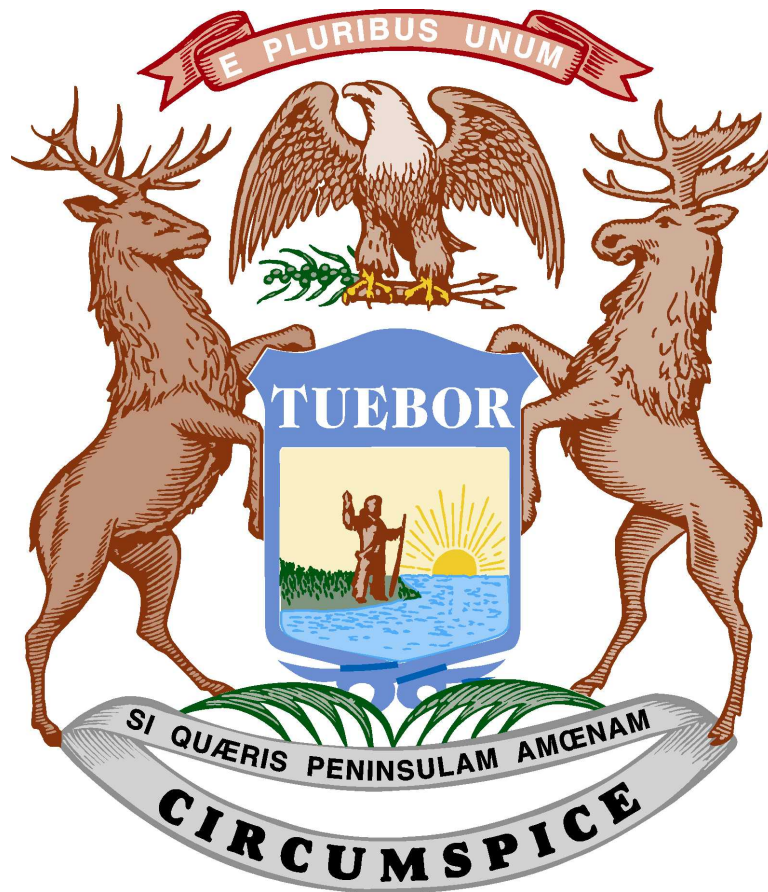


2022 Home Heating Expenses Reported by Home Heating Credit Filers



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, 85 percent for 2020. For 2021, claimants received the full credit amount (proration percent was 100%). For 2022 credits processed in 2023, the proration percentage for the home heating credit was 90 percent.

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. 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 can heat be included in the claimant's rent.

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 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 2022 Home Heating Credits

Approximately 248,765 taxpayers received a total of \$66.8 million in traditional home heating credits for tax year 2022, compared to a total of 232,200 taxpayers receiving \$63.9 million in comparable credits in total credits for tax year 2021. In October 2023, all home heating credit claimants for tax year 2022 received a \$54 supplemental credit. The supplemental credits totaled \$12.9 million statewide. Supplemental credits are excluded from all computations beyond this point to better compare year-over-year changes.

The total of about \$66.8 million in regular credits represented an increase of more than 15,000 credits over the 2021 total, with \$2.9 million (4.5 percent) more in heating assistance provided to low-income families. The average regular credit for 2022 (\$268.50) was roughly 2 percent lower than the 2021 average regular credit (\$274.10). The home heating credit proration percentage for tax year 2022 decreased from 100 percent in 2021 to 90 percent.

About 24,450 taxpayers used the alternative calculation based on energy consumption claiming credits worth \$15.3 million. The average credit among those reporting expenses under the standard calculation was \$325.65 compared to \$627.18 under the alternative calculation. The alternate calculation uses heating costs on the claimants' homestead to compute the home heating credit amount.

Home Heating Expenses

From the total claimants of the home heating credits in tax year 2022, approximately 53.7 percent reported their heating expenses on the home heating credit form. From the total of claimants who reported their heating expenses, only 2.8 percent reported that heating expenses were included in their rent. This represents about 7.4 percent of all claimants who reported that heating was included in their rent. About 75.3 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 2021 and 2022. 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 2022 by income, credit amount, and expenses. Similar distributions are presented for 2021 in Tables 7 through 9. To better compare 2021 and 2022 statistics, supplemental credit amounts were not included in any of the tables in this report.

The average heating expense amount reported for 2022 (\$1,295) was higher than the amount reported for 2021 (\$1,094). Total reported expenses increased by \$56.0 million to \$173.1 million for 2022. The average home heating credit among those credits reporting expenses increased from \$293 for 2021 to \$326 for 2022. The average percentage of expenses reimbursed by the home heating credit decreased to 25.1 percent in 2022 compared to 26.8 percent in 2021.

