MEIC
State & Local Tax Training

Quizzes and Various Living Situations
Homestead Property Tax Credit and Home Heating Credit

November 14, 2018

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- 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

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 $9,000 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)
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

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 2018
- He paid lot rent of $260 a month

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 3.2% of his total household resources is $159. 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
Quiz 3 – Toni Taylor

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 2018, paying a total of $1,950. The payment consisted of the following:
  - $700 for taxes levied in 2018
  - $600 for taxes levied in 2017
  - $500 for taxes levied in 2016
  - $150 of interest and penalties
  (Note: All tax amounts listed above include an administrative fee of 1%.)
- Toni's only income in 2018 is from wages of $10,000.
- Toni paid for her own health insurance in 2018; her monthly medical insurance premium was $100.

Quiz 3 – Toni Taylor

Quiz Questions

1. Toni’s Michigan Homestead Property Tax Credit Claim for 2018 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 2018 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 2018 do not need to be considered in calculating her Homestead Property Tax Credit.
   a. True
   b. False

Quiz 4 – James Jones

Facts

- James Jones was born in 1951.
- He files as Married Filing Separately for 2018; he did not live with his wife, Carol, for any part of 2018. In addition to filing a Michigan income tax return, James will file for the Michigan credits to which he is entitled.
- James received an Ohio public retirement benefit of $5,400 and Social Security retirement benefits of $4,992 in 2018.
- James was a renter with a signed lease contract for 2018; he paid $525 per month in 2018. He lived in an apartment building that was exempt from paying property taxes in 2018.
- Heating costs are currently included in his rent.
Quiz 4 – James Jones
Quiz Questions

1. James is eligible to subtract retirement benefits of:
   a. $5,400
   b. No subtraction allowed for public retirements from another state
   c. A $20,000 standard deduction against all income is subtracted
   d. Married filing separately filers cannot subtract retirement benefits

2. James is required to file Michigan Form 5049.
   a. True
   b. False

3. James must include his wife Carol’s income in total household resources on his Michigan credit claim(s).
   a. True
   b. False

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

Quiz 2 – John Dodd
Quiz Answers

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 3.2% of his total household resources is $159. 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

John can claim one personal exemption. Those age 66 or older at end of the year cannot claim an exemption for totally and permanently disabled.
Quiz 3 – Toni Taylor
Quiz Answers

1. Toni’s Michigan Homestead Property Tax Credit Claim for 2018 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
   
   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.

2. Toni’s 2018 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
   
   Special assessments cannot be included in the amount of taxes claimed for the Michigan Homestead Property Tax Credit.

3. The health insurance premiums that Toni paid in 2018 do not need to be considered in calculating her Homestead Property Tax Credit.
   a. True
   b. False
   
   Medical insurance and HMO premiums can be deducted to arrive at total household resources on the Michigan Homestead Property Tax Credit Claim.

Quiz 4 – James Jones
Quiz Answers

1. James is eligible to subtract retirement benefits of:
   a. $5,400
   b. No subtraction allowed for public retirement benefits from another state
   c. A $20,000 standard deduction against all income is subtracted
   d. Married filing separately means cannot subtract retirement benefits

2. James is required to file Michigan Form 5049.
   a. True
   b. False
   
   James is in Tier 2 and has reached the age of 67; therefore, he must attach Form 5049 and indicate an explanation that he maintained a separate homestead all year.

3. James must include his wife Carol’s income in total household resources on his Michigan credit claim(s).
   a. True
   b. False
   
   Since he did not share a homestead with Carol at any time in 2018, he would not need to include her income.

