

# State of Michigan

## Property Tax and Home Heating Credits

### TY2015 Practice Problems

Michigan is available for 2015 in <https://twonline.taxwise.com/training> (green background).

Answers for 2014 and 2015 are provided on page 10.

Note that there are Easy, Medium Easy, Medium Hard, Basic (State Pension) and Advanced Problems.

#### Easy Problems

##### Problem 1

Mary Wise  
SS# 253-YY-XXXX  
DOB 12-15-1988  
301 Steward Ave  
Apartment H-27  
Jackson MI 49203

Mary has no phone, but can be reached by calling her friend at 517-555-9863. Her rent is \$25 a month paid to Reed Manor, Jackson MI and the heat is included. Mary receives Food Stamps worth \$1025 a year. Mary's only other income is \$35 a month that her mother gives her. Mary wants to file the MI property tax and home heating credit. Mary would like her refunds mailed directly to her.

Hint: Service Fee Housing

##### Problem 2

Jerry Land  
SS# 254-YY-XXXX  
DOB 7-28-1959  
110 N Dettman Rd,  
Jackson, MI 49202  
517-555-5892

He receives SSI of \$674 a month. He has checked the Permanently Disabled box on the 13614-C. He pays rent of \$203 a month to Maple Ridge Apartments with heat included. Jerry would like to file for the MI heat credit. When asked, Jerry said he receives \$42 every three months from the MI Department of Human Services. Jerry said that the state also puts \$50 a month on a bridge card. Jerry wants to know what kind of a refund he is going to get. Jerry would like his refunds direct deposited into his checking account with PNC Bank (Routing Number 072000915, Account # 9785544)

Hint: Subsidized Housing

### **Problem 3**

Sam Wolco  
SS#256-YY-XXXX  
DOB 4-18-1955  
245 ½ N Second St.  
Jackson, MI 49201  
517-555-1769

The apartment rent is \$555 a month. Section 8 pays \$330 a month to the landlady Julie Marshall of Lansing. Sam's Consumers bill shows heat costs of \$1456. Sam stated that he became disabled in 1990. Sam receives \$428 in Social Security Disability and \$246 in Supplemental Security Income per month. Sam got \$42 a quarter from the state social services last year. Sam would like to file his return. If he is entitled to any refunds, he would like checks mailed to him.

### **Problem 4**

Starbuck Coffee  
SS# 268-YY-XXXX  
DOB 6-4-1978  
4325 Spring Lane  
Brooklyn, MI 49230  
517-555-7498.

He rented from the following places:

- 1) 125 Steward Ave for \$65 per month, utilities included. His Landlord was Reed Manor, Jackson 49201 (Hint: Service Fee Housing). He lived there from 1-1-20XX to 4-1-20XX.
- 2) 1525 Springfield, Parma 48269 for \$350 per month. He paid utilities and his heat cost was \$300. He sent is rent to Slumlords Inc in Jackson 49201. He lived here from 4-1-20XX to 9-1-20XX.
- 3) 4325 Spring Lane, Brooklyn 49230 for \$250 per month including utilities. His landlord was Judy Smith, Brooklyn 49230. He lived there from 9-1-20XX to 1-1-20XX.

He received SSDI of \$649 per month starting on March 1, 20XX. He also received state assistance from DHS of \$100 per month for 20XX.

He would like to file for his Michigan credits. If he is entitled to a refund he would like it mailed to him.

Hint: Look at beginning date of Starbuck's SSDI and the Heat Credit is based on placed lived at the end of the year.

### **Problem 5**

John Albert  
SS# 276-YY-XXXX  
DOB 3-15-1947  
7954 Badgley St  
Jackson, MI 49203  
517-555-8181

He owns his home. Taxable Value \$24,345 with taxes levied of \$1,044 in 20XX. He pays his utilities which had a \$700 heat credit amount on his utility bill plus he purchases wood during the winter of \$540 for the 20XX tax year. Social Security of \$11,056 has Medicare B of \$1,156 deducted. Maintains MI full coverage on his vehicle.

Hint: Add the heat credit and wood cost together.

### **Problem 6**

Izzy Franklin  
SS# 260-YY-XXXX  
DOB 10-21-1951  
5678 Circular Drive  
Jackson, MI 49201  
517-777-8888

Izzy owns a trailer in the Cozy Court Trailer Park and pays lot rent of \$285 per month. She does not have her Consumer's Heat bill but her highest winter bill is \$300. She receives Social Security Disability of \$500 per month and SSI of \$164 per month. She never received the \$42 every 3 months. Izzy would like her refunds mailed to her.

