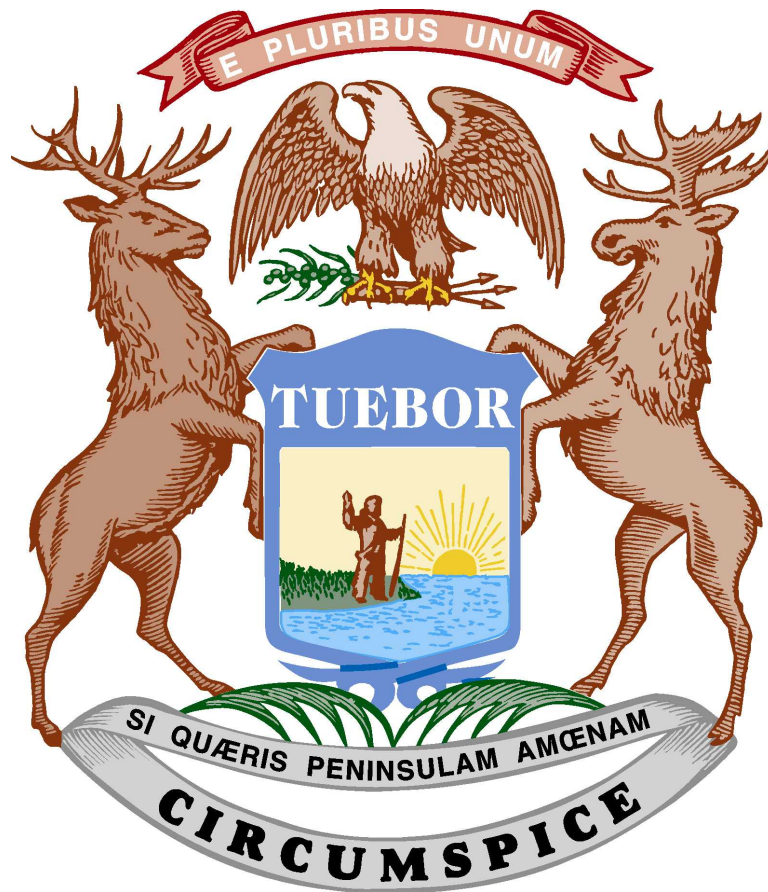


# 2020 Home Heating Expenses Reported by Home Heating Credit Filers



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. Therefore, from 2003 through 2020, claimants 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. For 2021, claimants will receive the full credit amount (proration percent is 100%).

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 resources<sup>1</sup>. 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. The alternate calculation uses heating costs on the claimants' homestead to compute the home heating credit amount, and the heating costs used for the calculation cannot be for less than 12 months, nor be included in the claimant's rent.

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<sup>1</sup> 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 <https://www.michigan.gov/taxes/iit/tax-time/total-household-resources>

## **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 2020 Home Heating Credits**

About 203,200 taxpayers received a total of \$73.0 million in home heating credits for tax year 2020 (\$43.8 million in regular credits and \$29.5 million in supplemental credits), compared to a total of 272,800 taxpayers receiving \$60.0 million in total credits for tax year 2019. Unlike tax year 2019, Michigan residents who received a regular home heating credit in tax year 2020 also received a supplemental credit payment. Supplemental payments were in the amount of \$200 for seniors, disabled, or filers with children 5 and under, and of \$100 for all other claimants.

The total of about \$43.8 million in regular credits represented a decrease of 69,600 credits over the 2019 regular credit total, with \$16.2 million (-27.0 percent) less in heating assistance provided to low-income families. The average regular credit for 2020 (\$215.69) was 2.0 percent lower than the 2019 average regular credit (\$219.99). The home heating credit proration percentage for tax year 2020 increased to 85 percent, from 80 percent in 2019.

About 14,400 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$6.7 million. Including the supplemental credit, the average credit under the standard calculation was \$172.64 compared to \$463.60 under the alternative calculation. The alternate calculation uses heating costs on the claimants' homestead to compute the home heating credit amount, such that the heating costs used for the calculation cannot be for less than 12 months, nor be included in the claimant's rent.

