

**PROPERTY TAX REFUND
Increase Homeowner and Renter
Property Tax Refunds**

March 16, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 1735 (Youakim) as proposed to be amended by H1735DE1

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
Homestead Credit Refund	\$0	(\$52,400)	(\$55,200)	(\$56,900)
Renter Property Tax Refund	\$0	(\$15,700)	(\$16,000)	(\$16,200)
General Fund Total	\$0	(\$68,100)	(\$71,200)	(\$73,100)

Effective beginning for refunds based on rent paid in 2021 and property taxes payable in 2022.

EXPLANATION OF THE BILL

Homestead Credit Refund

Under current law the copay percentages for homeowners claiming a property tax refund range from 15% to 50% depending on household income. Maximum refund amounts also vary by income level and are adjusted annually for inflation.

The proposal would lower the homeowner copay percentages and increase maximum refund amounts for all income ranges. The copay percentages would be reduced 5 percentage points and maximum refund amounts would be increased between \$50 and \$250.

Renter Property Tax Refund

Under current law the copay percentages for renters claiming a property tax refund range from 5% to 50% depending on household income.

The proposal would lower the renter copay percentages for income ranges above \$5,530 where the current copay percentage is above 5%. The copay percentages would be reduced between 5 and 15 percentage points.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2021 forecast.

Homestead Credit Refund

- By lowering the copay percentages and increasing the maximum refunds for homeowners, state-paid property tax refunds to homeowners would increase by \$52.4 million beginning in FY 2023.

- Under the proposal, all homeowner PTR claimants would receive an increased refund, with the average refund increase being approximately \$96.

Renter Property Tax Refund

- By lowering the copay percentages for renters, state-paid property tax refunds to renters would increase by \$15.7 million beginning in FY 2023.
- Under the proposal, approximately 86% of renter PTR claimants would receive an increased refund, with the average refund increase being approximately \$57.

Number of Taxpayers: 549,000 homeowners and 275,000 renters claiming PTR would receive an increased refund.

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>	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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