

March 18, 2019

**PROPERTY TAX REFUND
PTR income definition modified**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1323 (Demuth) as proposed to be amended by H1323A1

	Fund Impact			
	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
	(000's)			
General Fund	\$0	(\$4,900)	(\$5,100)	(\$5,300)

Effective beginning for refunds based on rent paid in 2019 and property taxes payable in 2020.

EXPLANATION OF THE BILL

Under current law certain veterans benefits 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. These nontaxable veterans benefits include disability compensation, military disability pensions, and education and training payments.

As proposed to be amended, the bill would exclude nontaxable veterans disability benefits from the definition of household income used to calculate property tax refunds.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2019 forecast.
- Under the proposal, the amount of household income used to determine property tax refunds would be reduced by excluding veterans disability benefits, which would increase refunds to eligible homeowners and renters receiving veterans benefits.
- It is assumed that approximately 38,000 homeowners and renters would receive an increased property tax refund, resulting in an increase in state general fund costs beginning in FY 2021. The average refund increase is estimated to be approximately \$130.
- A three percent annual growth in refunds is assumed.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Determining total household income for taxpayers would require accounting for fewer sources of income not already included on a tax form.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<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

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