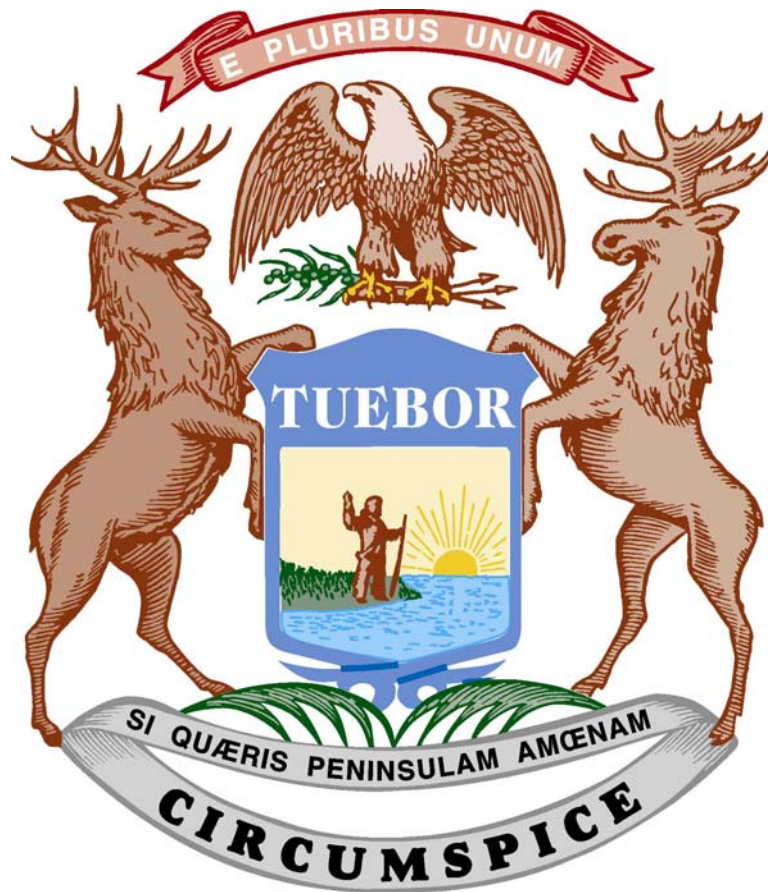


# 2005 Home Heating Expenses Reported by Home Heating Credit Filers



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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 as well as 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. Since the adoption of the proration calculation for tax year 1995, claimants have received a higher percentage of their credit each year until 2003. For tax year 1995, each claimant received 64 percent of the credit amount. The percentage increased to 70 percent for 1996; 74 percent for 1997; 82 percent for 1998; 90 percent for 1999; 100 percent for tax years 2000 through 2002; 80 percent for 2003; and 76 percent in 2004 and 2005.

There are two methods to calculate a home heating credit. If a claimant is eligible to use both methods, they 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 2005 Home Heating Credits**

For tax year 2005, about 392,700 taxpayers received home heating credits totaling \$75.6 million. This represented an increase of 9,300 credits over the 2004 total, and \$6.1 million (0.6 percent) more in heating assistance was provided to low-income families. The average credit for 2005 (\$192.61) was 7.6 percent higher than the 2004 average (\$179.00).

A total of 75,800 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$29.8 million (about 39.4 percent of all home heating credits). The average credit under the alternative credit was \$392.73 compared to \$142.21 under the standard calculation. A total of 316,900 taxpayers used the standard calculation, claiming \$45.8 million in credits (about 60.6 percent of all home heating credits).

## **Home Heating Expenses**

From the total claimants of the home heating credits in tax year 2005, approximately 65.5 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.5 percent reported that heating expenses were included in their rent. This represents about 7.2 percent of all claimants who reported that heating was included in their rent. About 82.3 percent of all claimants who reported that heating expenses were not included in their rent disclosed their heating expenses in 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 2005 and 2004. 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 2005 by income, credit amount, and expenses. Similar distributions are presented for 2004 in Tables 7 through 9.

The average heating expense amount reported increased from \$1,044 in 2004 to \$1,203 in 2005 (15.2 percent). Total reported expenses increased by \$43.5 million to \$304.0 million in 2005. The average home heating credit among those credits reporting expenses increased from \$209 in 2004 to \$229 in 2005 (9.6 percent). The average percentage of expenses reimbursed by the home heating credit declined slightly from 2004 (20.0 percent) to 2005 (19.0 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 in 2005. Similar distributions are presented in Tables 10 through 12 for 2004.

In general, alternative-credit filers have lower average incomes and higher average heating expenses than filers using the standard-credit calculation method. The average credit is also significantly larger.

