

MINNESOTA • REVENUE

March 15, 2011

PROPERTY TAX REFUND Homeowner PTR Modifications

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1083 (Runbeck) as proposed to be amended (H1083A1)

Fund Impact

	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
		(000's)		
General Fund	\$0	\$0	\$1,000	\$2,100

Effective beginning with 2011 returns filed in 2012.

EXPLANATION OF THE BILL

The proposal would make changes to the homeowner property tax refund (PTR) by reducing the maximum household income eligible for refund from \$100,780 to \$70,000 and modifying the percent of income threshold, copay percentage, and maximum refunds for some income ranges in the refund calculation table.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2011 forecast.
- Approximately 410,000 claimants received a homeowner property tax refund in the current year.
- The number of homeowners eligible for a refund would be reduced by approximately 37,000 due to the maximum household income being reduced.
- The reduction in refunds to homeowners with incomes above \$70,000 would be offset in the first year by an increase in refunds to other homeowners.
- The proposal would result in a net savings to the state general fund beginning in FY 2014.

Number of Taxpayers: The number of homeowner refunds under the proposal would be reduced by approximately 37,000.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
http://www.taxes.state.mn.us/legal_policy

hf1083_pt_1/nrg

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Increase	Increases progressivity by increasing refunds to most homeowners with household income under \$70,000 and eliminating refunds to those with income up to \$100,780.
<i>Stability & Predictability</i>	Neutral	Short term instability in the first year with adjusted refunds.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.