

Q: Is there a new state tax break on home heating oil?

A: Yes. Last November, the state legislature passed *An Act Providing Heating Assistance and Tax Relief*. This law is buried in state income tax Form 1. It was designed to provide relief from the high cost of heating your home or apartment. But the new home heating deduction won't warm your wallet.

It's hard to find the home heating fuel deduction on your state tax form, because it doesn't have its own line on Form 1. But it's there, lurking behind line 15, which is merely labeled: "Other deductions from Schedule Y."

When you go to Schedule Y, you'll find the fuel deduction at the very bottom of the form, on line 14, listed as the "home heating fuel deduction for certain taxpayers." You then have to "See worksheet for instructions." The worksheet can be found on page 21 of the Form 1 Instruction book. The worksheet explains that if you use home heating oil, natural gas or propane, you can deduct from your taxable income any fuel you bought in November and December of 2005--the actual cost or \$800--whichever is less. One person with an adjusted gross income of \$50,000 or less, can claim the deduction. Someone married filing jointly or filing as a head of household can have up to \$75,000 in income. Married but not filing jointly, you can't claim the deduction.

The deduction is for up to \$800, but if your fuel bills for November and December don't add up to \$800, you can file for the rest of your \$800 in your next tax return for 2006, using months January, February and March to qualify. There are special rules for renters and condo owners, and for that you have to read another instruction guide.

But here are two reasons why this new home heating fuel deduction gives seniors the cold shoulder: 1) Many low-income seniors don't owe any state taxes, because all the meager income they have comes from Social Security, which is not taxable by the Commonwealth. Because this home heating deduction is not a credit, just a deduction, it does people with no state tax liability absolutely no good. 2) For seniors who *do* pay state taxes, what this deduction means is that you can deduct up to \$800 off your "total 5.3% income." In other words, you are not saving \$800 in state taxes, but only lowering your taxable income by \$800, before the state computes your taxes after all income deductions. That \$800 would have been taxed at 5.3%, so the most you save in actual taxes is \$42.40 this year. The cost of a gallon of fuel oil nationally as this is written is \$2.44 a gallon. The new legislative tax break, at the maximum benefit, would pay a senior back for about 17 gallons of oil. That's about 7% of a 250 gallon tank fill-up.

Many seniors may not want to wade through all the calculations and tables and instructions to save a maximum of \$42.40. For seniors, the meager financial gain from the home heating fuel deduction may leave them feeling left out in the cold.