

MEIC
State and Local Tax Training

**Quizzes and
Various Living Situations**

Homestead Property Tax Credit
and
Home Heating Credit

November 22, 2019

MEIC State & Local Tax Training <small>November 22, 2019</small>	Contents
<ul style="list-style-type: none"> ◆ Quizzes pertaining to Homestead Property Tax Credit and Home Heating Credit Claims ◆ Scenarios for the property tax and home heating credit claims <ul style="list-style-type: none"> ❑ 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 	
<small>2</small>	

MEIC State & Local Tax Training <small>November 22, 2019</small>	Quiz 1 – Barb Lyons Facts
<p>FACTS</p> <ul style="list-style-type: none"> ◆ 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 \$9,252 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) 	
<small>3</small>	

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 1 – Barb Lyons Questions</h2>
<p>1. Barb should compute a Homestead Property Tax Credit Claim based on:</p> <ol style="list-style-type: none"> 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 <p>2. Barb is entitled to claim a Michigan Home Heating Credit.</p> <ol style="list-style-type: none"> a. True b. False 	
4	

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 2 – John Dodd Facts</h2>
<p>FACTS</p> <ul style="list-style-type: none"> ◆ 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 2019 ◆ He paid lot rent of \$260 a month 	
5	

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 2 – John Dodd Questions</h2>
<p>1. For purposes of the Homestead Property Tax Credit Claim, the proper treatment of John’s lot rent for the mobile home is:</p> <ol style="list-style-type: none"> a. \$260 a month as rent b. \$224 a month as rent c. \$3 per months 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 <p>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.</p> <ol style="list-style-type: none"> a. True b. False <p>3. How many exemptions is John entitled to claim for the home heating credit?</p> <ol style="list-style-type: none"> a. None b. One c. Two d. Three 	
6	

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 2019, paying a total of \$1,950. The payment consisted of the following:
 - \$700 for taxes levied in 2019
 - \$600 for taxes levied in 2018
 - \$500 for taxes levied in 2017
 - \$150 of interest and penalties
- (Note: All tax amounts listed above include an administrative fee of 1%.)
- ◆ Toni's only income in 2019 is from wages of \$10,000.
 - ◆ Toni paid for her own health insurance in 2019; her monthly medical insurance premium was \$100.

7

Quiz 3 – Toni Taylor Questions

1. Toni's Michigan Homestead Property Tax Credit Claim for 2019 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 2019 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 2019 do not need to be considered in calculating her Homestead Property Tax Credit.
 - a. True
 - b. False

8

Quiz 4 – James Jones Facts

FACTS

- ◆ James Jones was born in 1951
- ◆ He files as Married Filing Separately for 2019; he did not live with his wife, Carol, for any part of 2019. 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 2019
- ◆ James was a renter with a signed lease contract; he paid \$525 per month in 2019. He lived in an apartment building that was exempt from paying property taxes in 2019.
- ◆ Heating costs are currently included in his rent

9

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 4 – James Jones Questions</h2>
<ol style="list-style-type: none"> 1. On his Michigan income tax return, James is eligible to subtract retirement benefits of: <ol style="list-style-type: none"> 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. Which Michigan credit can James claim for 2019? <ol style="list-style-type: none"> a. Homestead Property Tax Credit b. Home Heating Credit c. Both a. and b. d. None of the above 	
10	

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 4 – James Jones Questions (cont.)</h2>
<ol style="list-style-type: none"> 3. If James files a Michigan Homestead Property Tax Credit Claim and/or Home Heating Credit Claim, James is required to file Michigan Form 5049. <ol style="list-style-type: none"> a. True b. False 4. If James files a Michigan Homestead Property Tax Credit Claim and/or Home Heating Credit Claim, he must include his wife Carol's income in total household resources on his Michigan credit claim(s). <ol style="list-style-type: none"> a. True b. False 	
11	

MEIC State & Local Tax Training November 22, 2019	<h2 style="margin: 0;">Quiz 1 – Barb Lyons Answers</h2>
<ol style="list-style-type: none"> 1. Barb should compute a Homestead Property Tax Credit Claim based on: <ol style="list-style-type: none"> 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 <div style="font-size: small; border: 1px solid black; padding: 2px; margin-top: 5px;"> 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. (Note: If Barb was unable to determine the portion of the monthly payment that constitutes rent, Barb would be allowed to claim a proportionate share of property taxes on the facility.) </div> 2. Barb is entitled to claim a Michigan Home Heating Credit. <ol style="list-style-type: none"> a. True b. False <div style="font-size: small; border: 1px solid black; padding: 2px; margin-top: 5px;"> Individuals who lived in an adult foster care home for the entire year are not entitled to claim the Michigan Home Heating Credit </div> 	
12	

MEIC
State & Local
Tax Training
November 22, 2019

Quiz 2 – John Dodd 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 month 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 3.2% of his total household resources is \$159. 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 the tax year cannot claim an exemption for totally and permanently disabled.
 - None
 - One**
 - Two
 - Three

13

MEIC
State & Local
Tax Training
November 22, 2019

Quiz 3 – Toni Taylor Answers

- Toni's Michigan Homestead Property Tax Credit Claim for 2019 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 2019 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 2019 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.

