

MINNESOTA • REVENUE

Revised for February 2013 forecast

March 04, 2013

PROPERTY TAX REFUND

Property Tax Percentage of Rent Increased

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 0173 (Morgan) as introduced

Fund Impact

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
	(000's)			
General Fund	\$0	(\$29,300)	(\$29,900)	(\$30,600)

Effective beginning with 2013 returns filed in 2014.

EXPLANATION OF THE BILL

For purposes of the property tax refund (PTR) program, current Minnesota statutes allow a renter to claim 17% of the rent paid for the year as the amount of property tax paid by the renter. This figure is used, along with the renter's income, to determine eligibility for and the amount of the property tax refund. The proposal would change the percentage from 17% to 19% starting with tax year 2013 (fiscal year 2015).

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2013 forecast.
- Increasing the percentage of rent constituting property taxes would increase refunds to almost every claimant. Approximately 6,300 additional renters, or about 2%, would become eligible for a refund beginning in FY 2015.
- Under the proposal, the average renter property tax refund increase would be \$90.

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

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Increase	Increases progressivity by increasing refunds to renters with household income under \$57,170.
<i>Stability & Predictability</i>	Neutral	Short term instability in the first year with adjusted refunds.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

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