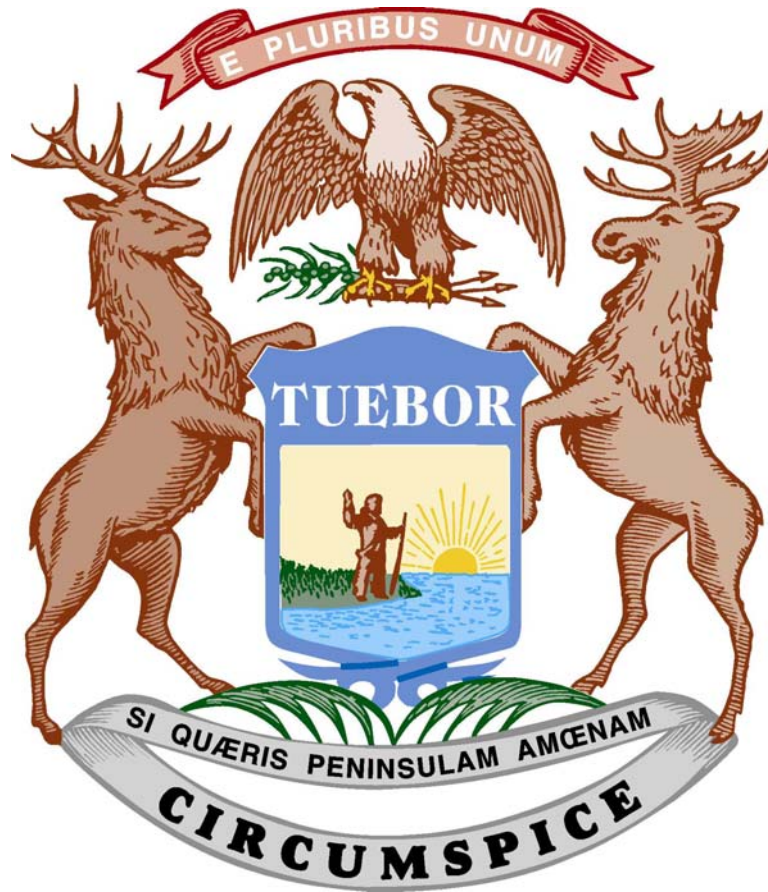


# 2007 Home Heating Expenses Reported by Home Heating Credit Filers



Prepared by  
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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. Senior citizens, 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. In the past few years, 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, and 65 percent for 2008.

There are two methods 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 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 2007 Home Heating Credits**

For tax year 2007, about 444,600 taxpayers received home heating credits totaling \$64.6 million. This represented an increase of 38,000 credits over the 2006 total, with \$18.3 million (22.0 percent) less in heating assistance provided to low-income families. The average credit for 2007 (\$145.26) was 28.7 percent lower than the 2006 average credit (\$203.72).

A total of 87,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$26.6 million (about 41.2 percent of all home heating credits). The average credit under the alternative credit was \$303.79 compared to \$105.32 under the standard calculation. A total of 357,200 taxpayers used the standard calculation, claiming \$38.0 million in credits (about 58.8 percent of all home heating credits).

## **Home Heating Expenses**

From the total claimants of the home heating credits in tax year 2007, approximately 63.8 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.0 percent reported that heating expenses were included in their rent. This represents about 5.7 percent of all claimants who reported that heating was included in their rent. About 81 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 mount claimed for both 2007 and 2006. 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 2007 by income, credit amount, and expenses. Similar distributions are presented for 2006 in Tables 7 through 9.

The average heating expense amount reported increased from \$1,276 for 2006 to \$1,308 for 2007 (2.5 percent). Total reported expenses increased by \$33.9 million to \$365.4 million for 2007. The average home heating credit among those credits reporting expenses decreased from \$246 for 2006 to \$177 for 2007 (-28.0 percent). The average percentage of expenses reimbursed by the home heating credit decreased from 2006 (19.3 percent) to 2007 (13.6 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 2007. Similar distributions are presented in Tables 10 through 12 for 2006.

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 from \$1,884 in 2006 to \$1,984 in 2007 (5.3 percent). Total credits decreased by \$8.5 million to \$26.3 million in 2007. The average credit using the alternative calculation decreased from \$420 in 2006 to \$307 in 2007 (-26.9 percent). Claimants using the alternative calculation had an

average of 15.5 percent of their reported heating expenses reimbursed by the home heating credit in 2007, compared to an average of 22.3 percent in 2006.

The reduction in the average credit amount from 2006 to 2007 is due primarily to the bigger reduction from proration (76 percent in 2006 to 53 percent in 2007).

