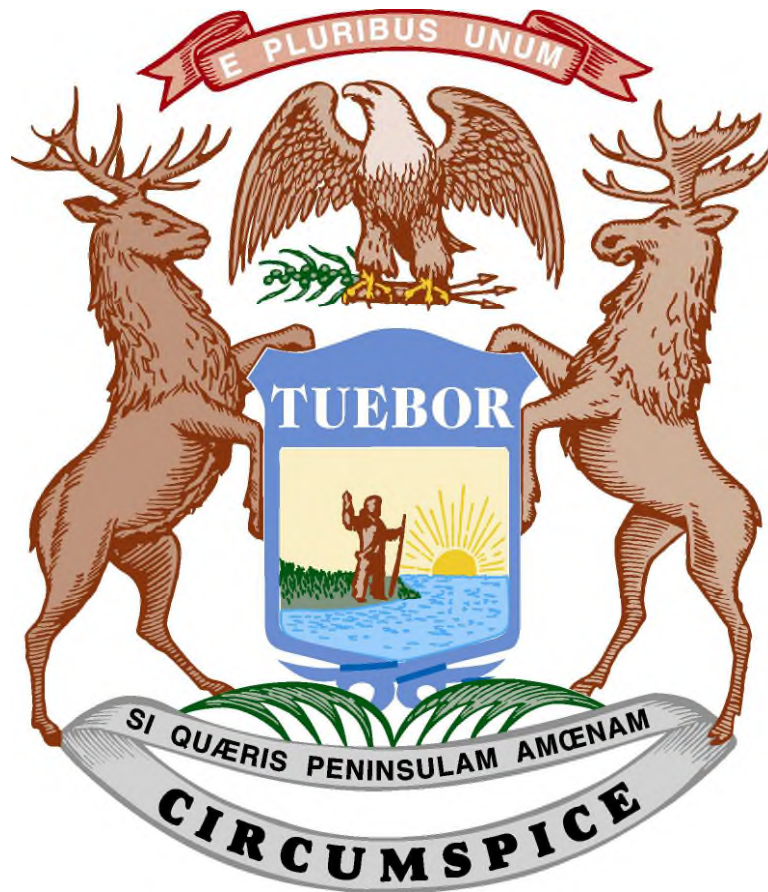


2019 Home Heating Expenses Reported by Home Heating Credit Filers



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. Since 2003, 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, 50 percent for 2014 and 2015, 67 percent for 2016, 75 percent for 2017 and 2018, 80 percent for 2019, and 85 percent for 2020.

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 2019 Home Heating Credits

About 272,800 taxpayers received a total of \$60.0 million in home heating credits for tax year 2019, compared to a total of 303,900 taxpayers receiving \$67.3 million (\$60.9 million in regular credits and \$6.4 million in supplemental credits) in total credits for tax year 2018. Unlike tax year 2018, Michigan residents did not receive supplemental credit payment in tax year 2019.

The total of about \$60.0 million in regular credits represented a decrease of 31,100 credits over the 2018 regular credit total, with \$0.9 million (-1.5 percent) less in heating assistance provided to low-income families. The average credit for 2019 (\$219.99) was 9.8 percent higher than the 2018 average regular credit (\$200.42). The home heating credit proration percentage for tax year 2019 increased to 80 percent, from 75 percent in 2018.

About 45,100 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$16.4 million. The average credit under the standard calculation was \$188.59 compared to \$363.04 under the alternative calculation.

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2019, approximately 53.1 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 5.6 percent of all claimants who reported that heating was included in their rent. About 67.6 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 amount claimed for both 2018 and 2019. 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 2019 by income, credit amount, and expenses. Similar distributions are presented for 2018 in Tables 7 through 9. In order to better compare 2018 and 2019 statistics, supplemental credit amounts for 2018 were not included in any of the tables in this report.

The average heating expense amount reported for 2019 (\$1,115) was lower than the amount reported for 2018 (\$1,184). Total reported expenses decreased by \$45.7 million to \$140.7 million for 2019. Since the number of credit claimants reduced proportionally more than the total credit amount claimed (-19.9 percent and -12.9 percent, respectively), the average home heating credit among those credits reporting expenses increased from \$240 for 2018 to \$261 for 2019. The average percentage of expenses reimbursed by the home heating credit increased to 23.4 percent in 2019 compared to 20.3 percent in 2018.

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 2019. Similar distributions are presented in Tables 10 through 12 for 2018.

