

**Property Tax  
Additional Refund for Seniors**

March 7, 2001

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

Department of Revenue  
Analysis of S.F. 521 (Oliver) / H.F. 1059 (Erhardt)

	<u>Revenue Gain or (Loss)</u>		
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>
		(000's)	<u>FY2005</u>
General Fund		(\$11,400)	(\$13,600) (\$15,700)

Effective for property tax refunds based on taxes payable in 2002 and thereafter.

**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 household income. The claimant must pay a portion, or copayment, of the amount exceeding the income threshold, but the remainder is refunded, subject to maximum refund amounts. Separate schedules for homeowners and renters are established that specify income thresholds, copayment percentages, and maximum refund amounts according to income level. The homeowner schedule consists of 24 income brackets with income thresholds ranging from 1.2% to 4.0%, copayment percentages ranging from 18% to 50%, and maximum refunds ranging from \$530 to \$120 (as projected for FY 2003). To qualify for a refund, a homeowner's income must be less than \$74,010 (as currently projected for FY 2003 refunds). Maximum incomes, income brackets, and maximum refund amounts are indexed for inflation.

Additional refunds, called "targeted" or "special" refunds, are also available under current law for homeowners whose property taxes increase by more than 12% over the prior year, and the amount of the increase is \$100 or more. The special refund equals 60% of the amount of increase over the greater of 12% of the prior year net property tax or \$100. The maximum special refund is \$1,000.

**Proposed Law:** The proposal provides for an additional refund for senior homeowners who have lived in their home for at least 10 consecutive years and whose household income does not exceed \$30,000. The additional refund equals the amount of net tax, after reduction for all state paid aids or credits and after deduction of the regular and special refunds, that exceeds 6% of the claimant's household income. The \$30,000 income limit is adjusted for inflation. The proposed additional refund is not subject to a maximum amount.

## **REVENUE ANALYSIS DETAIL**

- Property tax refund models, based on property tax refund processing files, were used to calculate the revenue impacts.
- This estimate assumes that all seniors who file for the additional refund, would also file for the current property tax refund.
- The estimate assumes 85% of seniors have resided in their homestead for 10 or more consecutive years.

**Number of Taxpayers Affected:** Under the proposal, approximately 15,900 seniors could receive the additional refunds in FY 2003 and this would increase to 20,000 by FY 2005. The average additional refund would be roughly \$730 in FY 2003 and would increase to \$800 by FY 2005.

## **ADMINISTRATIVE/OPERATIONAL IMPACT**

Because the proposal will increase the participation of the property tax refund program, the department will incur costs for additional printing, postage, data entry, processing and verification of the increased volume.

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