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 2022. Similar distributions are presented in Tables 10 through 12 for 2021.

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 2022 increased to \$2,581 (Approximately 8 percent), compared to the average of \$2,390 reported in 2021. Total credits increased by \$7.0 million to \$15.3 million in 2022. The average credit using the alternative calculation increased from \$580 in 2021 to \$627 in 2022 (8 percent). Claimants using the alternative calculation realized the same average of 24.3 percent of their reported heating expenses in both 2022 and 2021.

Table 1
2022 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	4,225	\$3,714,344	\$879	\$2,495,786	\$591	67.2%
\$3,001 - \$6,000	5,322	5,297,566	995	2,760,513	519	52.1%
\$6,001 - \$9,000	10,119	10,925,972	1,080	4,385,516	433	40.1%
\$9,001 - \$12,000	28,977	32,266,377	1,114	10,031,216	346	31.1%
\$12,001 - \$15,000	27,108	32,705,539	1,206	7,467,630	275	22.8%
Over \$15,000	<u>57,827</u>	<u>88,199,537</u>	1,525	<u>16,359,927</u>	283	18.5%
Total	133,578	\$173,109,328	\$1,296	\$43,500,588	\$326	25.1%

Note:

. The household resources limits for the alternate credit for tax year 2022 were \$17,534 for one-person households, \$23,595 for two, \$29,661 for three, and \$31,818 for all others

. Does not include supplemental credit.

Table 2
2022 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	25,515	\$25,802,854	\$1,011	\$1,307,269	\$51	5.1%
\$101 - \$150	14,487	14,519,593	1,002	1,838,647	127	12.7%
\$151 - \$200	12,858	13,378,109	1,040	2,229,720	173	16.7%
\$201 - \$250	11,341	12,307,436	1,085	2,556,278	225	20.8%
\$251 - \$300	10,997	11,991,742	1,090	3,034,314	276	25.3%
More than \$300	<u>58,380</u>	<u>95,109,601</u>	1,629	<u>32,534,360</u>	557	34.2%
Total	133,578	\$173,109,328	\$1,296	\$43,500,588	\$326	25.1%

Note:

. Does not include supplemental credit.

Table 3
2022 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	21,383	\$6,570,351	\$307	\$5,111,923	\$239	77.8%
\$501 - \$750	20,446	12,936,630	633	4,877,890	239	37.7%
\$751 - \$1,000	23,594	20,858,726	884	6,022,437	255	28.9%
\$1,001 - \$1,500	29,715	36,865,438	1,241	8,225,549	277	22.3%
More than \$1,500	<u>38,440</u>	<u>95,878,190</u>	2,494	<u>19,262,789</u>	501	20.1%
Total	133,578	\$173,109,328	\$1,296	\$43,500,588	\$326	25.1%

Note:

. Does not include supplemental credit.

Table 4
2022 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	1,383	\$1,794,364	\$1,297	\$1,010,236	\$730	56.3%
\$3,001 - \$6,000	1,519	2,593,968	1,708	1,121,468	738	43.2%
\$6,001 - \$9,000	2,418	4,965,185	2,053	1,759,726	728	35.4%
\$9,001 - \$12,000	5,772	13,300,903	2,304	3,867,412	670	29.1%
\$12,001 - \$15,000	5,050	13,016,982	2,578	3,066,429	607	23.6%
Over \$15,000	<u>8,292</u>	<u>27,389,674</u>	3,303	<u>4,499,263</u>	543	16.4%
Total	24,434	\$63,061,076	\$2,581	\$15,324,534	\$627	24.3%

Note:

- . The household resources limits for the alternate credit for tax year 2022 were \$17,534 for one-person households, \$23,595 for two, \$29,661 for three, and \$31,818 for all others
- . Does not include supplemental credit.

Table 5
2022 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	611	\$1,430,764	\$2,342	\$35,514	\$58	2.5%
\$101 - \$150	577	1,165,613	2,020	73,418	127	6.3%
\$151 - \$200	776	1,630,646	2,101	136,130	175	8.3%
\$201 - \$250	1,016	2,149,917	2,116	230,195	227	10.7%
\$251 - \$300	1,131	2,365,275	2,091	312,245	276	13.2%
More than \$300	<u>20,323</u>	<u>54,318,861</u>	2,673	<u>14,537,032</u>	715	26.8%
Total	24,434	\$63,061,076	\$2,581	\$15,324,534	\$627	24.3%

Note:

- . Does not include supplemental credit.

