



AccountingAidSociety

Home Heating Credit

What is the Home Heating Credit?

- The State of Michigan, helps pay some of your heating costs if you are a **qualified Michigan homeowner or renter**; through funds from a federal block grant.
- Based on a comparison between either the standard allowance or actual heating costs and total household resources

Filing for the Home Heating Credit

- Home Heating Credit is claimed on Form MI-1040CR-7
- Can be E-filed in TaxSlayer for most situations
- If Michigan return has to be paper filed, DO NOT staple the two-page Home Heating Credit Claim to the rest of the Michigan return. Staple the two-page claim, fold it and leave it loose in the same envelope with the Michigan return.
- Deadline to file the credit is September 30, 2026 (no extensions or exceptions)
- Claimants under the federal Low Income Home Energy Assistance Program (LIHEAP) must now report additional demographic data
- Applies to filer, spouse (if filing jointly), and all household members—even if not claimed as dependents
- Required information includes: Ethnicity, Race, & Gender

Who may claim a home heating credit?

- All of the following must apply:
 - Homestead must be in Michigan, and
 - Owned the home or were contracted to pay rent for the home where you lived.
 - Were NOT a full-time student who was claimed as a dependent on another person's return
 - Did NOT live in college- or university-operated housing for the entire year
 - Did NOT live in a licensed care facility for the entire year
 - Total household resources is within the limits in the Standard Allowance and Alternate Credit Computation tables

Examples

Situation:

- Name: Taylor
- Lives in a rented apartment in Flint, MI
- Has a lease in their name
- Not a student
- Works a job warns - earnings within the income limits
- Pays for gas heating

Result: Eligible for the Home Heating Credit

All conditions are met: Michigan homestead, pays rent, not a full-time dependent student, not in student or licensed housing, income is within limits.

Situation:

- Name: Mrs. Green
- Owns a home in Kalamazoo, MI
- Lives alone
- Retired, receives pension and Social Security benefits - within income limits
- Pays her own heating bills
- Lives in her home all year

Result: Eligible

Meets all criteria: Michigan homeowner, not a student or in care housing, and income is within the allowed limit.

Situation:

- Name: Patricia
- Lived in her own home in Saginaw, MI from January to August
- Moved to a care facility in September
- Social Security benefits - within income limits

Result: Eligible

She did **not** live in the care facility for the **entire year**, so she can still qualify for a **prorated credit** based on the months in her home.

Home Heating Credit Eligibility Notes

- Eligibility Notes:
 - A dependent that was NOT a full-time student IS eligible to claim the credit
 - A manual claim would have to be prepared with zero personal exemptions and must include the amount of support received in total household resources
 - Any special exemptions can either be claimed by the dependent or the person claiming them

Example: Maria is 22 years old and lives with her parents and she works part-time and is **not a full-time student**. Her parents provide **60% of her support**, and Maria pays for the rest herself.

- Because Maria is **not a full-time student**, she **can claim the credit** on her own return.
- When preparing her return, the manual claim must show:
 - **Zero personal exemptions**
 - The total household support amount (to show who provided support)

Home Heating Credit Eligibility Notes

- Eligibility Notes (continued):
 - An individual that lived in a licensed care facility for only part of the year may still be eligible for the credit for the other part of the year
 - Standard allowance must be prorated for the number of days the homestead was owned or rented and occupied

Example: John lived in his own home from **January 1 to June 30** (181 days). On **July 1**, he moved into a **licensed care facility** and stayed there the rest of the year.

- He is still eligible for the **homestead credit** for the **first 181 days** of the year, when he lived in his own home.
- The **standard allowance** for the credit must be **prorated** based on 181/365 days (about half the year).

Home Heating Credit Eligibility Notes

- Eligibility Notes (continued):
 - If one spouse is in a licensed care facility and the other spouse lives in the home, they may still qualify for a credit
 - File a joint credit claim and leave the question on the Home Heating Credit page in TaxSlayer that states, “If you lived in one of these CARE facilities for all of 2025, select one:” as N/A. (On MI-1040CR-7, line 15, no boxes should be checked.)

Example: David and Linda are married. In 2025, David moved into a **licensed care facility** in March, but Linda stayed living in their home the whole year.

- They still qualify to claim the **Home Heating Credit** because Linda lived in the home.
- When filing:
 - They file a **joint credit claim**.
 - On the **Home Heating Credit page in TaxSlayer**, they select **N/A** for the question about living in a care facility for all of 2025.
 - On the **MI-1040CR-7 form, line 15**, they leave all boxes **unchecked**.