**Table 1**  
**2007 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	16,395	\$20,140,429	\$1,228	\$6,742,572	\$411	33.5%
\$3,001 - \$6,000	22,470	25,441,204	1,132	6,292,021	280	24.7%
\$6,001 - \$9,000	60,567	73,148,685	1,208	13,266,584	219	18.1%
\$9,001 - \$12,000	63,354	80,389,557	1,269	10,569,153	167	13.1%
\$12,001 - \$15,000	55,056	74,269,692	1,349	6,823,524	124	9.2%
Over \$15,000	<u>61,406</u>	<u>91,987,112</u>	1,498	<u>5,815,434</u>	95	6.3%
Total	279,248	\$365,376,679	\$1,308	\$49,509,288	\$177	13.6%

Note:

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

**Table 2**  
**2007 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	101,117	\$108,964,636	\$1,078	\$5,225,817	\$52	4.8%
\$101 - \$150	51,954	55,029,161	1,059	6,492,996	125	11.8%
\$151 - \$200	33,797	41,180,997	1,218	5,863,054	173	14.2%
\$201 - \$250	26,075	35,210,454	1,350	5,793,329	222	16.5%
\$251 - \$300	17,972	27,395,287	1,524	4,916,199	274	17.9%
More than \$300	<u>48,333</u>	<u>97,596,144</u>	2,019	<u>21,217,893</u>	439	21.7%
Total	279,248	\$365,376,679	\$1,308	\$49,509,288	\$177	13.6%

Note:

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

**Table 3**  
**2007 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	26,482	\$7,758,811	\$293	\$3,107,967	\$117	40.1%
\$501 - \$750	34,242	21,352,027	624	4,045,719	118	18.9%
\$751 - \$1,000	47,731	41,725,326	874	5,890,299	123	14.1%
\$1,001 - \$1,500	81,161	98,382,379	1,212	11,903,731	147	12.1%
More than \$1,500	<u>89,632</u>	<u>196,158,136</u>	2,188	<u>24,561,572</u>	274	12.5%
Total	279,248	\$365,376,679	\$1,308	\$49,509,288	\$177	13.6%

Note:

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

**Table 4**  
**2007 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	10,961	\$16,771,850	\$1,530	\$5,357,243	\$489	31.9%
\$3,001 - \$6,000	10,886	17,575,243	1,614	4,087,884	376	23.3%
\$6,001 - \$9,000	23,512	43,885,576	1,867	7,776,592	331	17.7%
\$9,001 - \$12,000	19,699	40,842,587	2,073	5,344,469	271	13.1%
\$12,001 - \$15,000	13,216	31,207,691	2,361	2,840,168	215	9.1%
Over \$15,000	<u>7,613</u>	<u>20,081,216</u>	2,638	<u>923,504</u>	121	4.6%
Total	85,887	\$170,364,163	\$1,984	\$26,329,860	\$307	15.5%

Note:

- . The household income limits for the alternate credit for tax year 2007 were \$12,263 for one-person households, \$16,502 for two, and \$20,282 for all others.

**Table 5**  
**2007 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	7,179	\$13,294,485	\$1,852	\$440,435	\$61	3.3%
\$101 - \$150	7,899	13,756,714	1,742	995,538	126	7.2%
\$151 - \$200	10,046	17,629,691	1,755	1,760,113	175	10.0%
\$201 - \$250	11,050	20,048,367	1,814	2,480,326	224	12.4%
\$251 - \$300	10,129	19,050,453	1,881	2,776,829	274	14.6%
More than \$300	<u>39,584</u>	<u>86,584,453</u>	2,187	<u>17,876,619</u>	452	20.6%
Total	85,887	\$170,364,163	\$1,984	\$26,329,860	\$307	15.5%

**Table 6**  
**2007 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	31	\$7,892	\$255	\$1,617	\$52	20.5%
\$501 - \$750	610	408,861	670	131,860	216	32.3%
\$751 - \$1,000	3,259	2,899,793	890	760,163	233	26.2%
\$1,001 - \$1,500	18,852	24,068,089	1,277	4,429,237	235	18.4%
More than \$1,500	<u>63,135</u>	<u>142,979,528</u>	2,265	<u>21,006,983</u>	333	14.7%
Total	85,887	\$170,364,163	\$1,984	\$26,329,860	\$307	15.5%

