

MINNESOTA • REVENUE

PROPERTY TAX Senior Citizen Property Tax Deferral Program

February 22, 2007

Department of Revenue
Analysis of H.F. 1129 (Doty)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	\$0	(\$140)	(\$150)	(\$160)

Effective for applications received on or after July 1, 2007.

EXPLANATION OF THE BILL

Current Law: Participants in the senior citizen property tax deferral program must have a household income less than \$60,000 and be 65 years of age or older. In the case of a married couple, both spouses must be at least 65 years of age when the first deferral is granted. The state reimburses counties for the amount of property tax deferred. Interest is accrued beginning on September 1 of the payable year the property taxes are deferred.

Proposed Law: The bill would increase the household income limit and reduce the age limit for married couples eligible for the senior citizen property tax deferral program. The household income limit would be increased to match the homeowner property tax refund income limit and adjusted annually for inflation. The age limit would be changed so that if one spouse is at least 65 years old, there is no age limit for the other spouse. The bill would also eliminate the accrual of interest on deferred property tax beginning with property taxes payable in 2008.

REVENUE ANALYSIS DETAIL

- The senior property tax deferral program had 127 participants who deferred property taxes in 2006. The total amount deferred was approximately \$360,000, or \$2,830 per participant.
- For taxes payable in 2008, the household income limit under this proposal would be \$93,000.
- With the increase in the household income limit, elimination of the spouse age limit, and elimination of the accrual of interest, it is assumed program participation would increase 40%. Using the average amount deferred in the current program, the estimated total cost increase would be approximately \$140,000 beginning in FY 2009.
- A 5% annual growth rate is assumed.

Number of Taxpayers: An estimated 50 senior citizen homesteads.

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