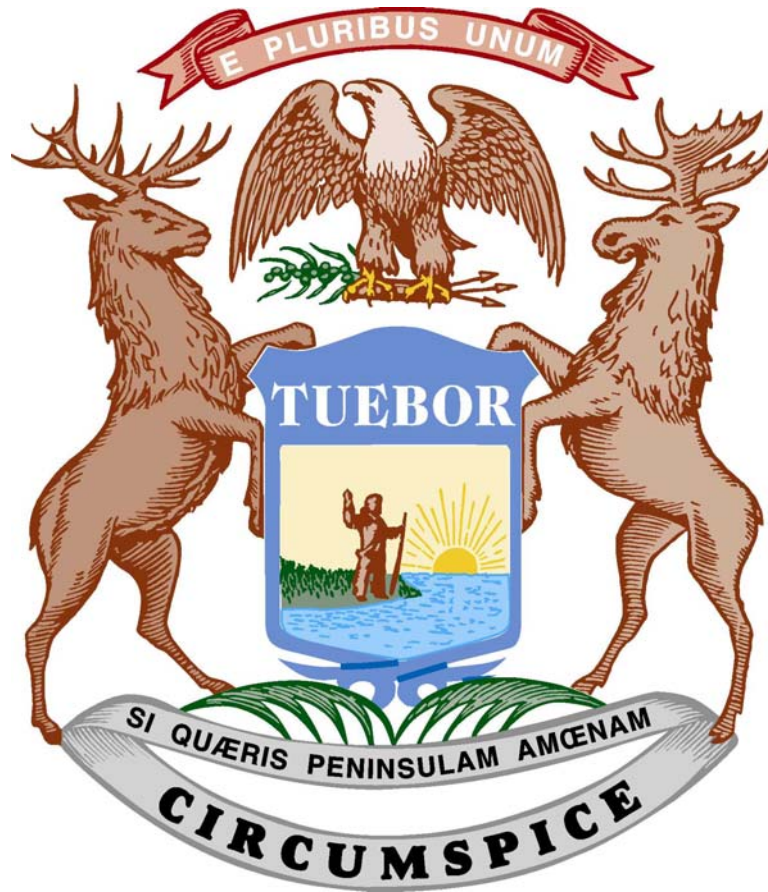


2006 Home Heating Expenses Reported by Home Heating Credit Filers



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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, and 53 percent for 2007.

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 2006 Home Heating Credits

For tax year 2006, about 406,700 taxpayers received home heating credits totaling \$82.8 million. This represented an increase of 13,900 credits over the 2005 total, with \$7.2 million (9.5 percent) more in heating assistance provided to low-income families. The average credit for 2006 (\$203.72) was 5.8 percent higher than the 2005 average credit (\$192.61).

A total of 84,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$35.1 million (about 42.4 percent of all home heating credits). The

average credit under the alternative credit was \$416.10 compared to \$145.97 under the standard calculation. A total of 322,300 taxpayers used the standard calculation, claiming \$47.7 million in credits (about 57.6 percent of all home heating credits).

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2006, approximately 64.8 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 6.5 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.

It is likely that filers 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 dollar amount of credits claimed for both 2006 and 2005. 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 2006 by income, credit amount, and expenses. Similar distributions are presented for 2005 in Tables 7 through 9.

The average heating expense amount reported increased from \$1,203 for 2005 to \$1,276 for 2006 (6.1 percent). Total reported expenses increased by \$27.5 million to \$331.5 million for 2006. The average home heating credit among those credits reporting expenses increased from \$229 for 2005 to \$246 for 2006 (7.4 percent). The average percentage of expenses reimbursed by the home heating credit increased slightly from 2005 (19.0 percent) to 2006 (19.3 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 2006. Similar distributions are presented in Tables 10 through 12 for 2005.

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 \$1,804 in 2005 to \$1,884 in 2006 (4.4 percent). Total credits increased by \$5.6 million to \$34.8 million in 2006. The average credit using the alternative calculation increased from \$395 in 2005 to \$420 in 2006 (6.3 percent). Claimants using the alternative calculation had an average of 22.3 percent of their reported heating expenses reimbursed by the home heating credit in 2006, compared to an average of 21.9 percent in 2005.