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 in 2019 decreased slightly to \$2,229 (-4.3 percent), compared to the average of \$2,330 reported in 2018. Total credits decreased by \$1.6 million to \$11.5 million in 2019. The average credit using the alternative calculation increased from \$449 in 2018 to \$497 in 2019 (10.7 percent), reflecting the proportionally larger reduction in credit claimants (-20.5 percent) compared to the reduction in the amount of total credits claimed (-11.9%). Claimants using the alternative calculation had an average of 22.3 percent of their reported heating expenses reimbursed by the home heating credit in 2019, compared to the average of 19.3 percent reported in 2018.

Table 1
2019 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	6,775	\$5,652,056	\$834	\$3,369,256	\$497	59.6%
\$3,001 - \$6,000	6,966	6,124,483	879	2,709,822	389	44.2%
\$6,001 - \$9,000	12,735	12,225,377	960	4,057,775	319	33.2%
\$9,001 - \$12,000	32,880	33,273,164	1,012	8,596,369	261	25.8%
\$12,001 - \$15,000	24,958	29,145,213	1,168	5,847,900	234	20.1%
Over \$15,000	<u>41,822</u>	<u>54,265,556</u>	1,298	<u>8,367,588</u>	200	15.4%
Total	126,136	\$140,685,849	\$1,115	\$32,948,710	\$261	23.4%

Note:

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

Table 2
2019 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	29,846	\$26,154,669	\$876	\$1,531,196	\$51	5.9%
\$101 - \$150	16,972	15,044,628	886	2,104,072	124	14.0%
\$151 - \$200	13,235	12,331,778	932	2,310,453	175	18.7%
\$201 - \$250	12,648	12,022,456	951	2,840,986	225	23.6%
\$251 - \$300	12,951	12,015,692	928	3,482,071	269	29.0%
More than \$300	<u>40,484</u>	<u>63,116,626</u>	1,559	<u>20,679,932</u>	511	32.8%
Total	126,136	\$140,685,849	\$1,115	\$32,948,710	\$261	23.4%

Note:

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

Table 3
2019 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	25,734	\$7,689,986	\$299	\$5,035,170	\$196	65.5%
\$501 - \$750	25,370	15,616,334	616	5,056,530	199	32.4%
\$751 - \$1,000	20,624	17,862,253	866	4,434,731	215	24.8%
\$1,001 - \$1,500	24,266	29,174,007	1,202	5,719,212	236	19.6%
More than \$1,500	<u>30,142</u>	<u>70,343,269</u>	2,334	<u>12,703,067</u>	421	18.1%
Total	126,136	\$140,685,849	\$1,115	\$32,948,710	\$261	23.4%

Note:

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

Table 4
2019 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	2,442	\$3,390,274	\$1,388	\$1,622,277	\$664	47.9%
\$3,001 - \$6,000	1,923	3,116,334	1,621	1,133,143	589	36.4%
\$6,001 - \$9,000	2,993	5,654,271	1,889	1,620,311	541	28.7%
\$9,001 - \$12,000	6,385	14,103,193	2,209	3,340,531	523	23.7%
\$12,001 - \$15,000	4,879	12,350,532	2,531	2,244,987	460	18.2%
Over \$15,000	<u>4,499</u>	<u>12,927,471</u>	2,873	<u>1,530,695</u>	340	11.8%
Total	23,121	\$51,542,075	\$2,229	\$11,491,944	\$497	22.3%

Note:

- . The household resources limits for the alternate credit for tax year 2019 were \$14,632 for one-person households, \$19,690 for two, \$24,753 for three, and \$24,918 for all others.

Table 5
2019 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	880	\$1,605,294	\$1,824	\$51,482	\$59	3.2%
\$101 - \$150	866	1,618,241	1,869	107,689	124	6.7%
\$151 - \$200	1,131	2,133,287	1,886	198,299	175	9.3%
\$201 - \$250	1,231	2,278,737	1,851	277,567	225	12.2%
\$251 - \$300	1,497	2,845,436	1,901	410,269	274	14.4%
More than \$300	<u>17,516</u>	<u>41,061,080</u>	2,344	<u>10,446,638</u>	596	25.4%
Total	23,121	\$51,542,075	\$2,229	\$11,491,944	\$497	22.3%

Table 6
2019 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	84	\$23,156	\$276	\$17,352	\$207	74.9%
\$501 - \$750	172	116,556	678	51,615	300	44.3%
\$751 - \$1,000	699	617,923	884	271,947	389	44.0%
\$1,001 - \$1,500	3,523	4,456,738	1,265	1,322,161	375	29.7%
More than \$1,500	<u>18,643</u>	<u>46,327,702</u>	2,485	<u>9,828,869</u>	527	21.2%
Total	23,121	\$51,542,075	\$2,229	\$11,491,944	\$497	22.3%