Hint: Highest winter bill x .75 x 6 months

### **Medium Easy Problems**

#### **Problem 7**

Ima Taxpayer  
SS# 251-YY-XXXX  
DOB 10-13-1960  
1456 Western Road  
Parma, MI 49269  
517-555-4800

Ima is disabled. Her only income is Social Security Disability of \$9,096. Pays rent to Herman Miller of Jackson- \$260 per month. Her Consumers bill shows an amount of \$862 for the heat year. Ima wants to file for the property tax and heat credit. When asked, Ima does not receive \$42 every three months.

Josephine Taxpayer  
SS# 274-YY-XXXX  
DOB 9-15-1959

Her sister, Josephine, lives with Ima and her name is not on the lease agreement and she gives her sister \$100 a month towards household expenses. She works part-time at a dime store. Her income from Woolworth was \$4,160. She is not disabled and has already filed her return.

## **Problem 8**

Robert Keyes  
SS#264-YY-XXXX  
DOB 1-23-1972  
1467 Bridgebane Road  
Jackson, MI 49201  
517-555-0938

Sons:

Lew

SS#265-YY-XXXX

DOB 1-14-1997

Remi

SS#266-YY-XXXX

DOB 4-25-1999

Ed

SS#267-YY-XXXX

DOB 8-4-2002

He pays \$550 a month in rent to Slumlords Inc. in Jackson, MI 49201 plus heat cost of \$1,128.

Robert is Disabled and receives \$674 a month in SSI. He also gets \$42 four times a year from the state. Robert has told you he receives \$120 a week child support from his ex-wife.

Robert has filled out and signed form 8332 releasing the exemptions for the three boys to his ex-wife.

Robert would like to file for his Michigan credits and have them direct deposited into his savings account (68291384) with the Hillsdale County National Bank (Routing # 072402694)

Hint: Boys need to be put on main info page listed as non-dependent. They can be used for Michigan heat credit, since he has custody of them.

## **Problem 9**

Carol Sylvester  
SS#269-YY-XXXX  
DOB 2/24/1958  
15345 Seymour Rd,  
Jackson, MI 49202  
517-555-4555

She wants to file for MI Credits and tells you that she shares a home with her brother Jim Sylvester. They pay \$700 a month to Butcher Real Estate in Jackson, MI 49201 and they split the rent 50/50. Their heat cost was \$1,500 for 20XX and the utilities are in Jim's name. Carol receives SSI of \$674 a month plus the \$42/quarter. Both of their names are on the lease agreement. Jim already filed for his portion of the Homestead Property Tax and the Home Heating Credit. Carol would like her refunds mailed to her.

Hint: Only half of the rent in Part 4 and for the Home Heating Credit – heat is included

## **Problem 10**

Samantha Jones  
SS#262-YY-XXXX  
DOB 8-5-1980  
456 Ten Eyck Street  
Jackson MI 49203  
517-555-4467

Daughter:  
Lisa Kling  
SS#263-YY-XXXX  
DOB 1-28-2002

Rent is \$650 a month. Rent is paid to Al Moneymaker, who lives in Jackson, MI 49204. She forgot to bring her Consumer's bill, states her highest winter bill is \$200. Samantha gets SSI of \$674 a month. Lisa receives \$5,250 Social Security a year. Samantha gets \$42 every three months from the State of MI. Samantha wants to file her tax return to get maximum refund. She wants her checks mailed.

Hint – use \$3,500 of daughter's SS in Household Income (Look for a spread between household income and rent of \$2,000 - \$3,000). Take the highest winter bill x .75 x 6 mos.

## **Problem 11**

Lynda Lee  
SS#257-YY-XXXX  
DOB 12-06-1980  
564 Wood St  
Jackson, MI 49202  
517-555-4375

Her sons  
Chris  
SS#258-YY-XXXX  
DOB 11-10-1999  
Fred  
SS#259-YY-XXXX  
DOB 6-18-2003  
George  
SS#255-YY-XXXX  
DOB 3-25-2006

She pays rent of \$750 a month to Landbarron Realty in Jackson MI 49204. Lynda has information that she paid \$956 for heat in the period from 11-01-20XX through 10-31-20XX. Health Insurance for her and her son cost \$12,836 for 20XX.