Additional Notes

- If the client's heat is included in their rent, **they must find out the heat provider and heat type from their landlord.**
- **ALWAYS** answer “**Yes**” for the last question on the Home Heating Credit page about whether the client is eligible to receive a refund from their heat provider for any overpayment to the heat account.

Example: Jasmine lives in an apartment in Detroit where **heat is included in the rent**. She doesn't receive a separate heating bill. She asks the landlord, who confirms:

- **Heat provider:** DTE
- **Heat type:** Natural gas

 **What to do:** Jasmine should report **DTE and natural gas** on her Home Heating Credit application, even though she doesn't pay the bill directly.

Household Members

- To comply with the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), for each person you need to include:
 - Name
 - Social Security number
 - Status as a dependent
 - U.S. citizen or qualified alien
- Household members include:
 - All children claimed as dependents on the return
 - All adults claimed as dependents on the return
 - All other individuals living with you and not claimed on the return

Household Members

If someone is **not already listed on the tax return**, follow these rules:

- **Include them** if they were **temporarily away** from the home (like for illness or work).
- **Do not include them** if they were gone for **90 days in a row or more**.
- **Do not include them** if they are **filling their own Home Heating Credit form**.

Important:

- If you do not provide a **Social Security number (SSN)** for a household member, the credit will be denied.
- Make sure **everyone who lived with the taxpayer during the year** is listed on the federal Intake/Interview Sheet.

Example 1: Sarah's son, **Alex**, lived at home but worked on a construction site in another city for **two months**. He came back home after the project ended.

- Since he was away for less than 90 days, **Alex is included** on the household list.

Example 2: John's daughter, **Emma**, left for a study abroad program in January and returned in October (over **9 months** away).

- She was gone for more than 90 consecutive days, so **Emma is not included**.

Household Members

If there are **extra household members** who are **not listed on the tax return** (not including a qualifying child not claimed as a dependent):

- TaxSlayer **cannot record their information**.
- You must **prepare the claim manually** and **paper file it**.
- Add a **note in TaxSlayer** explaining why the manual claim was done.

Example: Lisa lives with her **adult brother, Mark**, who is unemployed. Lisa does **not claim Mark as a dependent** on her tax return, but he is still part of her household for the Home Heating Credit.

- TaxSlayer has **no place to enter Mark's information**, so Lisa's preparer must:
 1. **Prepare the credit manually** (using the MI-1040CR-7 form).
 2. **Paper file** the return.
 3. **Add a note in TaxSlayer** saying:

“Manual Home Heating Credit prepared due to additional household member not listed on return.”

Computing the Home Heating Credit

- Two ways to compute the home heating credit:
 - **Standard credit** computation uses standard allowances established by law based on the number of exemptions claimed
 - Total household resources must be within the income limits listed in Table A (standard credit)
 - **Alternate credit** uses heating costs to compute the credit
 - Table B (alternate credit) found in the instructions
 - If eligible to claim either credit, figure the credit both ways and claim the larger amount

Standard Credit Variations

- Four scenarios where the standard allowance from Table A is not used, but would have to be prorated or the share of the allowance would have to be calculated:
 - Part-year residents
 - Claims for a single deceased taxpayer
 - Homestead occupied less than 12 months
 - Shared housing by single adults

Standard Credit Variations

- **Part-year residents:**
 - Standard allowance prorated for number of days owned or rented and occupied Michigan homestead
 - TaxSlayer calculates the prorated standard allowance based on the dates of residency entered
 - **Example:** Maria moved to Michigan on **July 1** and lived in her home there until the end of the year (184 days).
 - She only qualifies for **half of the standard allowance** from Table A, prorated for 184/365 days.
- **Single deceased claimant:**
 - Standard allowance is prorated from January 1 to the date of death
 - TaxSlayer calculates the prorated standard allowance based on date of death entered in the return
 - **Example:** Tom passed away on **April 30** (120 days into the year). His family files a return for him.
 - The standard allowance is prorated for **120/365 days** since he did not live the full year.

Standard Credit Variations

- **Homestead occupied less than 12 months:**
 - Standard allowance is prorated for number of days owned or rented and occupied Michigan homestead
Example: Full-year resident but was an eligible renter for just a portion of the year
 - **TaxSlayer** calculates the prorated standard allowance based on dates of occupancy entered at the bottom of the Home Heating Credit page

Example 1: Alicia bought a home on **March 1** and lived there the rest of the year (306 days).

