Property Tax
Property Tax Refunds
Rent Constituting Tax to 28%

February 2, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 139 (Pappas) H.F. 158 (Gleason) ***Revised for administrative impact***

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
Increase for current renters		($69,300)	($69,000)	($67,600)
New renter filers		($3,000)	($3,000)	($2,900)
General Fund		($72,300)	($72,000)	($70,500)

Effective beginning for claims based on rent paid in calendar year 2001.

EXPLANATION OF THE BILL

Current Law: Under M.S. 290A.04, property tax refunds can be claimed if a household's property taxes exceed a certain percentage of their income. The claimant must pay a portion of the amount exceeding this income threshold, but the remainder is refunded, subject to maximum refund amounts. Separate schedules for homeowners and renters are established which specify different income thresholds, copayment percentages, and maximum refund amounts according to income level. Property tax refunds for renters are based on "rent constituting property tax" which is currently defined as equal to 19 percent of gross rent.

Proposed Law: The proposal changes the percent of rent that is defined as constituting property taxes to 28%. This will significantly increase the tax amount used to compute refunds for all current renters and may allow many new renter filers to become eligible.

REVENUE ANALYSIS DETAIL

- The property tax refund models were used to estimate the costs for all renters who currently file for refunds.
- A sample of renter data from the 1997 rebate filing and a modified refund model were used to estimate the impact of potential new filers. Various assumptions were required to grow the 1997 rent and income data, and to translate estimates based on the sample to a total measure of the amount of new filing.

REVENUE ANALYSIS DETAIL (Continued)

Number of Taxpayers Affected:

For FY 2003, about 246,000 existing renter filers would receive larger refunds under the proposal. This represents all current renter filers except the 16,000 that would receive the maximum refund under current law. The number of new filers is estimated to be approximately 16,000 per year.

ADMINISTRATIVE/OPERATIONAL IMPACT

Because the department is currently formalizing a reengineered process for the income tax, the operational impact of this provision cannot be precisely estimated. However, there will be additional costs due to increased participation.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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