14

MEIC
State & Local
Tax Training
November 22, 2019

Quiz 4 – James Jones Answers – Questions 1 & 2

- On his Michigan income tax return, James is eligible to subtract retirement benefits of:
 - \$5,400
 - No subtraction allowed for public retirement benefits from another state
 - A \$20,000 standard deduction against all income is subtracted**
 - Married filing separately filers cannot subtract retirement benefits
- Which Michigan credit can James claim for 2019?
 - Homestead Property Tax Credit
 - Home Heating Credit** James is an eligible renter for only the home heating credit. The building he lives in is exempt from property tax; therefore, James is not eligible to claim the property tax credit.
 - Both a. and b.
 - None of the above

15

Quiz 4 – James Jones Answers – Questions 3 & 4

3. If James files a Michigan Homestead Property Tax Credit Claim and/or Home Heating Credit Claim, James is required to file Michigan Form 5049.

- a. True
- b. False

James files his Michigan Home Heating Credit Claim as Married Filing Separately; therefore, he must attach Form 5049 and indicate an explanation that he maintained a separate homestead all year.

4. If James files a Michigan Homestead Property Tax Credit Claim and/or Home Heating Credit Claim, he 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 2019, he would not need to include her income.

Scenario 1 – Tom & Fred Facts

TOM

- ◆ Age 68, and Blind
- ◆ Income:
 - SSI - \$9,252
 - 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 2019, paid by Fred.
- ◆ 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?
 - _____
- ◆ 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

MEIC State & Local Tax Training November 22, 2019	<h3 style="margin: 0;">Solution</h3> <h2 style="margin: 0;">Scenario 1 – Tom & Fred</h2>																																		
<p>1) Who can claim the property tax credit? <input type="checkbox"/> Tom and Fred (Both names are on the lease)</p> <p>2) What are the total household resources for each claimant? <input type="checkbox"/> Tom: \$10,920 Fred: \$21,300</p>																																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Tom's THR:</td></tr> <tr><td>SSI:</td><td style="text-align: right;">\$9,252</td></tr> <tr><td>State SSI:</td><td style="text-align: right;">168</td></tr> <tr><td>Expenses Fred pays on Tom's behalf:</td><td></td></tr> <tr><td>\$400 x 12 =</td><td style="text-align: right;">\$4,800</td></tr> <tr><td>Less the 1st \$300</td><td style="text-align: right;">(300)</td></tr> <tr><td></td><td style="text-align: right;">4,500</td></tr> <tr><td>Less the amount Tom gives Fred, \$250 x 12 =</td><td style="text-align: right;">(3,000)</td></tr> <tr><td></td><td style="text-align: right;">\$1,500</td></tr> <tr><td>Total THR</td><td style="text-align: right;">\$10,920</td></tr> </table>	Tom's THR:		SSI:	\$9,252	State SSI:	168	Expenses Fred pays on Tom's behalf:		\$400 x 12 =	\$4,800	Less the 1 st \$300	(300)		4,500	Less the amount Tom gives Fred, \$250 x 12 =	(3,000)		\$1,500	Total THR	\$10,920	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Fred's THR:</td></tr> <tr><td>Social Security:</td><td style="text-align: right;">\$18,600</td></tr> <tr><td>Amount Tom gives Fred each month:</td><td></td></tr> <tr><td>\$250 x 12 =</td><td style="text-align: right;">\$3,000</td></tr> <tr><td>Less the 1st \$300</td><td style="text-align: right;">(300)</td></tr> <tr><td></td><td style="text-align: right;">\$2,700</td></tr> <tr><td>Total THR</td><td style="text-align: right;">\$21,300</td></tr> </table>	Fred's THR:		Social Security:	\$18,600	Amount Tom gives Fred each month:		\$250 x 12 =	\$3,000	Less the 1 st \$300	(300)		\$2,700	Total THR	\$21,300
Tom's THR:																																			
SSI:	\$9,252																																		
State SSI:	168																																		
Expenses Fred pays on Tom's behalf:																																			
\$400 x 12 =	\$4,800																																		
Less the 1 st \$300	(300)																																		
	4,500																																		
Less the amount Tom gives Fred, \$250 x 12 =	(3,000)																																		
	\$1,500																																		
Total THR	\$10,920																																		
Fred's THR:																																			
Social Security:	\$18,600																																		
Amount Tom gives Fred each month:																																			
\$250 x 12 =	\$3,000																																		
Less the 1 st \$300	(300)																																		
	\$2,700																																		
Total THR	\$21,300																																		
19																																			