Scenario 1 – Tom & Fred
Facts

**TOM**
- Age 68, and Blind
- Income:
  - SSI - $9,000
  - State SSI - $168
- Rent paid - $0

**FRED**
- Age 70
- Income:
  - Social Security - $18,600
  - Rent paid - $800/month

- Tom and Fred, brothers, rented an apartment together all last year. They are both tenants on the lease; rent was $800 per month in 2018.
- The gas bill is in Tom’s name; annual heating costs were $580. Tom and Fred each paid ½ of the bill each month.
- Tom gave Fred $250 each month to help with rent.
- Tom and Fred shared equally in paying for all of the other household expenses.
Scenario 1 – Tom & Fred

Questions

◆ Who can claim the property tax credit?
   ❑ Tom & Fred (Both names are on the lease)

◆ What are the total household resources for each claimant?
   ❑ Tom: $10,488  Fred: $20,700

◆ How much rent or taxes can each person claim?
   ❑ Tom: $400/month  Fred: $400/month

◆ Who can claim the home heating credit?
   ❑ Both Tom & Fred

◆ 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

Solution

Scenario 1 – 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

<table>
<thead>
<tr>
<th>Tom’s THR:</th>
<th>Fred’s THR:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI: $9,000</td>
<td>Social Security: $18,600</td>
</tr>
<tr>
<td>State SSI: 168</td>
<td>Amount Tom gives Fred each month: $250 x 12 = $3,000</td>
</tr>
<tr>
<td>Expenses Fred pays on Tom’s behalf: $400 x 12 = $4,800</td>
<td>Less the 1st $300 (300) $2,700</td>
</tr>
<tr>
<td>Less the 1st $300 (300)</td>
<td>Total THR $21,300</td>
</tr>
<tr>
<td>Total THR $10,488</td>
<td>Less the amount Tom gives Fred, $250 x 12 = (3,000) 1,500</td>
</tr>
</tbody>
</table>

Solution (cont.)

Scenario 1 – 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
5) **Standard Credit**: Both Tom & Fred can use the standard credit, but must begin the computation by using the Shared Housing Standard Allowance:

**Tom's Standard Allowance**: 
$635 \div 2 = \$318 
$801 - 635 = 166 
$484 

**Fred's Standard Allowance**: 
$635 \div 2 = \$318 

See the next slide for how the Shared Housing Standard Allowances shown above were calculated for Tom and Fred. 

**Note**: The calculation is dependent upon the number of personal exemptions of all claimants sharing the home and the number of special exemptions for which a claimant is eligible (e.g., disability, qualified disabled veteran, dependent).

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

**Heating Costs Tom can Claim**: 
$580 \div 2 = \$290 

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.

**Fred**: 
Fred cannot use the alternate credit because the heat is currently in someone else's name.
Scenario 2 – Daisy & Sam

Facts

<table>
<thead>
<tr>
<th>DAISY</th>
<th>SAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Age 63</td>
<td>• Age 28, Totally and permanently disabled</td>
</tr>
<tr>
<td>• Income:</td>
<td>• Income:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>q Social Security (SSDI) - $4,860</td>
</tr>
<tr>
<td></td>
<td>q Social Security - $9,084</td>
</tr>
<tr>
<td></td>
<td>q Pension - $11,600</td>
</tr>
</tbody>
</table>

• 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 2018 of $1,798.

Questions

• Who can claim the property tax credit?
  q ______________________

• What are the total household resources for each claimant?
  q Daisy: $_________ Tom: $_________

• How much rent or taxes can each person claim?
  q Daisy: $_________ Tom: $_________

• Who can claim the home heating credit?
  q ______________________

• Which method or credit computation can each person use to calculate the home heating credit?
  [ ] Standard Credit  [ ] Alternate Credit

Solution

Scenario 2 – Daisy & Sam

1) Who can claim the property tax credit?
   q 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?
   q 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.
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

Solution (cont.)
Scenario 2 – 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 $967 for 2018. She uses this amount as the beginning of her standard credit computation.

<table>
<thead>
<tr>
<th>Daisy’s exemptions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal exemption . . . . . . . . . . . . 1</td>
</tr>
<tr>
<td>Deaf, disabled or blind . . . . . . . . . . 2</td>
</tr>
<tr>
<td>Dependent adults . . . . . . . . . . . . . . 1</td>
</tr>
<tr>
<td>Total Exemptions . . . . . . . . . . . . . . . 4</td>
</tr>
</tbody>
</table>

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

Solution (cont.)
Scenario 2 – 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.