

**PROPERTY TAX
Senior citizens' property tax
deferral requirements
modified**

March 8, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 3184 (Klein) as proposed to be amended (SCS3184A-1)

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	\$0	\$0	(\$270)	(\$660)

Effective beginning with applications for deferral of taxes payable in 2023.

EXPLANATION OF THE BILL

This proposal would make two changes to the senior deferral program:

1) Under current law, the eligibility requirements for participation in the senior citizen property tax deferral program include owning and living in their homestead for at least 15 years.

The proposal would modify the number of years a senior citizen would be required to live in their home from 15 to 5 years to be eligible for a property tax deferral.

2) Under current law, the eligibility requirements for participation in the senior citizen property tax deferral program include having a household income of \$60,000 or less.

The proposal would increase the household income level from \$60,000 to \$96,000 to be eligible for a property tax deferral.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2022 forecast.
- According to U.S. Census data, approximately three-quarters of senior citizen homeowners have lived in their homes for at least 15 years.
- Under the proposal, reducing the requirement from 15 years to 5 years would increase eligibility for the senior citizen property tax deferral program.
- According to the U.S. Social Security Administration, approximately three-quarters of senior citizen homeowners have incomes under \$60,000.
- Under the proposal, increasing the requirement from \$60,000 to \$96,000 years would increase eligibility for the senior citizen property tax deferral program.
- It is assumed that participation would increase approximately 35% under the proposal, increasing state general fund costs during the forecast period.

- The first partial year of impact is assumed to be fiscal year 2024. Applications received between June 2022 and October 2022 would be eligible for deferral under the new requirement beginning for taxes payable in 2023. The first full year of impact would be fiscal year 2025.

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
<https://www.revenue.state.mn.us/revenue-analyses>

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