MEIC State & Local Tax Training November 22, 2019	<h3 style="margin: 0;">Solution (cont.)</h3> <h2 style="margin: 0;">Scenario 1 – Tom & Fred</h2>
<p>3) How much rent or taxes can each person claim? <input type="checkbox"/> Tom: \$400/month Fred: \$400/month</p> <p>4) Who can claim the home heating credit? <input type="checkbox"/> Both Tom and Fred</p> <p>5) Which method or credit computation can each person use to calculate the home heating credit? <input type="checkbox"/> Tom: <input checked="" type="checkbox"/> Standard Credit <input checked="" type="checkbox"/> Alternate Credit <input type="checkbox"/> Fred: <input checked="" type="checkbox"/> Standard Credit <input checked="" type="checkbox"/> Alternate Credit</p> <p style="text-align: center;">See next slides for standard allowance and for heating costs</p>	
20	

MEIC State & Local Tax Training November 22, 2019	<h3 style="margin: 0;">Solution (cont.)</h3> <h2 style="margin: 0;">Scenario 1 – Tom & Fred</h2>												
<p>5) Standard Credit: Both Tom and Fred can use the standard credit, but must begin the computation by using the Shared Housing Standard Allowance:</p>													
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Tom's Standard Allowance:</td></tr> <tr><td>\$652 ÷ 2 =</td><td style="text-align: right;">\$326</td></tr> <tr><td>\$822 - 652 =</td><td style="text-align: right;">170</td></tr> <tr><td></td><td style="text-align: right;">\$496</td></tr> </table>	Tom's Standard Allowance:		\$652 ÷ 2 =	\$326	\$822 - 652 =	170		\$496	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Fred's Standard Allowance:</td></tr> <tr><td>\$652 ÷ 2 =</td><td style="text-align: right;">\$326</td></tr> </table>	Fred's Standard Allowance:		\$652 ÷ 2 =	\$326
Tom's Standard Allowance:													
\$652 ÷ 2 =	\$326												
\$822 - 652 =	170												
	\$496												
Fred's Standard Allowance:													
\$652 ÷ 2 =	\$326												
<p>See the next slide for how the Shared Housing Standard Allowances shown above were calculated for Tom and Fred.</p> <p><u>Note:</u> 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).</p>													
21													

MEIC State & Local Tax Training November 22, 2019	Solution (cont.) Scenario 1 – Tom & Fred
5) Standard Credit (continued): <u>Shared housing standard allowance (See pg. 5 of MI-1040CR-7 instructions):</u> 1. First, look up the standard allowance for all of the personal exemptions in the home, two in this scenario. The standard allowance for two exemptions in 2019 is \$652. (Per Michigan Treasury Update, Sept. 2019.) 2. Divide this standard allowance by the number of claimants in the home: $\$652 \div 2 = \326 for this scenario. This is Fred's shared housing standard allowance. 3. Tom is eligible for a special exemption. For this scenario, add the difference between the standard allowance for three exemptions and the standard allowance for two exemptions ($\$822 - \$652 = \$170$) to the amount calculated in step 2 above ($\$326$). $\$484$ ($\$170 + \326) is Tom's shared housing standard allowance. (Tom can claim a special exemption because he is blind. Age does not matter when claiming an exemption for deaf, blind, hemiplegic, paraplegic and quadriplegic. An exemption for totally and permanently disabled can no longer be claimed once the individual is 66 yrs. of age or older.)	
22	

MEIC State & Local Tax Training November 22, 2019	Solution (cont.) Scenario 1 – Tom & Fred
5) Alternate Credit: Both Tom and Fred can claim the alternate credit: <u>Heating Costs Tom and Fred may Each Claim:</u> $\$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 eligible claimants in the home, regardless of who pays the bill and in whose name the gas bill is. Note: A claimant is not eligible to use the alternate credit when: 1) Claim is for less than 12 months (e.g., part-year resident or not billed for 12 months' heating costs between 11/01/2018 through 10/31/2019), or 2) Heating costs are currently included in rent	
23	

MEIC State & Local Tax Training November 22, 2019	Scenario 2 – Daisy & Sam Facts		
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> DAISY ♦ Age 63 ♦ Income: □ Social Security (SSDI) - \$4,860 □ Pension - \$11,600 </td> <td style="width: 50%; vertical-align: top;"> SAM ♦ Age 28, Totally and permanently disabled ♦ Income: □ Social Security - \$9,084 </td> </tr> </table>	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 2019 of \$1,798.
DAISY ♦ Age 63 ♦ Income: □ Social Security (SSDI) - \$4,860 □ Pension - \$11,600	SAM ♦ Age 28, Totally and permanently disabled ♦ Income: □ Social Security - \$9,084		
24			

MEIC
State & Local
Tax Training
November 22, 2019

Scenario 2 – Daisy & Sam Questions

- ◆ 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

25

MEIC
State & Local
Tax Training
November 22, 2019

Solution Scenario 2 – 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.
---	--

26

MEIC
State & Local
Tax Training
November 22, 2019

Solution (cont.) Scenario 2 – 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

27

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 \$992 for 2019. 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.

Solution (cont.)
Scenario 2 – Daisy & Sam

5) **Alternate Credit:** Daisy is eligible to use the alternate credit to compute her home heating credit.

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.