Table 7
2018 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	5,060	\$4,021,937	\$795	\$2,324,030	\$459	57.8%
\$3,001 - \$6,000	6,745	5,881,173	872	2,460,299	365	41.8%
\$6,001 - \$9,000	15,368	14,451,349	940	4,504,570	293	31.2%
\$9,001 - \$12,000	39,444	41,447,217	1,051	9,861,268	250	23.8%
\$12,001 - \$15,000	31,148	38,672,421	1,242	7,551,113	242	19.5%
Over \$15,000	<u>59,720</u>	<u>81,944,492</u>	1,372	<u>11,117,047</u>	186	13.6%
Total	157,485	\$186,418,589	\$1,184	\$37,818,327	\$240	20.3%

Note:

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

Table 8
2018 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	40,147	\$37,805,673	\$942	\$2,048,597	\$51	5.4%
\$101 - \$150	21,501	20,288,170	944	2,638,539	123	13.0%
\$151 - \$200	17,701	17,686,719	999	3,085,866	174	17.4%
\$201 - \$250	20,420	19,718,419	966	4,604,945	226	23.4%
\$251 - \$300	11,588	13,083,816	1,129	3,167,225	273	24.2%
More than \$300	<u>46,128</u>	<u>77,835,792</u>	1,687	<u>22,273,155</u>	483	28.6%
Total	157,485	\$186,418,589	\$1,184	\$37,818,327	\$240	20.3%

Note:

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

Table 9
2018 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	27,942	\$8,480,943	\$304	\$5,007,267	\$179	59.0%
\$501 - \$750	29,771	18,331,997	616	5,430,759	182	29.6%
\$751 - \$1,000	25,749	22,340,343	868	5,058,193	196	22.6%
\$1,001 - \$1,500	32,563	39,277,686	1,206	6,997,486	215	17.8%
More than \$1,500	<u>41,460</u>	<u>97,987,620</u>	2,363	<u>15,324,622</u>	370	15.6%
Total	157,485	\$186,418,589	\$1,184	\$37,818,327	\$240	20.3%

Note:

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

Table 10
2018 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	1,907	\$2,266,040	\$1,188	\$1,078,614	\$566	47.6%
\$3,001 - \$6,000	1,920	2,896,641	1,509	999,427	521	34.5%
\$6,001 - \$9,000	3,555	6,316,750	1,777	1,710,242	481	27.1%
\$9,001 - \$12,000	8,342	18,425,190	2,209	4,129,812	495	22.4%
\$12,001 - \$15,000	6,575	17,109,847	2,602	2,955,464	450	17.3%
Over \$15,000	<u>6,774</u>	<u>20,713,040</u>	3,058	<u>2,174,358</u>	321	10.5%
Total	29,073	\$67,727,508	\$2,330	\$13,047,917	\$449	19.3%

Note:

- . The household resources limits for the alternate credit for tax year 2018 were \$14,472 for one-person households, \$19,475 for two, \$24,483 for three, and \$24,918 for all others.
- . Does not include supplemental credit.

Table 11
2018 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	1,109	\$2,217,091	\$1,999	\$66,574	\$60	3.0%
\$101 - \$150	1,229	2,395,448	1,949	155,231	126	6.5%
\$151 - \$200	1,573	3,209,762	2,041	275,559	175	8.6%
\$201 - \$250	1,910	3,850,605	2,016	430,797	226	11.2%
\$251 - \$300	2,200	4,343,938	1,975	603,691	274	13.9%
More than \$300	<u>21,052</u>	<u>51,710,664</u>	2,456	<u>11,516,065</u>	547	22.3%
Total	29,073	\$67,727,508	\$2,330	\$13,047,917	\$449	19.3%

Note:

- . Does not include supplemental credit.

Table 12
2018 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	15	\$4,981	\$332	\$1,669	\$111	33.5%
\$501 - \$750	121	83,420	689	38,756	320	46.5%
\$751 - \$1,000	700	620,244	886	266,580	381	43.0%
\$1,001 - \$1,500	3,888	4,995,336	1,285	1,258,455	324	25.2%
More than \$1,500	<u>24,349</u>	<u>62,023,527</u>	2,547	<u>11,482,457</u>	472	18.5%
Total	29,073	\$67,727,508	\$2,330	\$13,047,917	\$449	19.3%

Note:

- . Does not include supplemental credit.