### **Home Heating Expenses**

From the total claimants of the home heating credits in tax year 2020, approximately 52.3 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.4 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 65.6 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 2019 and 2020. 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 2020 by income, credit amount, and expenses. Similar distributions are presented for 2019 in Tables 7 through 9. In order to better compare

2019 and 2020 statistics, supplemental credit amounts for 2020 were not included in any of the tables in this report.

The average heating expense amount reported for 2020 (\$1,065) was lower than the amount reported for 2019 (\$1,115). Total reported expenses decreased by \$36.6 million to \$104.0 million for 2020. Since the number of credit claimants reduced proportionally less than the total credit amount claimed (-22.5 percent and -29.6 percent, respectively), the average home heating credit among those credits reporting expenses decreased from \$261 for 2019 to \$237 for 2020. The average percentage of expenses reimbursed by the home heating credit decreased to 22.3 percent in 2020 compared to 23.4 percent in 2019.

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 2020. Similar distributions are presented in Tables 10 through 12 for 2019.

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 2020 increased slightly to \$2,269 (1.8 percent), compared to the average of \$2,229 reported in 2019. Total credits decreased by \$5.2 million to \$6.3 million in 2020. The average credit using the alternative calculation decreased from \$497 in 2019 to \$481 in 2020 (-3.1 percent), reflecting the proportionally smaller reduction in credit claimants (-43.6 percent) compared to the reduction in the amount of total credits claimed (-45.4%). Claimants using the alternative calculation had an average of 21.2 percent of their reported heating expenses reimbursed by the home heating credit in 2020, compared to the average of 22.3 percent reported in 2019.

**Table 1**  
**2020 Home Heating Credits Reporting Heating Expenses by Household Income**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$3,000	3,439	\$2,341,554	\$681	\$1,741,228	\$506	74.4%
\$3,001 - \$6,000	3,693	2,998,367	812	1,544,547	418	51.5%
\$6,001 - \$9,000	7,924	6,926,698	874	2,594,086	327	37.5%
\$9,001 - \$12,000	23,904	20,823,515	871	6,023,874	252	28.9%
\$12,001 - \$15,000	18,493	18,597,946	1,006	3,842,161	208	20.7%
Over \$15,000	<u>40,261</u>	<u>52,353,692</u>	1,300	<u>7,458,591</u>	185	14.2%
Total	97,714	\$104,041,772	\$1,065	\$23,204,487	\$237	22.3%

Note:

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

**Table 2**  
**2020 Home Heating Credits Reporting Heating Expenses by Credit Amount**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$100	27,377	\$25,309,500	\$924	\$1,345,366	\$49	5.3%
\$101 - \$150	13,971	12,345,290	884	1,757,509	126	14.2%
\$151 - \$200	10,208	9,759,217	956	1,769,847	173	18.1%
\$201 - \$250	8,709	8,569,775	984	1,948,171	224	22.7%
\$251 - \$300	10,489	9,340,119	890	2,893,809	276	31.0%
More than \$300	<u>26,960</u>	<u>38,717,871</u>	1,436	<u>13,489,785</u>	500	34.8%
Total	97,714	\$104,041,772	\$1,065	\$23,204,487	\$237	22.3%

Note:

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

**Table 3**  
**2020 Home Heating Credits Reporting Heating Expenses by Heating Expenses**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$500	22,577	\$6,946,667	\$308	\$4,394,448	\$195	63.3%
\$501 - \$750	20,704	12,707,648	614	4,092,056	198	32.2%
\$751 - \$1,000	15,294	13,229,734	865	3,157,833	206	23.9%
\$1,001 - \$1,500	17,821	21,443,377	1,203	3,923,328	220	18.3%
More than \$1,500	<u>21,318</u>	<u>49,714,346</u>	2,332	<u>7,636,822</u>	358	15.4%
Total	97,714	\$104,041,772	\$1,065	\$23,204,487	\$237	22.3%

Note:

