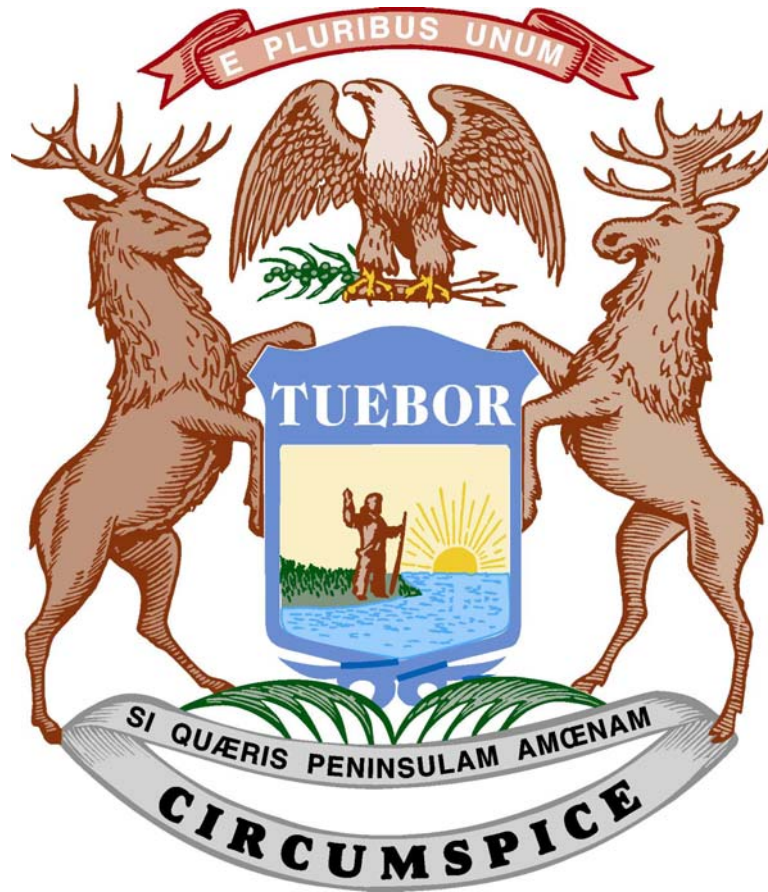


2008 Home Heating Expenses Reported by Home Heating Credit Filers



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. 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 and 2009.

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. Detailed information does not include supplemental credit amounts. The overall summary totals are from the TA-12720 reports. Whenever possible, overall summary totals include supplemental credit amounts.

Summary of 2008 Home Heating Credits

About 450,100 taxpayers received a total of \$106.0 million in home heating credits in tax year 2008. Excluding supplemental credits, those taxpayers claimed a total of \$84.3 million in regular credits. This represented an increase of 14,000 credits over the 2007 total, with \$19.7 million (30.5 percent) more in heating assistance provided to low-income families. The average

credit excluding supplemental credit for 2008 (\$187.23) was 28.9 percent higher than the 2007 average credit (\$145.26).

A total of 96,200 taxpayers used the alternative calculation based on energy consumption. Including supplemental credits, filers using the alternative calculation claimed credits worth \$42.6 million (about 40.2 percent of all home heating credits). The average credit under the alternative credit was \$442.90 compared to \$174.14 under the standard calculation. A total of 353,900 taxpayers used the standard calculation, claiming \$63.4 million in credits (about 59.8 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2008, approximately 62.8 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.2 percent reported that heating expenses were included in their rent. This represents about 6.1 percent of all claimants who reported that heating was included in their rent. About 79.6 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 2008 and 2007. 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 2008 by income, credit amount, and expenses. Similar distributions are presented for 2007 in Tables 7 through 9. In order to better compare 2007 and 2008 statistics, supplemental credit amounts for 2008 were not included in any of the tables in this report.

The average heating expense amount reported increased from \$1,308 for 2007 to \$1,420 for 2008 (8.6 percent). Total reported expenses increased by \$29.3 million to \$394.7 million for 2008. The average home heating credit among those credits reporting expenses increased from \$177 for 2007 to \$229 for 2008 (29.4 percent). The average percentage of expenses reimbursed by the home heating credit increased from 2007 (13.6 percent) to 2008 (16.2 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 2008. Similar distributions are presented in Tables 10 through 12 for 2007.

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 \$1,984 in 2007 to \$2,070 in 2008 (4.3 percent). Total credits increased by \$10.2 million to \$36.5 million in 2008. The average credit using the alternative calculation increased from \$307 in 2007 to \$387 in 2008 (26.1 percent). Claimants using the alternative calculation had an average of 18.7 percent of their reported heating expenses reimbursed by the home heating credit in 2008, compared to an average of 15.5 percent in 2007.