- She only qualifies for **306/365** of the standard allowance because she didn't live in the homestead for the full year.

Example 2: Kevin owned and lived in his house from **January 1 to August 15** (227 days). He sold the home and moved into an apartment.

- His standard allowance is prorated based on **227/365 days** of the year.

Standard Credit Variations

- **When two or more single adults share a home and each has contracted to pay rent or owns a share of the home:**
 - Each person files a home heating credit based on their total household resources and their share of the standard allowance
 - The client must be contracted to pay rent or own a share of the home, otherwise they are not eligible for the credit
 - Enter the number of single occupants into TaxSlayer on Home Heating Credit page

Example 1: Emma and Jake share an apartment. Both signed the lease and pay rent separately. Emma's household resources are \$15,000, Jake's are \$20,000.

- Each files their own Home Heating Credit claim.
- They each claim a **portion of the standard allowance** based on their share of the home (usually half each).

Example 2: Anna, Brian, and Carla co-own a house, each owning one-third. Each pays their share of the mortgage and utilities.

- They each file their own Home Heating Credit based on their **one-third share** of the standard allowance and their individual household income.

Rules for Married, Divorced or Separated Taxpayers

- Married filing separately and
 - Did not share a homestead the entire tax year – each spouse may claim a credit based on their separate heating costs or exemptions and total household resources
 - Shared a homestead the entire tax year – entitled to one home heating credit and it must include the total household resources of both spouses
 - Taxpayer and spouse may choose how they want to divide the credit
 - **For both scenarios, Form 5049 must be filed (covered later)**

Example 1: John and Mary are married but lived apart all year. John pays heating costs for his own apartment; Mary pays for her separate home.

- Each claims their **own Home Heating Credit** based on their individual heating costs and household resources.

Example 2: Steve and Lisa are married and lived together in the same home all year. They file separately but only get **one Home Heating Credit total**.

- They must include **both of their household resources combined** on the claim.
- Steve and Lisa can **choose how to split the credit** between them.

Rules for Married, Divorced or Separated Taxpayers

- Married filing separately or divorced taxpayers who shared a homestead for part of the year
 - Credit based on share of the heating costs or exemptions before separation, plus exemptions and heating costs after separation
 - A schedule must be attached showing the computation
 - Form 5049 must be filed with the claim
 - **TaxSlayer** – Unable to prepare this type of claim in the software. A manual claim must be filed; make a Note in TaxSlayer.

Example: **Emily and Jason** lived together and shared a home from **January 1 to June 30**. They separated on **July 1** and lived apart for the rest of the year. Emily paid heating costs for the home during the first half of the year; Jason paid for his own place afterward. The credit is split:

- Each claims their **share of heating costs and exemptions** for the time they lived together (Jan–June).
- Then, each claims their **own heating costs and exemptions** for the time after separation (July–Dec).
- They must attach a **schedule** showing how they calculated the split.
- They must file **Form 5049** with their claim.

Because TaxSlayer can't handle this, the claim must be **prepared manually and paper filed**, with a **note added in TaxSlayer** explaining this.

Rules for Married, Divorced or Separated Taxpayers

- Note: If taxpayers maintained separate homesteads for all or part of the year **and** file a joint federal or Michigan return, the home heating credit is based upon either the heating costs of only one home or the number of exemptions in each household. Total household resources must be the combined income of both spouses for the entire year.

Payment Process

- State law requires Michigan Treasury to issue the credit in the form of a State of Michigan Energy Draft that can only be used to pay heat bills
- If heat is provided by DTE Energy, Consumers Energy, or SEMCO Energy Gas, the credit may be sent directly to the heat provider
- If client receives FIP assistance, state disability assistance (SDA), or other MDHHS benefits or is enrolled with MDHHS for direct payment, the law requires the credit to be sent directly to the heat provider, who will then apply it to their account.
- If heat is included in rent *at the time the claim is filed*, the credit will be issued as a check rather than an energy draft.

Payment Process

- If an energy draft is received and heat is included in rent or heat service is in someone else's name (other than the landlord), return the draft with a note of explanation
 - Include a copy of the lease agreement(s) or property tax statements
 - Mail to: Michigan Department of Treasury, Customer Contact, P.O. Box 30757, Lansing, MI 48909
 - Treasury will review the explanation and, if appropriate, reissue the credit in the form of a check. It may take 120 days or more to receive a check.
- If heat is in someone else's name (other than the landlord), inform the client at time of tax preparation that they will receive an energy draft. And that they will need a copy of their lease agreement/property tax bills to include when they return the draft.

