

MINNESOTA • REVENUE

PROPERTY TAX REFUND Property Tax Refund Income Definition Modified

February 04, 2013

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0140 (Dziedzic) / H.F. 0333 (Davnje) as introduced

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
General Fund	\$0	(\$9,300)	(\$9,600)	(\$9,800)

Effective beginning for claims based on rent paid in 2013 and property taxes payable in 2014.

EXPLANATION OF THE BILL

Under current law nontaxable contributions to a retirement account and deferred compensation are not included in federal adjusted gross income, but they are included in the definition of household income for the purpose of calculating property tax refunds.

The proposal would exclude nontaxable retirement contributions and deferred compensation from the definition of household income used to calculate property tax refunds.

REVENUE ANALYSIS DETAIL

- The estimates are based on the November 2012 forecast.
- It was assumed that additional nontaxable income reported on line 3 of Form M1PR and a portion of line 5 were contributions to a retirement account or deferred compensation. These amounts are estimated to account for 2% of total household income reported by PTR filers.
- Excluding the nontaxable retirement income from the definition of total income would increase refunds to homeowners and renters, increasing the cost of state-paid property tax refunds beginning in FY 2015.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx

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

Transparency, Understandability, Simplicity & Accountability Neutral Determining total household income for taxpayers would require accounting for fewer sources of income not already included on a tax form.

Efficiency & Compliance Neutral

Equity (Vertical & Horizontal) Neutral Increases progressivity by increasing refunds to homeowners with household income under \$103,730.

Stability & Predictability Neutral

Competitiveness for Businesses Neutral

Responsiveness to Economic Conditions Neutral

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