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

**Table 4**  
**2020 Home Heating Credits Reporting Heating Expenses by Household Income**  
**Alternate Credit Filers Only**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$3,000	934	\$1,104,799	\$1,183	\$600,192	\$643	54.3%
\$3,001 - \$6,000	823	1,250,363	1,519	494,975	601	39.6%
\$6,001 - \$9,000	1,521	2,706,841	1,780	840,351	552	31.0%
\$9,001 - \$12,000	3,468	6,896,458	1,989	1,753,735	506	25.4%
\$12,001 - \$15,000	2,804	6,766,642	2,413	1,330,527	475	19.7%
Over \$15,000	<u>3,488</u>	<u>10,852,664</u>	3,111	<u>1,256,674</u>	360	11.6%
<b>Total</b>	<b>13,038</b>	<b>\$29,577,767</b>	<b>\$2,269</b>	<b>\$6,276,454</b>	<b>\$481</b>	<b>21.2%</b>

Note:

- . The household resources limits for the alternate credit for tax year 2020 were \$14,849 for one-person households, \$19,982 for two, \$25,119 for three, and \$26,091 for all others.
- . Does not include supplemental credit.

**Table 5**  
**2020 Home Heating Credits Reporting Heating Expenses by Credit Amount**  
**Alternate Credit Filers Only**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$100	498	\$969,924	\$1,948	\$31,519	\$63	3.2%
\$101 - \$150	518	1,011,003	1,952	64,962	125	6.4%
\$151 - \$200	734	1,613,407	2,198	128,688	175	8.0%
\$201 - \$250	852	1,822,895	2,140	191,980	225	10.5%
\$251 - \$300	893	1,790,974	2,006	245,608	275	13.7%
More than \$300	<u>9,543</u>	<u>22,369,564</u>	2,344	<u>5,613,697</u>	588	25.1%
<b>Total</b>	<b>13,038</b>	<b>\$29,577,767</b>	<b>\$2,269</b>	<b>\$6,276,454</b>	<b>\$481</b>	<b>21.2%</b>

Note:

- . Does not include supplemental credit.

**Table 6**  
**2020 Home Heating Credits Reporting Heating Expenses by Heating Expenses**  
**Alternate Credit Filers Only**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
Up to \$500	13	\$4,616	\$355	\$1,152	\$89	25.0%
\$501 - \$750	45	30,572	679	12,973	288	42.4%
\$751 - \$1,000	309	273,656	886	137,349	444	50.2%
\$1,001 - \$1,500	1,813	2,325,537	1,283	708,971	391	30.5%
More than \$1,500	<u>10,858</u>	<u>26,943,386</u>	2,481	<u>5,416,009</u>	499	20.1%
<b>Total</b>	<b>13,038</b>	<b>\$29,577,767</b>	<b>\$2,269</b>	<b>\$6,276,454</b>	<b>\$481</b>	<b>21.2%</b>

Note:

- . Does not include supplemental credit.

**Table 7**  
**2019 Home Heating Credits Reporting Heating Expenses by Household Income**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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 8**  
**2019 Home Heating Credits Reporting Heating Expenses by Credit Amount**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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 9**  
**2019 Home Heating Credits Reporting Heating Expenses by Heating Expenses**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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 10**  
**2019 Home Heating Credits Reporting Heating Expenses by Household Income**  
**Alternate Credit Filers Only**

<b>Total Household Resources</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>23,121</b>	<b>\$51,542,075</b>	<b>\$2,229</b>	<b>\$11,491,944</b>	<b>\$497</b>	<b>22.3%</b>

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 11**  
**2019 Home Heating Credits Reporting Heating Expenses by Credit Amount**  
**Alternate Credit Filers Only**

<b>Credit Amount</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>23,121</b>	<b>\$51,542,075</b>	<b>\$2,229</b>	<b>\$11,491,944</b>	<b>\$497</b>	<b>22.3%</b>

**Table 12**  
**2019 Home Heating Credits Reporting Heating Expenses by Heating Expenses**  
**Alternate Credit Filers Only**

<b>Annual Heating Expenses</b>	<b>Number of Credits</b>	<b>Total Expenses Reported</b>	<b>Average Expense Amount</b>	<b>Total Credit Amount</b>	<b>Average Credit Amount</b>	<b>Credit as Percent of Expenses</b>
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%
<b>Total</b>	<b>23,121</b>	<b>\$51,542,075</b>	<b>\$2,229</b>	<b>\$11,491,944</b>	<b>\$497</b>	<b>22.3%</b>