The increase in the average credit amount from 2007 to 2008 is due primarily to the lower reduction from proration (53 percent in 2007 to 65 percent in 2008).

Table 1
2008 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	15,239	\$18,785,463	\$1,233	\$7,911,499	\$519	42.1%
\$3,001 - \$6,000	19,997	24,452,780	1,223	7,457,062	373	30.5%
\$6,001 - \$9,000	55,522	72,139,208	1,299	16,269,740	293	22.6%
\$9,001 - \$12,000	60,561	83,234,437	1,374	13,768,295	227	16.5%
\$12,001 - \$15,000	55,296	80,876,455	1,463	9,575,312	173	11.8%
Over \$15,000	<u>71,371</u>	<u>115,170,857</u>	1,614	<u>8,811,915</u>	123	7.7%
Total	277,986	\$394,659,200	\$1,420	\$63,793,823	\$229	16.2%

Note:

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

Table 2
2008 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	79,974	\$92,610,685	\$1,158	\$4,192,482	\$52	4.5%
\$101 - \$150	38,015	44,317,733	1,166	4,708,362	124	10.6%
\$151 - \$200	37,211	43,150,667	1,160	6,442,129	173	14.9%
\$201 - \$250	25,274	33,459,403	1,324	5,648,352	223	16.9%
\$251 - \$300	21,228	30,340,943	1,429	5,783,240	272	19.1%
More than \$300	<u>76,284</u>	<u>150,779,769</u>	1,977	<u>37,019,258</u>	485	24.6%
Total	277,986	\$394,659,200	\$1,420	\$63,793,823	\$229	16.2%

Note:

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

Table 3
2008 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	21,842	\$6,351,754	\$291	\$3,146,519	\$144	49.5%
\$501 - \$750	27,410	17,090,272	624	4,069,426	148	23.8%
\$751 - \$1,000	40,549	35,541,583	877	6,232,325	154	17.5%
\$1,001 - \$1,500	82,571	100,813,174	1,221	14,830,367	180	14.7%
More than \$1,500	<u>105,614</u>	<u>234,862,417</u>	2,224	<u>35,515,186</u>	336	15.1%
Total	277,986	\$394,659,200	\$1,420	\$63,793,823	\$229	16.2%

Note:

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

Table 4
2008 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	10,492	\$15,575,200	\$1,484	\$6,297,216	\$600	40.4%
\$3,001 - \$6,000	10,503	17,639,333	1,679	5,146,373	490	29.2%
\$6,001 - \$9,000	24,404	46,684,584	1,913	10,440,961	428	22.4%
\$9,001 - \$12,000	21,784	46,480,164	2,134	7,874,876	361	16.9%
\$12,001 - \$15,000	15,895	38,330,324	2,411	4,709,325	296	12.3%
Over \$15,000	<u>11,321</u>	<u>30,696,811</u>	2,711	<u>2,028,776</u>	179	6.6%
Total	94,399	\$195,406,416	\$2,070	\$36,497,527	\$387	18.7%

Note:

- . The household income limits for the alternate credit for tax year 2008 were \$12,590 for one-person households, \$16,942 for two, \$21,298 for three, and \$21,373 for all others.
- . Does not include supplemental credit.

Table 5
2008 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	5,446	\$10,293,436	\$1,890	\$333,166	\$61	3.2%
\$101 - \$150	5,597	10,450,887	1,867	701,026	125	6.7%
\$151 - \$200	7,365	13,178,320	1,789	1,290,166	175	9.8%
\$201 - \$250	8,504	15,427,192	1,814	1,913,270	225	12.4%
\$251 - \$300	9,302	17,573,205	1,889	2,551,183	274	14.5%
More than \$300	<u>58,185</u>	<u>128,483,376</u>	2,208	<u>29,708,716</u>	511	23.1%
Total	94,399	\$195,406,416	\$2,070	\$36,497,527	\$387	18.7%

Note:

. Does not include supplemental credit.

Table 6
2008 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	17	\$4,404	\$259	\$1,012	\$60	23.0%
\$501 - \$750	517	348,715	674	141,072	273	40.5%
\$751 - \$1,000	2,792	2,496,020	894	825,168	296	33.1%
\$1,001 - \$1,500	18,310	23,494,998	1,283	5,356,333	293	22.8%
More than \$1,500	<u>72,763</u>	<u>169,062,279</u>	2,323	<u>30,173,942</u>	415	17.8%
Total	94,399	\$195,406,416	\$2,070	\$36,497,527	\$387	18.7%

Note:

. Does not include supplemental credit.

Table 7
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 8
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 9
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 10
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 11
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 12
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%