**Table 7**  
**2006 Home Heating Credits Reporting Heating Expenses**  
**by Household Income**

<b><u>Household Income</u></b>	<b><u>Number of Credits</u></b>	<b><u>Total Expenses Reported</u></b>	<b><u>Average Expense Amount</u></b>	<b><u>Total Credit Amount</u></b>	<b><u>Average Credit Amount</u></b>	<b><u>Credit as Percent of Expenses</u></b>
Up to \$3,000	15,136	\$17,010,729	\$1,124	\$8,307,630	\$549	48.8%
\$3,001 - \$6,000	21,200	23,045,181	1,087	8,076,264	381	35.0%
\$6,001 - \$9,000	60,169	71,693,014	1,192	18,314,326	304	25.5%
\$9,001 - \$12,000	61,177	76,869,028	1,257	14,091,656	230	18.3%
\$12,001 - \$15,000	48,448	64,394,995	1,329	8,238,831	170	12.8%
Over \$15,000	<u>53,667</u>	<u>78,499,942</u>	1,463	<u>6,819,962</u>	127	8.7%
Total	259,797	\$331,512,889	\$1,276	\$63,848,669	\$246	19.3%

Note:

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

**Table 8**  
**2006 Home Heating Credits Reporting Heating Expenses**  
**by Credit Amount**

<b><u>Credit Amount</u></b>	<b><u>Number of Credits</u></b>	<b><u>Total Expenses Reported</u></b>	<b><u>Average Expense Amount</u></b>	<b><u>Total Credit Amount</u></b>	<b><u>Average Credit Amount</u></b>	<b><u>Credit as Percent of Expenses</u></b>
Up to \$100	67,843	\$71,841,116	\$1,059	\$3,566,401	\$53	5.0%
\$101 - \$150	34,816	36,789,386	1,057	4,309,754	124	11.7%
\$151 - \$200	34,820	36,153,905	1,038	6,114,972	176	16.9%
\$201 - \$250	24,580	28,363,625	1,154	5,490,660	223	19.4%
\$251 - \$300	20,638	25,115,966	1,217	5,668,005	275	22.6%
More than \$300	<u>77,100</u>	<u>133,248,891</u>	1,728	<u>38,698,877</u>	502	29.0%
Total	259,797	\$331,512,889	\$1,276	\$63,848,669	\$246	19.3%

Note:

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

**Table 9**  
**2006 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	24,589	\$7,241,017	\$294	\$3,890,231	\$158	53.7%
\$501 - \$750	32,076	19,986,672	623	5,209,176	162	26.1%
\$751 - \$1,000	44,757	39,130,493	874	7,702,429	172	19.7%
\$1,001 - \$1,500	77,441	93,914,649	1,213	16,068,339	207	17.1%
More than \$1,500	<u>80,934</u>	<u>171,240,058</u>	2,116	<u>30,978,494</u>	383	18.1%
Total	259,797	\$331,512,889	\$1,276	\$63,848,669	\$246	19.3%

Note:

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

**Table 10**  
**2006 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	10,031	\$13,901,869	\$1,386	\$6,513,585	\$649	46.9%
\$3,001 - \$6,000	10,361	15,803,798	1,525	5,275,352	509	33.4%
\$6,001 - \$9,000	24,642	43,855,367	1,780	11,220,313	455	25.6%
\$9,001 - \$12,000	19,681	39,202,539	1,992	7,302,527	371	18.6%
\$12,001 - \$15,000	11,803	26,715,113	2,263	3,419,085	290	12.8%
Over \$15,000	<u>6,393</u>	<u>16,715,052</u>	2,615	<u>1,059,642</u>	166	6.3%
Total	82,911	\$156,193,738	\$1,884	\$34,790,504	\$420	22.3%

Note:

- . The household income limits for the alternate credit for tax year 2006 were \$12,066 for one-person households, \$16,230 for two, and \$20,282 for all others.



**Table 11**  
**2006 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	4,135	\$7,478,193	\$1,809	\$246,974	\$60	3.3%
\$101 - \$150	4,406	7,695,243	1,747	553,280	126	7.2%
\$151 - \$200	5,592	9,307,249	1,664	980,202	175	10.5%
\$201 - \$250	6,875	11,190,798	1,628	1,545,112	225	13.8%
\$251 - \$300	7,126	12,129,988	1,702	1,958,885	275	16.1%
More than \$300	<u>54,777</u>	<u>108,392,267</u>	1,979	<u>29,506,051</u>	539	27.2%
Total	82,911	\$156,193,738	\$1,884	\$34,790,504	\$420	22.3%

**Table 12**  
**2006 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	20	\$5,056	\$253	\$1,201	\$60	23.8%
\$501 - \$750	750	497,574	663	227,816	304	45.8%
\$751 - \$1,000	3,555	3,180,860	895	1,158,941	326	36.4%
\$1,001 - \$1,500	20,558	26,252,629	1,277	6,666,940	324	25.4%
More than \$1,500	<u>58,028</u>	<u>126,257,619</u>	2,176	<u>26,735,606</u>	461	21.2%
Total	82,911	\$156,193,738	\$1,884	\$34,790,504	\$420	22.3%