

MEIC
State & Local Tax Training

**Quizzes and
Various Living Situations**

Homestead Property Tax Credit
and
Home Heating Credit

November 17, 2017

Contents

- ◆ Quizzes pertaining to Homestead Property Tax Credit and Home Heating Credit Claims
- ◆ Scenarios for the property tax and home heating credit claims
 - Determine who can claim the credits
 - Determine total household resources
 - Determine the amount of rent/property tax claimed
 - Determine the basics for using the standard and alternate credits for the home heating credit

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**Quiz 1 – Barb Lyons
Facts**

FACTS

- ◆ Barb Lyons is 46 years old and is deaf
- ◆ She lived at a licensed adult foster care home (AFC) for the entire tax year
- ◆ Her income for the year was Supplemental Security Income (SSI) of \$8,820 and State SSI of \$168
- ◆ She paid \$525 each month to the landlord; her monthly bill is itemized for rent (\$400), food (\$75) and other services (\$50)

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**Quiz 1 – Barb Lyons
Quiz Questions**

1. Barb should compute a Homestead Property Tax Credit Claim based on:
 - a. Property tax credit is not allowed for a resident of an AFC home
 - b. Her share of property taxes assessed on the facility based on the licensed capacity of the AFC home or based on square footage.
 - c. Her proportionate share of property taxes assessed on the facility based on the number of actual residents in the home
 - d. Rent of \$400 per month
2. Barb is entitled to claim a Michigan Home Heating Credit.
 - a. True
 - b. False

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**Quiz 2 – John Dodd
Facts**

FACTS

- ◆ John Dodd, 71 years old at the end of the tax year, lives in a mobile home park
- ◆ He is deemed totally and permanently disabled
- ◆ He received Social Security benefits of \$9,840 and a pension of \$5,600 in 2017
- ◆ He paid lot rent of \$260 a month

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**Quiz 2 – John Dodd
Quiz Questions**

1. For purposes of the Homestead Property Tax Credit Claim, the proper treatment of John's lot rent for the mobile home is:
 - a. \$260 a month as rent
 - b. \$224 a month as rent
 - c. \$3 per month as property tax and \$257 a month as rent
 - d. No credit allowed as residents of mobile home parks are not eligible to claim the property tax credit
2. Assume that the amount that John's property tax exceeds 3.5% of his total household resources is \$89. John will receive 100% of this amount on his Homestead Property Tax Credit Claim.
 - a. True
 - b. False
3. How many exemptions is John entitled to claim for the home heating credit?
 - a. None
 - b. One
 - c. Two
 - d. Three

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Quiz 3 – Toni Taylor Facts

FACTS

- ◆ Toni Taylor, age 46, is a single homeowner.
- ◆ She does not have a mortgage; however, she fell behind on payment of her property taxes for the last few years.
- ◆ Toni was able to catch up in 2017, paying a total of \$1,950. The payment consisted of the following:
 - \$700 for taxes levied in 2017
 - \$600 for taxes levied in 2016
 - \$500 for taxes levied in 2015
 - \$150 of interest and penalties(Note: All tax amounts listed above include an administrative fee of 1%.)
- ◆ Toni's only income in 2017 is from wages of \$10,000.
- ◆ Toni paid for her own health insurance in 2017; her monthly medical insurance premium was \$100.

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Quiz 3 – Toni Taylor Quiz Questions

1. Toni's Michigan Homestead Property Tax Credit Claim for 2017 should be based on:
 - a. \$1,950 of taxes levied
 - b. \$1,800 of taxes levied
 - c. \$1,300 of taxes levied
 - d. \$700 of taxes levied
2. Toni's 2017 property tax statement includes a special assessment for a delinquent water bill. She can include this amount in the taxes claimed for the property tax credit.
 - a. True
 - b. False
3. The health insurance premiums that Toni paid in 2017 do not need to be considered in calculating her Homestead Property Tax Credit.
 - a. True
 - b. False

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Quiz 1 – Barb Lyons Quiz Answers

1. Barb should compute a Homestead Property Tax Credit Claim based on:
 - a. Property tax credit is not allowed for a resident of an AFC home
 - b. Her share of property taxes assessed on the facility based on the licensed capacity of the AFC home or based on square footage.
 - c. Her proportionate share of property taxes assessed on the facility based on the number of actual residents in the home
 - d. Rent of \$400 per month
2. Barb is entitled to claim a Michigan Home Heating Credit.
 - a. True
 - b. False

Claimants in special housing are required to use rent to calculate the property tax credit. They must have a monthly statement or letter from landlord that itemizes the rent portion of their monthly payment.