Lynda receives Social Security Survivor benefits in the amount of \$26,658. Lynda receives under her Social Security number the Social Security Benefits for George in the amount of \$3,698 and her other sons receive their Social Security benefits under their SS#. Chris receives the amount of \$4,568 and Fred receives the amount of \$4,568.

Lynda would like to file her Michigan Credit forms for refunds. If she is entitled to any refunds she would like them direct deposited into her checking account with Huntington National Bank (Routing # 072403473, Account # 48735688)

Hint: Must include dependents Social Security amounts that come in Lynda's SS#. Linda provided over 50% of the support for all three of her sons.

## **Medium Hard Problems**

### **Problem 12**

Josephine Peppers  
SS# 272-YY-XXXX  
DOB 9/26/1923  
Brooklyn Living Center  
151 Constitution Ave Apt C  
Brooklyn, MI 49230  
517-555-9900.

She hands you a letter from the Brooklyn Living Center that states that her rent is 75% of the total amount showing of \$10,400. Heat is included.

She received Social Security of \$15,650 and Medicare Insurance Premiums were withheld of \$110.50 per month for 20XX. She also has Blue Cross Blue Shield coverage of \$112 per month. Josephine Peppers owns a vehicle and maintains MI coverage. She would like to file for the Michigan credits and have her refunds direct deposited into her savings account (56789210) with the Fifth Third Bank (Routing #072400052).

Hint: Rent goes in Part 4 on the MI-CR, page 3  
The calculation of Monthly Rent ( $\$10,400 \times 75\%$  divided by 12)

For the Heat Credit, you have to complete Line 12 and check "Licensed Home for the Aged" and answer the question: 'Who lived in the Care Facility', which disqualifies them for any credit.

### **Problem 13**

George Citizen  
SS# 273-YY-XXXX  
DOB 11/25/1921  
Arbor Woods Assisted  
Living Center  
2100 Springport Rd Apt  
15A  
Jackson, MI 49202  
517-555-8443.

His utilities are included. He receives Social Security of \$8,888 for 20XX. Arbor Woods accepts the Social Security as full payment of all his expenses at the center. He hands you a letter from Arbor Woods Assisted Living Center that states "Residents of Arbor Woods Assisted Living Center may claim on their 20XX Homestead Tax Form a total of \$3.30 per day in residence." He would like to file for the MI credits and have checks mailed to him.

Hint: The \$3.30 per day is multiplied by 365 days for a total of \$1,204.50 and is on MI-CR page 3 under Part 5 and check 'Home for the Aged' and complete Line 58.

For the Heat Credit, you have to complete Line 12 and check "Licensed Home for the Aged" and answer the question: 'Who lived in the Care Facility', which disqualifies them for any credit.

## **Basic (State Pension) Problems**

### **Problem 14**

Mother Taxpayer  
SS# 252-YY-XXXX  
DOB 10-1-1937  
3456 N. Michigan St.  
Parma, MI 49269  
517-555-2356

She is Ima's mother. She is retired and rents her apartment. The Social Security statement shows \$13,256 in the pink box, with \$1,326 withheld for Medicare part "B" and \$456 for Medicare part "D". Mother pays rent of \$750, heat included, a month to Miller Herman of Dallas, Tx. Ms. Taxpayer wants to file her taxes for any refund and credits she is entitled. She also receives a Pension from Consumers Energy, EIN 38-4561213, Box 1 and 2 show \$22,470 and \$2,247 federal income tax withheld and no state taxes were withheld. Mother Taxpayer would like her refunds mailed directly to her.

Hint: Box 7 Code 7  
Add together Part B and D of Medicare

### **Problem 15**

Jim Tambrow  
SS#261-YY-XXXX  
DOB 6-28-1947  
924 24<sup>th</sup> Street  
Jackson, MI 49203  
517-555-8876

Jim is single and receives Social Security of \$15,468 and has \$1,547 withheld for Federal income taxes from that amount. Jim owns his home. Taxable value is \$34,237 and the property taxes levied in were \$1,627. He paid \$1,356 in July and still owes the \$271 for the winter taxes. Jim's Consumers Energy bill shows \$1,125 paid for the 20XX heating season. Jim would like to file his taxes for a federal refund and the state credits he is entitled. He also receives a Pension from General Motors, EIN 38-7641213 showing \$25,534 in Box 1 and 2 with Federal withholding of \$1,278 and there was no state withholdings. Jim would like to direct deposit his Federal return and split his refund 50/50 between checking and savings. His State refund he would like it deposited into his checking account. He banks with LENCO ED Credit Union (Routing # 272476268, Account # 34892211)

