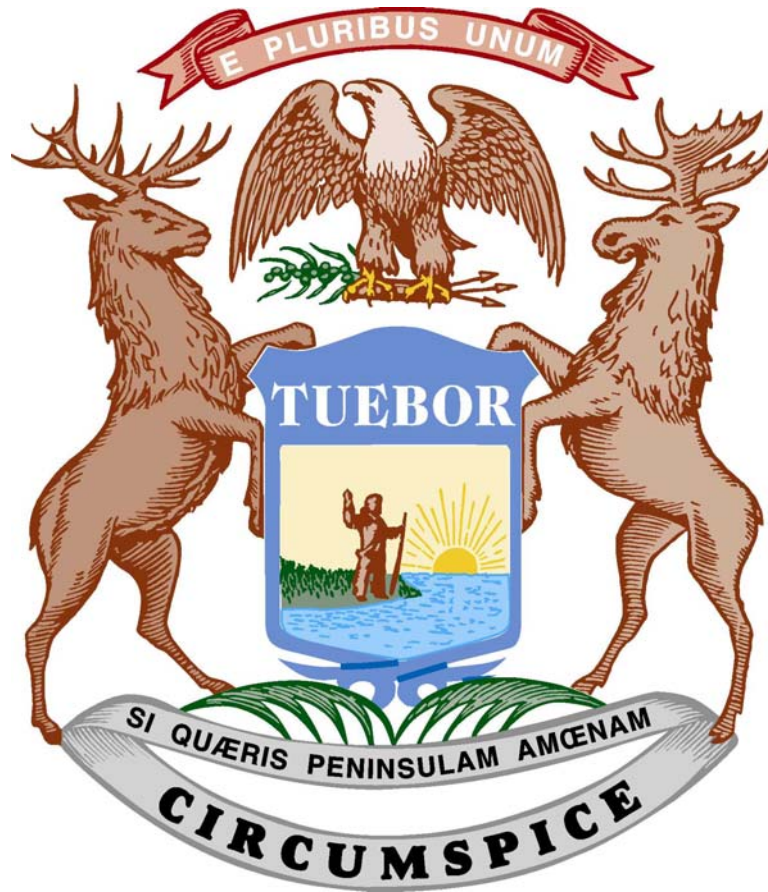


2014 Home Heating Expenses Reported by Home Heating Credit Filers



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. 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, 65 percent for 2008 and 2009, 52 percent for 2010 and 2011, 48 percent for 2012, 49 percent for 2013, and 50 percent for 2014 and 2015.

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 2014 Home Heating Credits

About 379,900 taxpayers received a total of \$52.9 million in home heating credits for tax year 2014. This represented an increase of 23,700 credits over the 2013 total, with \$4.5 million (9.3 percent) more in heating assistance provided to low-income families. The average credit for 2014 (\$139.38) was 2.4 percent higher than the 2013 average credit (\$136.06).

A total of 47,800 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$15.2 million (about 30.1 percent of all home heating credits). The average credit under the alternative credit was \$319.00 compared to \$108.36 under the standard calculation. A total of 327,600 taxpayers used the standard calculation, claiming \$35.5 million in credits (about 69.9 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2014, approximately 51.0 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 5.6 percent of all claimants who reported that heating was included in their rent. About 62.9 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 2013 and 2014. 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 2014 by income, credit amount, and expenses. Similar distributions are presented for 2013 in Tables 7 through 9.

The average heating expense amount reported for 2014 (\$1,310) was higher than the amount reported for 2013 (\$1,238). Total reported expenses increased by \$9.5 million to \$248.0 million for 2014. The average home heating credit among those credits reporting expenses increased,

from \$164 for 2013 to \$173 for 2014 (5.5 percent). The average percentage of expenses reimbursed by the home heating credit remained the same for 2013 and 2014 (13.2 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 2014. Similar distributions are presented in Tables 10 through 12 for 2013.

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 \$2,218 in 2013 to \$2,269 in 2014 (2.3 percent). Total credits increased by \$1.2 million to \$15.2 million in 2014. The average credit using the alternative calculation increased from \$311 in 2013 to \$322 in 2014 (3.5 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 2014, virtually the same as the average reported in 2013 (14.0 percent).

