

MINNESOTA • REVENUE

PROPERTY TAX

Homestead classification application use of federal taxpayer identification numbers in lieu of Social Security numbers allowed

Revised

May 05, 2016

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of H.F. 3561 (Mariani) / S.F. 3349 (Champion) as introduced

Fund Impact

	FY2016	FY2017	FY2018	FY2019
			(000's)	
General Fund	\$0	\$0	(\$2,200)	(\$2,200)

Effective for assessment year 2016 and thereafter.

EXPLANATION OF THE BILL

Under current law, only property owners with a valid Social Security number are allowed to apply for homestead classification. Under the proposal, property owners with a valid individual taxpayer identification number (ITIN) issued by the Internal Revenue Service would also be allowed to apply for homestead classification.

REVENUE ANALYSIS DETAIL

- By expanding the identification documents allowed to apply for homestead classification, it is assumed that the number of homesteads in the state will increase.
- The proposal would cause a shift in property taxes away from properties newly qualifying for homestead and onto all other properties, including other homesteads.
- An increase in the number of properties eligible for homestead status would result in an increase in property tax refunds paid by the state.
- According to Minnesota individual income tax return filing summaries, there are approximately 8,100 returns filed by resident households with only an ITIN and no Social Security number.
- Based on U.S. Census Bureau information on Minnesota homeownership rates by income range, it is estimated that approximately 57% of filers using an ITIN would be homeowners and receive homestead status under the proposal.
- It is assumed that approximately 2,400 additional homeowners would become eligible and file for a property tax refund under the proposal, resulting in an increase in state general fund costs of \$2.2 million beginning in FY 2018.
- This analysis does not assume any increase in property tax refunds paid to homeowners that register for an ITIN in the future and would be eligible for homestead status under the proposal.

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	Resident households owning homes would be treated more similarly in regards to homestead status.
<i>Stability & Predictability</i>	Neutral	
<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.

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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