

MEIC
State & Local Tax Training

Various Living Situations

Homestead Property Tax Credit
and
Home Heating Credit

Single Adults Sharing a Home

November 18, 2016

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Contents

Three 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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Scenario 1 – Mary & Beth

MARY

- ◆ Age 68
- ◆ Income:
 - Social Security - \$12,000
- ◆ Rent paid - \$350/month

BETH

- ◆ Age 57
- ◆ Income:
 - SSI - \$8,652
 - State SSI - \$168
- ◆ Rent paid - \$350/month

- ◆ 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: **\$9,320**

Mary's THR:
Social Security: \$12,000

Beth's THR:
 SSI: \$8,652
 State SSI: 168
 Expenses Mary pays on Beth's behalf (\$800 less \$300) 500
 Total THR \$9,320
 (Note: Beth does not have to include the first \$300 of expenses paid on her behalf.)

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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 ÷ 2 = \$309	Beth's Std. Allowance: \$618 ÷ 2 = \$309 \$777 - 618 = 159 \$468
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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.~~

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 ÷ 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 - \$8,652 □ State SSI - \$168 ♦ Rent paid - \$0	FRED ♦ Age 70 ♦ Income: □ Social Security - \$18,000 ♦ Rent paid - \$800/month
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- ♦ 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.

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: **\$15,120** Fred: **\$20,700**

Tom's THR:	Fred's THR:
SSI: \$8,652	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
\$800 x 12 = \$9,600	Less the 1 st \$300 (300)
Less the 1 st \$300 (300)	\$2,700 2,700
9,300	Total THR \$20,700
Less the amount Tom gives Fred, \$250 x 12 = (3,000)	
\$6,300 6,300	
Total THR \$15,120	

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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 Std. Allowance:	Fred's Std. Allowance:
\$618 ÷ 2 = \$309	\$618 ÷ 2 = \$309
\$777 - 618 = 159	
\$468	

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 pg. 5 of the 2015 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.

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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.

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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.

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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 does 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 will be based on 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 heating 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 a dependent and disability exemption for her son, Sam.

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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 cannot claim a home heating credit because he is not eligible as he does not own the home nor does he have a lease agreement to pay rent.

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