Individuals who lived in an adult foster care home for the entire year are not entitled to claim the Michigan Home Heating Credit

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**Quiz 2 – John Dodd
Quiz Answers**

- For purposes of the Homestead Property Tax Credit Claim, the proper treatment of John’s lot rent for the mobile home is:
 - \$260 a month as rent
 - \$224 a month as rent
 - \$3 per months as property tax and \$257 a month as rent**
 - No credit allowed as residents of mobile home parks are not eligible to claim the property tax credit
- Assume that the amount that John’s property tax exceeds 3.5% of his total household resources is \$89. John will receive 100% of this amount on his Homestead Property Tax Credit Claim.
 - True** As a senior claimant with total household resources of \$21,000 or less, John will receive 100% of the credit.
 - False
- How many exemptions is John entitled to claim for the home heating credit? John can claim one personal exemption. Those age 66 or older at end of tax year cannot claim an exemption for totally and permanently disabled.
 - None
 - One**
 - Two
 - Three

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**Quiz 3 – Toni Taylor
Quiz Answers**

- Toni’s Michigan Homestead Property Tax Credit Claim for 2017 should be based on:
 - \$1,950 of taxes levied
 - \$1,800 of taxes levied
 - \$1,300 of taxes levied
 - \$700 of taxes levied** Taxes levied for a prior year cannot be claimed. Interest and penalties cannot be included in the amount of taxes claimed on the Homestead Property Tax Credit
- Toni’s 2017 property tax statement includes a special assessment for a delinquent water bill. She can include this amount in the taxes claimed for the property tax credit.
 - True
 - False** Special assessments cannot be included in the amount of taxes claimed for the Michigan Homestead Property Tax Credit
- The health insurance premiums that Toni paid in 2017 do not need to be considered in calculating her Homestead Property Tax Credit.
 - True
 - False** Medical insurance and HMO premiums can be deducted to arrive at total household resources on the Michigan Homestead Property Tax Credit Claim.

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Scenario 1 – Mary & Beth

<p>MARY</p> <ul style="list-style-type: none"> ◆ Age 68 ◆ Income: <ul style="list-style-type: none"> □ Social Security - \$12,000 ◆ Rent paid - \$350/month 	<p>BETH</p> <ul style="list-style-type: none"> ◆ Age 57 ◆ Income: <ul style="list-style-type: none"> □ SSI - \$8,820 □ State SSI - \$168 ◆ Rent paid - \$350/month
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- ◆ Mary and Beth, sisters, rented an apartment together all last year. They are both tenants on the lease; rent is \$700 per month.
- ◆ The gas bill is in Mary's name; annual heating costs were \$800. Mary paid the gas bill each month.
- ◆ Mary and Beth shared equally in paying for all of the other household expenses.

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Scenario 1 – Mary & Beth

- 1) Who can claim the property tax credit?

- 2) What are the total household resources for each claimant?
 Mary: \$_____ Beth: \$_____
- 3) How much rent or taxes can each person claim?
 Mary: \$_____ Beth: \$_____
- 4) Who can claim the home heating credit?

- 5) Which method or credit computation can each person use to calculate the home heating credit?
 Standard Credit Alternate Credit

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**Solution
Scenario 1 – Mary & Beth**

- 1) Who can claim the property tax credit?
 Mary & Beth (Both names are on the lease)
- 2) What are the total household resources for each claimant?
 Mary: **\$12,000** **Beth: \$9,088**

Mary's THR: Social Security: \$12,000	Beth's THR: SSI: \$8,820 State SSI: 168 Expenses Mary pays on Beth's behalf (\$400 less \$300) <u>100</u> Total THR \$9,088 <small>(Note: Beth does not have to include the first \$300 of expenses paid on her behalf.)</small>
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**Solution (cont.)
Scenario 1 – Mary & Beth**

