

**PROPERTY TAX REFUND
Modify Homeowner Refunds,
Senior/Disability Subtraction**

February 27, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 271 (Klein) as proposed to be amended by SCS0271A-2

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Homestead Credit Refund	\$0	(\$55,400)	(\$60,500)	(\$67,400)
Renter Property Tax Refund	\$0	(\$4,600)	(\$4,800)	(\$4,900)
General Fund Total	\$0	(\$60,000)	(\$65,300)	(\$72,300)

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

EXPLANATION OF THE BILL

The proposal would make multiple changes to the property tax refund.

Increase subtraction for seniors and claimants with a disability

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 increased by 50%. For taxable year 2023 the current subtraction amount of \$4,800 would be increased to \$7,200.

Increase homeowner maximum refunds

Under current law the maximum homeowner refund amounts vary by income level and are adjusted annually for inflation. Maximum refund amounts currently range from \$650 to \$3,310.

The proposal would increase maximum refunds for currently eligible homeowners by \$500.

Expand homeowner income limit

Under current law, homeowners with a household income of less than \$135,410 are eligible for a property tax refund if their property taxes exceed between one percent and 2.5 percent of their income. The income limit is adjusted annually for inflation.

The proposal would modify the property tax refund table to expand the eligible household income range to a maximum limit of \$165,000. Homeowners with a household income between

\$135,410 and \$165,000 would be eligible for a property tax refund if their homestead property taxes exceed between 2.6% and 2.8%, with a maximum refund ranging from \$350 to \$850.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2023 forecast.
- 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.
 - Increasing the subtraction would provide approximately 234,000 homeowner claimants and 89,000 renter claimants an average refund increase of \$52. It is assumed that 8,000 would be new claimants who become eligible and file for a property tax refund under the proposal.
- Expanding the homeowner refund table and increasing maximum refunds would increase refunds to eligible homeowners beginning in FY 2025.
 - By increasing the maximum refunds, about 65,000 current filers would receive an average refund increase of \$347.
 - Extending the household income limit would result in an estimated 44,000 additional homeowners becoming eligible and filing for a refund beginning in FY 2025. The refund amounts for newly eligible homeowners would total approximately \$20.2 million in the first year, with an average refund of \$529.

Number of Taxpayers: Approximately 432,000 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>

sf0271(hf1588) PTR Modifications_pt_1/ng