Hint: Box 7 Code 7  
Use Form 8888 for splitting Federal refund

## **Problem 16**

Eugene Austry  
SS#278-YY-XXXX  
DOB 6-29-1954  
1246 Madison St  
Jackson, MI 49202  
517-555-1212

He owns his home. Taxable Value \$52,000 with taxes levied in 20XX of \$2,232. He works at Wal-mart, 38-6241213, part-time and received a W-2 of \$8,250, with \$820 Federal withheld and \$288.75 State withheld. He also receives a pension from Ford (EIN 38-8241213) in the amount of \$38,690 (shown in Box 1 and 2) with state withholding of \$1,675.27 and \$5,416.60 of Federal withholdings. His Home Heat Credit from his utility bill is \$890. He would like to have any refunds mailed to him.

Hint: Box 7 Code 7



## Advanced Problems (Out of Scope for Basic)

### Problem 17

Sarah Patriot  
SS#271-YY-XXXX  
DOB 6-15-1950  
400 Pete St  
Jackson, MI 49203  
517-555-7788

Deceased Spouse:  
Joseph  
SS# 275-YY-XXXX  
Birth Year 1942

She owns a trailer located in the Cozy Mobile Home Community. Her lot rent is \$500 per month and she pays her own utilities. She did not bring with her the utility bill showing her heat cost, but she was asked what her highest utility bill was during the winter and the reply was \$300. Sarah received Social Security Disability totaling \$8,088 for 20XX. She also receives her deceased spouse's pension from Clark Equipment, EIN 38-5461213 of \$30,000 in Box 1 and 2 with \$3,000 federal withholding and state withholdings of \$1,305. She has a property tax statement on the storage building that is on her lot. The property statement reads: Taxable Value \$300 with property taxes levied in 20XX of \$30. She would like to file for the Michigan credits and have her refunds mailed to her.

Hint: Box 7 Code 4. Also, need to check Box 3 on the 1099-R to the left of Box 12 and 15. (Refer to VITA Info Files/Federal/Advanced/1099-R Pension Help for the State of MI)

### Problem 18

Mike Johns  
SS#277-YY-XXXX  
DOB 9-14-1990  
Avalon Motel Room 17  
1400 Rosehill.  
Jackson, MI 49202  
517-555-7171

His rent is \$100 per week with heat included. He is not employed, however, he gets food stamps. He does maintenance work at the hotel to pay his rent. In 20XX, he received DHS assistance of \$35 per month. Refunds to be mailed.

Hint: Schedule C needs to be completed.

**Answers to MI Problems**

	2014 Property Tax Credit	2014 Home Heating Credit	2015 Property Tax Credit	2015 Home Heating Credit
Problem 1 – Wise	\$16	\$112	\$16	\$113
Problem 2 – Land	\$198	\$80	\$198	\$82
Problem 3 – Wolco	\$251	\$192	\$251	\$192
Problem 4 – Coffee	\$254	\$85	\$254	\$87
Problem 5 – Albert	\$704	\$61	\$704	\$61
Problem 6 - Franklin	\$434*	\$166	\$434*	\$168
Problem 7 – Taxpayer, I	\$274	\$207	\$274	\$212
Problem 8 – Keyes	\$813	\$285	\$813	\$294
Problem 9 – Sylvester	\$551	\$80	\$551	\$82
Problem 10 – Jones	\$1,149	\$176	\$1,149	\$182
Problem 11 – Lee	\$712	\$153	\$712	\$161
Problem 12 – Peppers	\$1,200	\$0	\$1,200	\$0
Problem 13 – Citizen	\$894	\$0	\$894	\$0
Problem 14 – Taxpayer, M	\$367	\$0	\$367	\$0
Problem 15 – Tambrow	\$104	\$0	\$104	\$0
Problem 16 – Autry	\$141	\$0	\$141	\$0
Problem 17 – Patroit	\$0	\$0	\$0	\$0
Problem 18 - Johns	\$472	\$67	\$522	\$72