- 3) How much rent or taxes can each person claim?
 Mary: \$350/month Beth: \$350/month
- 4) Who can claim the home heating credit?
 Both Mary & Beth
- 5) Which method or credit computation can each person use to calculate the home heating credit?
 Mary: Standard Credit **Alternate Credit**
 Beth: Standard Credit **Alternate Credit**
See next slides for standard allowance and for heating costs

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Solution (cont.)
Scenario 1 – Mary & Beth

5) **Standard Credit:** Both Mary & Beth can use the standard credit, but must begin the computation using the Shared Housing Standard Allowance:

Mary's Std. Allowance:

$$\$618 \div 2 = \$309$$

Beth's Std. Allowance:

$$\$618 \div 2 = \$309$$

$$\$777 - 618 = \underline{159}$$

$$\$468$$

Shared housing standard allowance:

1. First, look up the standard allowance for all of the personal exemptions in the home. The standard allowance for two exemptions in 2016 is \$618.
2. Divide this standard allowance by the number of claimants in the home.
3. If person is eligible for a special exemption, subtract the result in step 2 above from the standard allowance for three exemptions (\$777 in 2016). ~~Beth can claim a special exemption because she is totally and permanently disabled and under age 66.~~

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Solution (cont.)
Scenario 1 – Mary & Beth

5) **Alternate Credit:** Only Mary can use the alternate credit because the gas bill is in her name:

Heating Costs Mary can Claim:

$$\$800 \div 2 = \$400$$

When two or more single adults share a home and each owns the home or has contracted to pay rent, the annual heating costs should be divided by the number of claimants in the home, regardless of who pays the bill and in whose name the gas bill is.

Beth:

Beth cannot use the alternate credit because the heat is currently in someone else's name.

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Scenario 2 – Tom & Fred

TOM

- ◆ Age 68, and Blind
- ◆ Income:
 - SSI - \$8,820
 - State SSI - \$168
- ◆ Rent paid - \$0

FRED

- ◆ Age 70
- ◆ Income:
 - Social Security - \$18,000
- ◆ Rent paid - \$800/month

- ◆ Tom and Fred, unrelated, rented an apartment together all last year. They are both tenants on the lease; rent is \$800 per month.
- ◆ Heat is currently included in the rent.
- ◆ Tom gave Fred \$250 each month to help with expenses.
- ◆ Tom and Fred shared equally in paying for all of the other household expenses.

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Scenario 2 – Tom & Fred

- ◆ Who can claim the property tax credit?
 - _____
- ◆ What are the total household resources for each claimant?
 - Tom: \$ _____ Fred: \$ _____
- ◆ How much rent or taxes can each person claim?
 - Tom: \$ _____ Fred: \$ _____
- ◆ Who can claim the home heating credit?
 - _____
- ◆ Which method or credit computation can each person use to calculate the home heating credit?
 - Standard Credit Alternate Credit

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Solution Scenario 2 – Tom & Fred

- 1) Who can claim the property tax credit?
 - Tom & Fred (Both names are on the lease)**
- 2) What are the total household resources for each claimant?
 - Tom: **\$10,488** Fred: **\$20,700**

Tom's THR:		Fred's THR:	
SSI:	\$8,820	Social Security:	\$18,000
State SSI:	168	Amount Tom gives Fred each month:	
Expenses Fred pays on Tom's behalf:		\$250 x 12 =	\$3,000
\$400 x 12 =	\$4,800	Less the 1 st \$300	(300)
Less the 1 st \$300	(300)	Less the 1 st \$300	(300)
4,500		Total THR	\$20,700
Less the amount Tom gives Fred,			
\$250 x 12 =	(3,000)		
1,500			
Total THR	\$10,488		

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Solution (cont.) Scenario 2 – Tom & Fred

- 3) How much rent or taxes can each person claim?
 - Tom: \$400/month Fred: \$400/month**
- 4) Who can claim the home heating credit?
 - Both Tom & Fred**
- 5) Which method or credit computation can each person use to calculate the home heating credit?
 - Tom: **Standard Credit** Alternate Credit
 - Fred: **Standard Credit** Alternate Credit

See next slides for standard allowance and for heating costs

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Solution (cont.)
Scenario 2 – Tom & Fred