Table 1
2006 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	15,136	\$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 2
2006 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	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 3
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 4
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 5
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 6
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%

Table 7
2005 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	14,511	\$15,263,940	\$1,052	\$7,390,742	\$509	48.4%
\$3,001 - \$6,000	22,525	24,252,882	1,077	8,233,349	366	33.9%
\$6,001 - \$9,000	62,947	71,469,655	1,135	17,515,991	278	24.5%
\$9,001 - \$12,000	61,812	73,676,685	1,192	12,628,096	204	17.1%
\$12,001 - \$15,000	44,783	56,574,731	1,263	6,740,988	151	11.9%
Over \$15,000	46,115	62,754,090	1,361	5,247,939	114	8.4%
Total	252,693	\$303,991,983	\$1,203	\$57,757,105	\$229	19.0%

Note:

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

Table 8
2005 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	69,370	\$70,411,536	\$1,015	\$3,719,307	\$54	5.3%
\$101 - \$150	35,740	36,249,175	1,014	4,421,397	124	12.2%
\$151 - \$200	35,846	35,518,707	991	6,280,277	175	17.7%
\$201 - \$250	24,270	27,127,127	1,118	5,424,836	224	20.0%
\$251 - \$300	20,295	23,913,677	1,178	5,559,718	274	23.2%
More than \$300	67,172	110,771,761	1,649	32,351,570	482	29.2%
Total	252,693	\$303,991,983	\$1,203	\$57,757,105	\$229	19.0%

Note:

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

Table 9
2005 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	26,481	\$7,763,851	\$293	\$4,165,494	\$157	53.7%
\$501 - \$750	36,387	22,782,090	626	5,794,717	159	25.4%
\$751 - \$1,000	48,577	42,376,613	872	8,170,620	168	19.3%
\$1,001 - \$1,500	73,490	88,792,286	1,208	15,059,608	205	17.0%
More than \$1,500	<u>67,758</u>	<u>142,277,143</u>	2,100	<u>24,566,666</u>	363	17.3%
Total	252,693	\$303,991,983	\$1,203	\$57,757,105	\$229	19.0%

Note:

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

Table 10
2005 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	9,376	\$12,181,031	\$1,299	\$5,629,743	\$600	46.2%
\$3,001 - \$6,000	10,648	16,396,626	1,540	5,245,156	493	32.0%
\$6,001 - \$9,000	23,844	41,650,866	1,747	10,025,851	420	24.1%
\$9,001 - \$12,000	17,411	34,221,633	1,966	5,754,616	331	16.8%
\$12,001 - \$15,000	9,391	20,906,977	2,226	2,194,876	234	10.5%
Over \$15,000	<u>3,183</u>	<u>7,850,058</u>	2,466	<u>355,967</u>	112	4.5%
Total	73,853	\$133,207,191	\$1,804	\$29,206,209	\$395	21.9%

Note:

- . The household income limits for the alternate credit for tax year 2005 were \$11,635 for one-person households, \$15,658 for two, and \$18,433 for all others.

Table 11
2005 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	3,924	\$6,814,094	\$1,737	\$238,952	\$61	3.5%
\$101 - \$150	3,792	6,033,901	1,591	477,255	126	7.9%
\$151 - \$200	5,487	8,925,655	1,627	962,617	175	10.8%
\$201 - \$250	6,787	10,962,557	1,615	1,525,686	225	13.9%
\$251 - \$300	7,176	11,598,551	1,616	1,971,887	275	17.0%
More than \$300	<u>46,687</u>	<u>88,872,433</u>	1,904	<u>24,029,812</u>	515	27.0%
Total	73,853	\$133,207,191	\$1,804	\$29,206,209	\$395	21.9%

Table 12
2005 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	22	\$6,669	\$303	\$1,281	\$58	19.2%
\$501 - \$750	929	616,977	664	276,341	297	44.8%
\$751 - \$1,000	4,018	3,581,426	891	1,275,746	318	35.6%
\$1,001 - \$1,500	21,029	26,733,124	1,271	6,649,726	316	24.9%
More than \$1,500	<u>47,855</u>	<u>102,268,995</u>	2,137	<u>21,003,115</u>	439	20.5%
Total	73,853	\$133,207,191	\$1,804	\$29,206,209	\$395	21.9%