Table 6
2022 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	\$4,699	\$336	\$2,559	\$183	54.5%
\$501 - \$750	9	5,832	648	1,993	221	34.2%
\$751 - \$1,000	446	406,888	912	218,770	491	53.8%
\$1,001 - \$1,500	2,576	3,383,914	1,314	1,174,779	456	34.7%
More than \$1,500	<u>21,389</u>	<u>59,259,743</u>	2,771	<u>13,926,433</u>	651	23.5%
Total	24,434	\$63,061,076	\$2,581	\$15,324,534	\$627	24.3%

Note:

- . Does not include supplemental credit.

Table 7
2021 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	3,298	\$2,103,494	\$638	\$1,900,371	\$576	90.3%
\$3,001 - \$6,000	4,117	3,338,670	811	2,076,636	504	62.2%
\$6,001 - \$9,000	8,621	7,695,937	893	3,523,746	409	45.8%
\$9,001 - \$12,000	24,896	22,628,053	909	7,790,631	313	34.4%
\$12,001 - \$15,000	21,073	21,414,832	1,016	5,325,381	253	24.9%
Over \$15,000	<u>45,030</u>	<u>59,876,021</u>	1,330	<u>10,740,442</u>	239	17.9%
Total	107,035	\$117,057,007	\$1,094	\$31,357,207	\$293	26.8%

Note:

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

Table 8
2021 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	24,314	\$22,596,637	\$929	\$1,209,987	\$50	5.4%
\$101 - \$150	11,612	10,467,541	901	1,451,843	125	13.9%
\$151 - \$200	11,683	10,593,694	907	2,010,612	172	19.0%
\$201 - \$250	8,714	8,551,552	981	1,952,246	224	22.8%
\$251 - \$300	7,902	7,951,974	1,006	2,164,988	274	27.2%
More than \$300	<u>42,810</u>	<u>56,895,609</u>	1,329	<u>22,567,531</u>	527	39.7%
Total	107,035	\$117,057,007	\$1,094	\$31,357,207	\$293	26.8%

Note:

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

Table 9
2021 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	24,550	\$7,429,229	\$303	\$5,881,018	\$240	79.2%
\$501 - \$750	21,637	13,243,707	612	5,232,950	242	39.5%
\$751 - \$1,000	16,393	14,171,792	865	4,152,107	253	29.3%
\$1,001 - \$1,500	19,648	23,593,567	1,201	5,323,375	271	22.6%
More than \$1,500	<u>24,807</u>	<u>58,618,712</u>	2,363	<u>10,767,757</u>	434	18.4%
Total	107,035	\$117,057,007	\$1,094	\$31,357,207	\$293	26.8%

Note:

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

Table 10
2021 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	721	\$815,751	\$1,131	\$507,273	\$704	62.2%
\$3,001 - \$6,000	848	1,327,149	1,565	616,210	727	46.4%
\$6,001 - \$9,000	1,625	3,049,157	1,876	1,120,206	689	36.7%
\$9,001 - \$12,000	3,670	7,683,370	2,094	2,277,063	620	29.6%
\$12,001 - \$15,000	3,116	7,309,275	2,346	1,692,219	543	23.2%
Over \$15,000	<u>4,355</u>	<u>14,078,690</u>	3,233	<u>2,097,868</u>	482	14.9%
Total	14,335	\$34,263,392	\$2,390	\$8,310,839	\$580	24.3%

Note:

- . The household resources limits for the alternate credit for tax year 2021 were \$15,237 for one-person households, \$20,504 for two, \$25,775 for three, and \$27,700 for all others.
- . Does not include supplemental credit.

Table 11
2021 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	392	\$737,861	\$1,882	\$24,943	\$64	3.4%
\$101 - \$150	393	793,216	2,018	49,693	126	6.3%
\$151 - \$200	542	1,158,681	2,138	95,568	176	8.2%
\$201 - \$250	662	1,415,934	2,139	148,971	225	10.5%
\$251 - \$300	794	1,701,173	2,143	218,426	275	12.8%
More than \$300	<u>11,552</u>	<u>28,456,527</u>	2,463	<u>7,773,238</u>	673	27.3%
Total	14,335	\$34,263,392	\$2,390	\$8,310,839	\$580	24.3%

Note:

- . Does not include supplemental credit.

Table 12
2021 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	10	\$3,398	\$340	\$1,524	\$152	44.8%
\$501 - \$750	28	19,163	684	10,347	370	54.0%
\$751 - \$1,000	274	243,494	889	141,367	516	58.1%
\$1,001 - \$1,500	1,700	2,175,910	1,280	750,174	441	34.5%
More than \$1,500	<u>12,323</u>	<u>31,821,427</u>	2,582	<u>7,407,427</u>	601	23.3%
Total	14,335	\$34,263,392	\$2,390	\$8,310,839	\$580	24.3%

Note:

- . Does not include supplemental credit.