5) **Standard Credit:** Both Tom & Fred can use the standard credit, but must begin the computation using the Shared Housing Standard Allowance:

Tom's Standard Allowance: $\$618 \div 2 = \309 $\$777 - 618 = \underline{159}$ $\$468$	Fred's Standard Allowance: $\$618 \div 2 = \309
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Shared housing standard allowance:

- See slide #7 for the first two steps in computing the shared housing standard allowance when two single adults share a home, and both are contracted to pay rent. Also page 5 of the 2016 Home Heating Credit Claim instructions.
- Tom can claim a special exemption because he is blind. Note that he can still claim the exemption for blind even though he is 66 yrs. of age or older. If a person is 66 or older they may no longer claim the exemption for totally and permanently disabled; however, individuals may still claim the exemption for blind, deaf, hemiplegic, paraplegic or quadriplegic at 66 yrs. or older.

Solution (cont.)
Scenario 2 – Tom & Fred

5) **Alternate Credit:** The alternate credit cannot be used by either Tom or Fred because for each of them their heating costs are currently included in their rent.

Scenario 3 – Daisy & Sam

DAISY

- ◆ Age 63
- ◆ Income:
 - Social Security (SSDI) - \$4,860
 - Pension - \$11,600

SAM

- ◆ Age 28, Totally and permanently disabled
- ◆ Income:
 - Social Security - \$9,084

- ◆ Daisy and her son Sam lived in Daisy's home all last year.
- ◆ Sam does not provide over ½ of his own support.
- ◆ His Social Security comes in his mother's name for him.
- ◆ The gas bill is in Sam's name; however, Daisy paid the gas bill each month. Annual heating costs were \$1,560.
- ◆ Daisy paid for all other household expenses including property taxes for 2016 of \$1,798.

Scenario 3 – Daisy & Sam

- ◆ Who can claim the property tax credit?
 - _____
- ◆ What are the total household resources for each claimant?
 - Daisy: \$ _____ Tom: \$ _____
- ◆ How much rent or taxes can each person claim?
 - Daisy: \$ _____ Tom: \$ _____
- ◆ Who can claim the home heating credit?
 - _____
- ◆ Which method or credit computation can each person use to calculate the home heating credit?
 - Standard Credit Alternate Credit

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Solution Scenario 3 – Daisy & Sam

- 1) Who can claim the property tax credit?
 - Only Daisy can claim the credit; Sam does not own the home with his mother**
- 2) What are the total household resources for each claimant?
 - Daisy: **\$25,544** Sam: **N/A**

Daisy's THR:	
Social Security	\$ 4,860
Pension	11,600
Social Security received for Sam	9,084
Total THR	\$25,544

Sam's THR: N/A since he is not a claimant.
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Solution (cont.) Scenario 3 – Daisy & Sam

- 3) How much rent or taxes can each person claim?
 - Daisy: \$1,798 prop. taxes Sam: \$0**
- 4) Who can claim the home heating credit?
 - Daisy (Even though the gas bill is in Sam's name he is not eligible to claim the home heating credit because he did not own the home or have a lease agreement to pay rent.)**
- 5) Which method or credit computation can each person use to calculate the home heating credit?
 - Daisy: Standard Credit Alternate Credit
 - Sam: Standard Credit Alternate Credit

See next slides for standard allowance and for heating costs

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Solution (cont.)
Scenario 3 – Daisy & Sam

5) **Standard Credit for Daisy:** Daisy can use the standard credit to calculate her home heating credit. The credit is based on the number of exemptions she can claim, 4, which gives her a standard allowance of \$937 for 2016. She uses this amount as the beginning of her standard credit computation.

Daisy's exemptions:	
Personal exemption	1
Deaf, disabled or blind	2
Dependent adults	1
Total Exemptions	4

Daisy can claim a disability exemption for herself (she gets SSDI) and for her son, Sam. She can also claim a dependency exemption for her son.

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Solution (cont.)
Scenario 3 – Daisy & Sam

5) **Alternate Credit:** Daisy cannot use the alternate credit because her heating costs are in someone else's name.

Even though the heating costs are in his name, Sam is not entitled to claim a home heating credit because he did not own the home nor did he have a lease agreement to pay rent.

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