The average heating expense amount reported by filers using the alternative calculation increased from \$1,620 in 2004 to \$1,804 in 2005 (11.4 percent). Total credits increased by \$8.0 million to \$29.2 million in 2005. The average credit using the alternative calculation increased from \$373

in 2004 to \$395 in 2005 (5.9 percent). Claimants using the alternative calculation had an average of 21.9 percent of their reported heating expenses reimbursed by the home heating credit in 2005, compared to an average of 23.0 percent in 2004.

**Table 1**  
**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	<u>46,115</u>	<u>62,754,090</u>	1,361	<u>5,247,939</u>	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 2**  
**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	<u>67,172</u>	<u>110,771,761</u>	1,649	<u>32,351,570</u>	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 3**  
**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 4**  
**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 5**  
**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 6**  
**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%

**Table 7**  
**2004 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	17,116	\$16,589,159	\$969	\$8,047,724	\$470	48.5%
\$3,001 - \$6,000	24,845	23,659,499	952	8,049,915	324	34.0%
\$6,001 - \$9,000	65,779	65,248,266	992	15,675,258	238	24.0%
\$9,001 - \$12,000	61,216	63,310,124	1,034	10,598,135	173	16.7%
\$12,001 - \$15,000	40,748	45,050,350	1,106	5,445,921	134	12.1%
Over \$15,000	<u>39,780</u>	<u>46,611,050</u>	1,172	<u>4,224,444</u>	106	9.1%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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

**Table 8**  
**2004 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	71,775	\$65,605,222	\$914	\$3,886,532	\$54	5.9%
\$101 - \$150	38,109	34,975,034	918	4,719,389	124	13.5%
\$151 - \$200	38,237	34,688,765	907	6,677,216	175	19.2%
\$201 - \$250	24,996	24,971,565	999	5,583,353	223	22.4%
\$251 - \$300	20,673	21,451,206	1,038	5,651,155	273	26.3%
More than \$300	<u>55,694</u>	<u>78,776,656</u>	1,414	<u>25,523,752</u>	458	32.4%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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



**Table 9**  
**2004 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	32,546	\$9,947,748	\$306	\$5,154,626	\$158	51.8%
\$501 - \$750	48,936	30,573,951	625	7,751,246	158	25.4%
\$751 - \$1,000	54,883	47,650,301	868	9,363,248	171	19.6%
\$1,001 - \$1,500	68,425	82,118,283	1,200	14,556,069	213	17.7%
More than \$1,500	<u>44,694</u>	<u>90,178,165</u>	2,018	<u>15,216,208</u>	340	16.9%
Total	249,484	\$260,468,448	\$1,044	\$52,041,397	\$209	20.0%

Note:

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

**Table 10**  
**2004 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	10,272	\$12,689,914	\$1,235	\$5,795,371	\$564	45.7%
\$3,001 - \$6,000	9,687	13,864,689	1,431	4,298,581	444	31.0%
\$6,001 - \$9,000	19,379	31,391,401	1,620	7,065,583	365	22.5%
\$9,001 - \$12,000	11,438	21,295,336	1,862	3,141,019	275	14.7%
\$12,001 - \$15,000	5,114	10,808,414	2,113	874,275	171	8.1%
Over \$15,000	<u>1,037</u>	<u>2,163,198</u>	2,086	<u>64,891</u>	63	3.0%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%

Note:

- . The household income limits for the alternate credit for tax year 2004 were \$11,360 for one-person households, \$15,287 for two, and \$16,757 for all others.

**Table 11**  
**2004 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	3,110	\$4,999,266	\$1,607	\$195,567	\$63	3.9%
\$101 - \$150	3,212	4,839,660	1,507	402,718	125	8.3%
\$151 - \$200	4,637	6,846,791	1,477	815,126	176	11.9%
\$201 - \$250	5,826	8,785,187	1,508	1,310,825	225	14.9%
\$251 - \$300	6,038	8,928,716	1,479	1,659,881	275	18.6%
More than \$300	<u>34,104</u>	<u>57,813,332</u>	1,695	<u>16,855,603</u>	494	29.2%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%

**Table 12**  
**2004 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	44	\$12,476	\$284	\$2,349	\$53	18.8%
\$501 - \$750	1,417	932,884	658	422,004	298	45.2%
\$751 - \$1,000	4,693	4,178,940	890	1,503,091	320	36.0%
\$1,001 - \$1,500	20,808	26,211,710	1,260	6,693,127	322	25.5%
More than \$1,500	<u>29,965</u>	<u>60,876,942</u>	2,032	<u>12,619,149</u>	421	20.7%
Total	56,927	\$92,212,952	\$1,620	\$21,239,720	\$373	23.0%