

January 26, 2021

**PROPERTY TAX REFUND
Modifying special property tax refund**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0138 (Klein) as proposed to be amended by SCS0138A-1

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
General Fund	\$0	(\$2,650)	(\$3,380)	(\$3,020)

Effective beginning with taxes payable in 2022.

EXPLANATION OF THE BILL

Current law provides a refund for property taxes on a homestead that increase more than 12 percent over the property taxes payable in the prior year, and the amount of the increase is more than \$100. The refund is equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100.

The proposal would decrease the minimum year-to-year change from 12 percent to ten percent. The refund would equal 60 percent of the amount of increase over the greater of 10 percent of the prior year's property taxes payable or \$100.

REVENUE ANALYSIS DETAIL

- The estimate is based on the November 2020 forecast.
- Under current law, it is estimated that 20,000 taxpayers will claim targeted property tax refunds for payable year 2021 for a total of \$1.80 million.
- By decreasing the minimum year-to-year change for the refund, the number of eligible taxpayers and the total refund amount are expected to increase. Under the proposal, it is estimated that the total number of taxpayers that will claim refunds will increase by 17,000 in taxes payable 2022. The total refunds paid are expected to increase by \$2.65 million in the same year.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Increase	More stable and predictable property taxes for homeowners.
<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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