	<b>2014 1040 Pg 2 Ln 76</b>	<b>2014 MI 1040 Pg 2 Ln 35</b>	<b>2015 1040 Pg 2 Ln 76</b>	<b>2015 MI 1040 Pg 2 Ln 35</b>
Problem 14 – Taxpayer, M	<b>\$777</b>	<b>\$367</b>	<b>\$807</b>	<b>\$367</b>
Problem 15 – Tambrow	<b>\$582</b>	<b>\$39</b>	<b>\$603</b>	<b>\$39</b>
Problem 16 – Autry	<b>\$1,174</b>	<b>\$280</b>	<b>\$1,204</b>	<b>\$280</b>
Problem 17 – Patroit	<b>(\$135)</b>	<b>\$1305</b>	<b>\$127</b>	<b>\$1,305</b>
Problem 18 - Johns	<b>(\$734)</b>	<b>\$421</b>	<b>\$(365)</b>	<b>\$493</b>

\*MI CR Page 3 Lot Rent of \$36 is transferring to MI CR Page 1 Line 10, but is not being subtracted from total rent paid, Line 11. Therefore, when entering the mobile lot rent per month subtract \$3.

## Instructor notes for problems

<b>Problem 1</b> (253-24-1213 by jhammond)	A real case, the names and SS changed for the problem. Small property tax credit and heat credit. Do not need to claim first \$300 of gift from mom; the reminder should be reported on MI CR Page 1, Line 24. Food stamps amount shown for Reference only this amount is not part of household income.
<b>Problem 2</b> (254-46-1213 by frueckert)	SSI goes on MI CR form line 21 by attaching a scratch pad. Bridge Card same as food stamps and is not included in HH Income.
<b>Problem 3</b> (256-46-1213 by frueckert)	SSDI reported on 1040 Wkt 1 and SSI on MI CR Page 1 line 21. Client pays the difference between \$555 rent and the \$330 paid by Section 8.
<b>Problem 4</b> (268-46-1213 by frueckert)	In this problem, it will be utilities included in rent (the last place he lived for tax year), since he does not have a utility account.
<b>Problem 5</b> (276-24-1213 by jhammond)	Use \$200 for Medical portion of Auto Insurance for clients over 65 years of age
<b>Problem 6</b> (260-46-1213 by frueckert)	Under MI CR Page 3 Part 4, when entering the rent, make sure to check the box for Mobile Home Lot and subtract \$3 from the monthly lot rent.
<b>Problem 7</b> (251-24-1213 by jhammond)	Just the basic Property tax and heat credit. Social Security input on Federal 1040 worksheet 1. She needs to include sister's contribution towards household expenses on MI CR Page 1 Line 24 of her return. Do Not include the first \$300 of sister's contribution.
<b>Problem 8</b> (264-46-1213 by frueckert)	Don't forget the Child Support on Line 22 of MI CR page 1
<b>Problem 9</b> (269-46-1213 by frueckert)	Since Carol's name is on the lease agreement she can file for a Heat Credit showing that the heat is included in her rent since her name is not on the utility bill.
<b>Problem 10</b> (262-46-1213 by frueckert)	
<b>Problem 11</b> (257-46-1213 by frueckert)	Dependent's Soc Sec is added to Lynda's Soc Sec on 1040 wkst 1, since it comes in her Soc Sec number and not the dependent's Soc Sec number.
<b>Problem 12</b> (272-46-1213 by frueckert)	Rent is entered on MI CR page 3 under Part 4. On the MI CR 7, Line 12 must indicate "Licensed Home for the Aged" and answer the question: 'Who lived in the Care Facility'. The Medical portion of Auto Ins is \$200 for Medicare Recipients for TY2013.
<b>Problem 13</b> (273-46-1213 by frueckert)	Rent is entered on MI CR page 3 under Part 5. On the MI CR 7, Line 12 must indicate "Licensed Home for the Aged" and answer the question: 'Who lived in the Care Facility'.
<b>Problem 14</b> (252-24-1213 by jhammond)	Social Security and Medicare premiums (add B and D together) - input on Federal 1040 worksheet 1. Made too much for heat credit.
<b>Problem 15</b> (261-24-1213 by jhammond)	Point out difference between Taxes levied and Taxes paid and where they go. Made too much for heat credit. No 4884 needed for this taxpayer
<b>Problem 16</b> (278-24-1213 by jhammond)	Made too much for heat credit. Entire pension is taxable in Michigan
<b>Problem 17</b> (271-24-1213 by jhammond)	The property tax information would be entered just like a home Made too much for heat credit. Need to complete Page 2 of the MI 4884 by completing the deceased spouse information.
<b>Problem 18</b> (277-24-1213 by jhammond)	Schedule C needs to be completed showing \$5,200 income (Rent \$100 x 52 weeks). This situation is referred to as bartering. Calculating the amount of rent is $\$5,200/12 = \$433$ a month.