Table 1
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	61,546	89,305,263	1,451	7,135,959	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 2
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	31,509	71,361,354	2,265	13,884,322	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 3
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	58,731	137,986,225	2,349	16,287,245	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 4
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	7,772	22,771,610	2,930	1,541,642	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 5
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	23,677	61,567,869	2,600	10,885,515	460	17.7%
Total	47,078	\$106,816,451	\$2,269	\$15,150,882	\$322	14.2%

Table 6
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	38,261	96,118,775	2,512	13,330,604	348	13.9%
Total	47,078	\$106,816,451	\$2,269	\$15,150,882	\$322	14.2%

Table 7
2013 Home Heating Credits Reporting Heating Expenses by Household Income

<u>Total Household Resources</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	8,045	\$8,366,940	\$1,040	\$2,761,263	\$343	33.0%
\$3,001 - \$6,000	10,904	11,371,484	1,043	2,826,390	259	24.9%
\$6,001 - \$9,000	34,257	37,104,264	1,083	6,793,677	198	18.3%
\$9,001 - \$12,000	44,033	50,971,630	1,158	6,996,238	159	13.7%
\$12,001 - \$15,000	35,559	46,809,818	1,316	5,566,604	157	11.9%
Over \$15,000	59,826	83,935,228	1,403	6,657,849	111	7.9%
Total	192,624	\$238,559,364	\$1,238	\$31,602,021	\$164	13.2%

Note:

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

Table 8
2013 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	77,059	\$74,730,842	\$970	\$3,895,526	\$51	5.2%
\$101 - \$150	37,132	37,136,824	1,000	4,687,570	126	12.6%
\$151 - \$200	21,993	25,195,096	1,146	3,810,031	173	15.1%
\$201 - \$250	16,977	21,388,676	1,260	3,771,605	222	17.6%
\$251 - \$300	11,251	17,208,128	1,529	3,086,076	274	17.9%
More than \$300	28,212	62,899,798	2,230	12,351,213	438	19.6%
Total	192,624	\$238,559,364	\$1,238	\$31,602,021	\$164	13.2%

Note:

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

Table 9
2013 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	25,690	\$7,885,787	\$307	\$2,880,285	\$112	36.5%
\$501 - \$750	34,390	21,402,883	622	3,923,281	114	18.3%
\$751 - \$1,000	34,336	29,785,212	867	4,134,861	120	13.9%
\$1,001 - \$1,500	43,968	52,944,615	1,204	5,963,623	136	11.3%
More than \$1,500	54,240	126,540,867	2,333	14,699,971	271	11.6%
Total	192,624	\$238,559,364	\$1,238	\$31,602,021	\$164	13.2%

Note:

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

Table 10
2013 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	4,063	\$6,108,076	\$1,503	\$1,819,705	\$448	29.8%
\$3,001 - \$6,000	4,093	6,980,574	1,705	1,565,737	383	22.4%
\$6,001 - \$9,000	9,886	19,462,910	1,969	3,373,936	341	17.3%
\$9,001 - \$12,000	11,118	24,515,184	2,205	3,454,771	311	14.1%
\$12,001 - \$15,000	8,422	21,295,904	2,529	2,362,925	281	11.1%
Over \$15,000	7,374	21,347,537	2,895	1,412,702	192	6.6%
Total	44,956	\$99,710,185	\$2,218	\$13,989,776	\$311	14.0%

Note:

- . The household resources limits for the alternate credit for tax year 2013 were \$13,576 for one-person households, \$18,269 for two, \$22,967 for three, and \$24,018 for all others.

Table 11
2013 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	3,994	\$7,125,665	\$1,784	\$254,543	\$64	3.6%
\$101 - \$150	4,228	7,717,524	1,825	531,537	126	6.9%
\$151 - \$200	4,896	8,934,288	1,825	857,290	175	9.6%
\$201 - \$250	5,289	10,262,687	1,940	1,187,857	225	11.6%
\$251 - \$300	5,180	11,021,127	2,128	1,421,642	274	12.9%
More than \$300	21,369	54,648,894	2,557	9,736,907	456	17.8%
Total	44,956	\$99,710,185	\$2,218	\$13,989,776	\$311	14.0%

Table 12
2013 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	29	\$9,902	\$341	\$2,494	\$86	25.2%
\$501 - \$750	263	182,111	692	55,804	212	30.6%
\$751 - \$1,000	1,300	1,156,842	890	297,295	229	25.7%
\$1,001 - \$1,500	7,543	9,648,169	1,279	1,458,192	193	15.1%
More than \$1,500	35,821	88,713,161	2,477	12,175,991	340	13.7%
Total	44,956	\$99,710,185	\$2,218	\$13,989,776	\$311	14.0%