Practice Scenario

Which of the following people would qualify for the Home Heating Credit?

- A. Jenna, who lives in Indiana, but owns a vacation home in Michigan.
- B. Michael, a full-time student living in a university dorm all year.
- C. Sarah, who rents an apartment in Michigan, pays her own utilities.
- D. Carlos, who lives in a licensed care facility in Michigan for the full year.

Practice Scenario

Which of the following people would qualify for the Home Heating Credit?

- A. Jenna, who lives in Indiana, but owns a vacation home in Michigan.
- B. Michael, a full-time student living in a university dorm all year.
- C. Sarah, who rents an apartment in Michigan, pays her own utilities.
- D. Carlos, who lives in a licensed care facility in Michigan for the full year.

Explanation: Sarah meets all the requirements: Michigan resident, renter, pays her heating costs, not a full-time dependent student, not in care housing, and income is within the limits.

Practice Scenario

Which person is NOT eligible for the credit?

- A. Tom, who owns his home in Michigan and pays for natural gas heating.
- B. Marissa, who lives in a nursing home in Michigan for the full year.
- C. Julia, who rents in Michigan, is not a student.
- D. Eric, who shares an apartment in Michigan and splits rent with a roommate.

Practice Scenario

Which person is NOT eligible for the credit?

- A. Tom, who owns his home in Michigan and pays for natural gas heating.
- B. Marissa, who lives in a nursing home in Michigan for the full year.**
- C. Julia, who rents in Michigan, is not a student.
- D. Eric, who shares an apartment in Michigan and splits rent with a roommate.

***Explanation:** Living in a licensed care facility for the **entire year** makes Marissa ineligible.*

Practice Scenario

Which of the following requires a prorated standard allowance?

- A. A single taxpayer who lived in Michigan all year and paid heating costs every month.
- B. A taxpayer who moved to Michigan in June and lived in a rental home from June to December.
- C. A couple who own a home in Michigan and have lived in it since 2000.
- D. A renter who paid rent for all 12 months and was not a student.

Practice Scenario

Which of the following requires a prorated standard allowance?

- A. A single taxpayer who lived in Michigan all year and paid heating costs every month.
- B. A taxpayer who moved to Michigan in June and lived in a rental home from June to December.**
- C. A couple who own a home in Michigan and have lived in it since 2000.
- D. A renter who paid rent for all 12 months and was not a student.

*Explanation: As a **part-year resident**, the taxpayer's standard allowance must be **prorated for 7 months** (June–December).*

Practice Scenario

Jason and Maria are married but lived in separate homes all year and are filing separately. Who can claim the Home Heating Credit?

- A. Only Jason
- B. Only Maria
- C. Both can claim separate credits based on their own heating costs and income
- D. Neither can claim the credit if they're married but filing separately

Practice Scenario

Jason and Maria are married but lived in separate homes all year and are filing separately. Who can claim the Home Heating Credit?

- A. Only Jason
- B. Only Maria
- C. Both can claim separate credits based on their own heating costs and income**
- D. Neither can claim the credit if they're married but filing separately

Explanation: Since they did not share a homestead during the year, both can claim the credit separately based on their own heating costs, exemptions, and household resources. Form 5049 must be filed.

Practice Scenario

Rachel and Daniel are married, lived together in the same house all year, and are filing separately. What is true about their eligibility?

- A. They can each file for a separate credit based on their own income
- B. They must file jointly to receive the credit
- C. Only one Home Heating Credit is allowed and it must include both incomes
- D. They are not eligible at all since they lived together and are filing separately

Practice Scenario

Rachel and Daniel are married, lived together in the same house all year, and are filing separately. What is true about their eligibility?

- A. They can each file for a separate credit based on their own income
- B. They must file jointly to receive the credit
- C. Only one Home Heating Credit is allowed and it must include both incomes
- D. They are not eligible at all since they lived together and are filing separately

Explanation: When a married couple shares a homestead all year, they may only claim one credit, and it must include total household resources of both spouses. They can choose how to divide the credit. Form 5049 is required.

End of Home Heating Credit

Take a few moments with your table and discuss any questions you may have regarding this topic.