

Property Tax Burden Report

Residential Homestead Tax Relief Supplement

Taxes Payable 2007

Minnesota Revenue
Property Tax Division

April 12, 2010

The following is a supplement to the Residential Homestead Property Tax Burden Report for taxes payable 2007. The underlying data and compilation process remain the same. Blue Earth, Carlton, Koochiching, and Norman counties are excluded from the analysis. Farms, manufactured homesteads, and homestead records without an income match are excluded as well. For additional detail on excluded records see the Residential Homestead Property Tax Burden Report for taxes payable 2007.¹

This supplement focuses on the two primary programs of state funded residential homestead property tax relief, the Homestead Market Value Credit (HMVC) and the Property Tax Refund (PTR). Levels of expenditure on the two programs are roughly equal. The population of Voss records (1,275,599 homesteads) received a total of \$222,238,723 of HMVC and \$213,341,097 of PTR. These totals are lower than actual program expenditures due to the reasons cited above.

The amount of the Homestead Market Value Credit is based on the taxable market value of the property. The maximum credit amount is \$304 for homes valued at \$76,000. Additional taxable market value results in a phase-out of the credit. Homes valued over \$413,800 receive no credit. The credit reduces the amount of the tax bill rather than being paid directly to homesteaders.

The amount of the Property Tax Refund is based on both the tax bill and the total household income. The maximum refund (for taxes payable 2007) is \$1,750 and decreases as income increases or the tax amount decreases. The amount of the refund is also contingent on the number of dependents. The refund is paid directly to homeowners making it a more visible relief program than the HMVC.

Table 1 presents tax burdens by income range before and after the application of the HMVC and PTR. The combination of the two programs halves the median burden of homesteaders with an income between \$10,000 and \$30,000 from 7.4% to 3.7%. The impact of the two relief programs lessens as incomes rise. The impact of the HMVC in mitigating property tax burden phases out less rapidly than PTR because the size of the credit is not dependent on income but rather homestead value.

Greater Minnesota receives the majority of its property tax relief dollars, almost two-thirds, through the HMVC (\$119 million vs. \$62 million from the property tax refunds). Southeast Minnesota receives the largest amount of aid through

¹Minnesota Department of Revenue, "Residential Homestead Property Tax Burden Report - Taxes Payable 2007", http://www.taxes.state.mn.us/property_tax_administrators/other_supporting_content/Voss_Report.pdf

Table 1: Median Property Tax Burden by Income Range

Income Range	Before HMVC	Before PTR	After PTR
\$10,000 - \$30,000	7.4%	6.2%	3.7%
\$30,000 - \$45,000	4.7%	4.1%	3.3%
\$45,000 - \$65,000	3.6%	3.3%	3.0%
\$65,000 - \$90,000	3.0%	2.8%	2.7%
\$90,000 - \$125,000	2.6%	2.4%	2.4%
\$125,000 or more	1.9%	1.8%	1.8%

the HMVC, nearly \$26 million, which corresponds to an average credit of \$218 per homestead. South Central Minnesota has the highest average credit amount in Greater Minnesota (\$225) and Central Minnesota the lowest (\$191). The range in average PTR amounts by region in Greater Minnesota is much greater. East Central Minnesota receives the most aid (\$185) and Southwest Minnesota the least (\$64) per homestead.

PTR is a much larger part of the total property tax relief mix in the metro regions. Washington County had the lowest average refund amount (\$153) and Minneapolis had the highest (\$278). A total of \$152 million in property tax refunds, three-fifths of property tax relief, is reported in the Voss database. The \$103 million in HMVC is spread less evenly throughout the metro area than in Greater Minnesota, ranging from an average of \$91 in Southwest Hennepin to \$184 in Saint Paul.

Table 2: HMVC and PTR Amounts by Income Range

Region	Income Range	Count	HMVC		PTR	
			Average	Total	Average	Total
Metro	\$10,000 - \$45,000	160,744	\$191	\$30,637,197	\$544	\$87,485,256
	\$45,000 - \$65,000	130,497	\$176	\$22,914,454	\$272	\$35,517,479
	\$65,000 - \$90,000	140,229	\$154	\$21,524,799	\$96	\$13,489,943
	\$90,000 or more	263,721	\$94	\$24,767,017	\$17	\$4,383,452
Greater Minnesota	\$10,000 - \$45,000	198,010	\$229	\$45,282,728	\$206	\$40,812,828
	\$45,000 - \$65,000	121,627	\$226	\$27,442,100	\$86	\$10,410,480
	\$65,000 - \$90,000	107,208	\$212	\$22,715,381	\$30	\$3,264,462
	\$90,000 or more	109,531	\$168	\$18,445,772	\$11	\$1,156,053
Statewide	\$10,000 - \$45,000	358,754	\$212	\$75,919,925	\$358	\$128,298,084
	\$45,000 - \$65,000	252,124	\$200	\$50,356,554	\$182	\$45,927,959
	\$65,000 - \$90,000	247,437	\$179	\$44,240,180	\$68	\$16,754,405
	\$90,000 or more	373,252	\$116	\$43,212,789	\$15	\$5,539,505

Table 2 presents total dollar amounts for the Homestead Market Value Credit and Property Tax Refund programs by income range as well as the average credit and refund amount for these income ranges. The property tax refund has its greatest impact on lower income homesteads (particularly those in the metro regions with higher tax bills). The Homestead Credit also has a greater impact for lower income homesteads but a much slower effective phase-out as incomes rise.