245	5,418,159	1,276	1,175,410	277	21.7%
More than \$1,500	<u>23,995</u>	<u>60,245,638</u>	2,511	<u>10,535,009</u>	439	17.5%
Total	29,152	\$66,435,032	\$2,279	\$12,001,790	\$412	18.1%

Note:

- . Does not include supplemental credit.