

**PROPERTY TAX REFUND
Increase Senior/Disability
Subtraction and Homeowner
Maximum Refunds, Expand
Homeowner Income Limit**

March 15, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3866 (Bahner) as proposed to be amended by H3866A1

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Homestead Credit Refund	\$0	\$0	(\$56,500)	(\$61,700)
Renter Property Tax Refund	<u>\$0</u>	<u>\$0</u>	<u>(\$4,400)</u>	<u>(\$4,600)</u>
General Fund Total	\$0	\$0	(\$60,900)	(\$66,300)

Effective beginning for refunds based on rent paid in 2022 and property taxes payable in 2023.

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 2022 the current subtraction amount of \$4,450 would be increased to \$6,675.

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 \$600 to \$3,090.

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 \$126,290 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 \$155,000. Homeowners with a household income between \$126,290 and \$155,000 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 2022 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 2024.
 - Approximately 244,000 homeowner claimants would receive an average refund increase of \$48, and about 91,000 renter claimants would receive an average refund increase of \$48 from increasing the subtraction. 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 2024.
 - By increasing the maximum refunds, about 73,000 current filers would receive an average refund increase of \$335.
 - Extending the household income limit would result in an estimated 46,000 additional homeowners becoming eligible and filing for a refund beginning in FY 2024. The refund amounts for newly eligible homeowners would total approximately \$20.5 million in the first year, with an average refund of \$446.

Number of Taxpayers: Approximately 441,000 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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