

MINNESOTA • REVENUE

Property Tax Refund Modifications to Homeowner and Renter Schedules; 15% of Rent

May 6, 2003

Department of Revenue
Analysis of H.F. 1592 (Westrom)

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

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
Homeowners	\$0	\$20,800	\$25,200	\$30,500
Renters	<u>\$0</u>	<u>\$40,200</u>	<u>\$40,500</u>	<u>\$41,200</u>
General Fund Total	\$0	\$61,000	\$65,700	\$71,700

Effective for claims based on property taxes payable in 2004, rent paid in 2003, and thereafter.

EXPLANATION OF THE BILL

Current Law: The current property tax refund schedules for homeowners and renters were enacted in 2000 along with a provision that annually increases the income brackets and maximum refunds for inflation. The tentative schedule for homeowners for filing year 2004 (tax year 2003) allows for a possible refund if the total household income is less than \$83,270. The corresponding income figure for renters is \$44,920. “Rent constituting property taxes” is equal to 19% of gross rent.

Proposed Law: The proposal sets new schedules for filing year 2004. (Note: a technical amendment to the bill will correct the inconsistencies in the brackets and maximum refund amounts.) For homeowners, the formula remains unchanged for claimants with incomes under \$20,540. The maximums are decreased and co-payments are increased for claimants with incomes between \$20,540 and \$51,350. Claimants with incomes between \$51,350 and \$83,270 would no longer be eligible for the refund.

For renters, the percentage of rent that is deemed to be for property taxes is reduced from 19% to 15%. Co-payments are increased for claimants with incomes between \$21,830 and \$39,800. The maximums are decreased for claimants with incomes between \$30,810 and \$39,800. Claimants with incomes between \$39,800 and \$44,920 would no longer be eligible for the refund.

Starting with filing year 2005, the income brackets and maximum refunds for both homeowners and renters are adjusted for inflation.

REVENUE ANALYSIS DETAIL

- The proposed homeowner and renter schedules of income brackets, percents of income, percents paid by claimants, and maximum refunds were analyzed using the property tax refund model for filing year 2004. For later filing years, the proposed schedules were adjusted for inflation.
- The February 2003 forecast was used as the base of comparison.

Number of Taxpayers Affected: For filing year 2004, there would be about 14,000 fewer homeowner refunds and about 22,000 fewer renter refunds.

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

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