

**PROPERTY TAX REFUND
Increase Senior and Disability
Subtraction**

February 14, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 1422 (Wolgamott) as introduced

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Homestead Credit Refund	\$0	(\$25,500)	(\$27,100)	(\$27,800)
Renter Property Tax Refund	\$0	(\$9,200)	(\$9,700)	(\$9,800)
General Fund Total	\$0	(\$34,700)	(\$36,800)	(\$37,600)

Effective beginning with refunds based on rent paid in 2023 and property taxes payable in 2024.

EXPLANATION OF THE BILL

Current law provides certain subtractions from household income used to calculate the property tax refund (PTR). The subtractions apply to claimants who are age 65 or over, have qualifying dependents, have a disability, or make qualifying contributions to a retirement account.

The proposal would increase the household income subtraction provided to property tax refund claimants who are age 65 or older or have a disability. For these qualifying claimants, the subtraction amount would be doubled.

REVENUE ANALYSIS DETAIL

- The estimates are based on the November 2022 forecast.
- The current subtraction amount is \$4,800 for taxable year 2023.
- Under the proposal, increasing the PTR household income subtraction would increase refunds to senior homeowners and renters and those with a disability, increasing the cost of state-paid property tax refunds beginning in FY 2025.
- For homeowner claimants, approximately 253,000 would receive an increase totaling approximately \$25.5 million in the first year, with an average refund increase of \$101. About 95,000 renter claimants would receive an increase totaling approximately \$9.2 million, with an average refund increase of \$98. It is assumed that 10,000 would be new claimants who become eligible and file for a property tax refund under the proposal.

Number of Taxpayers: Approximately 348,000 homeowner and renter PTR claimants 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
<https://www.revenue.state.mn.us/revenue-analyses>

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