



Fiscal Highlights of Major Tax Provisions in Chapter 64

HF 1938 - CONFERENCE COMMITTEE REPORT

KATRINA HEIMARK

HOUSE FISCAL ANALYSIS DEPARTMENT

Today's Presentation Areas on Chapter 64

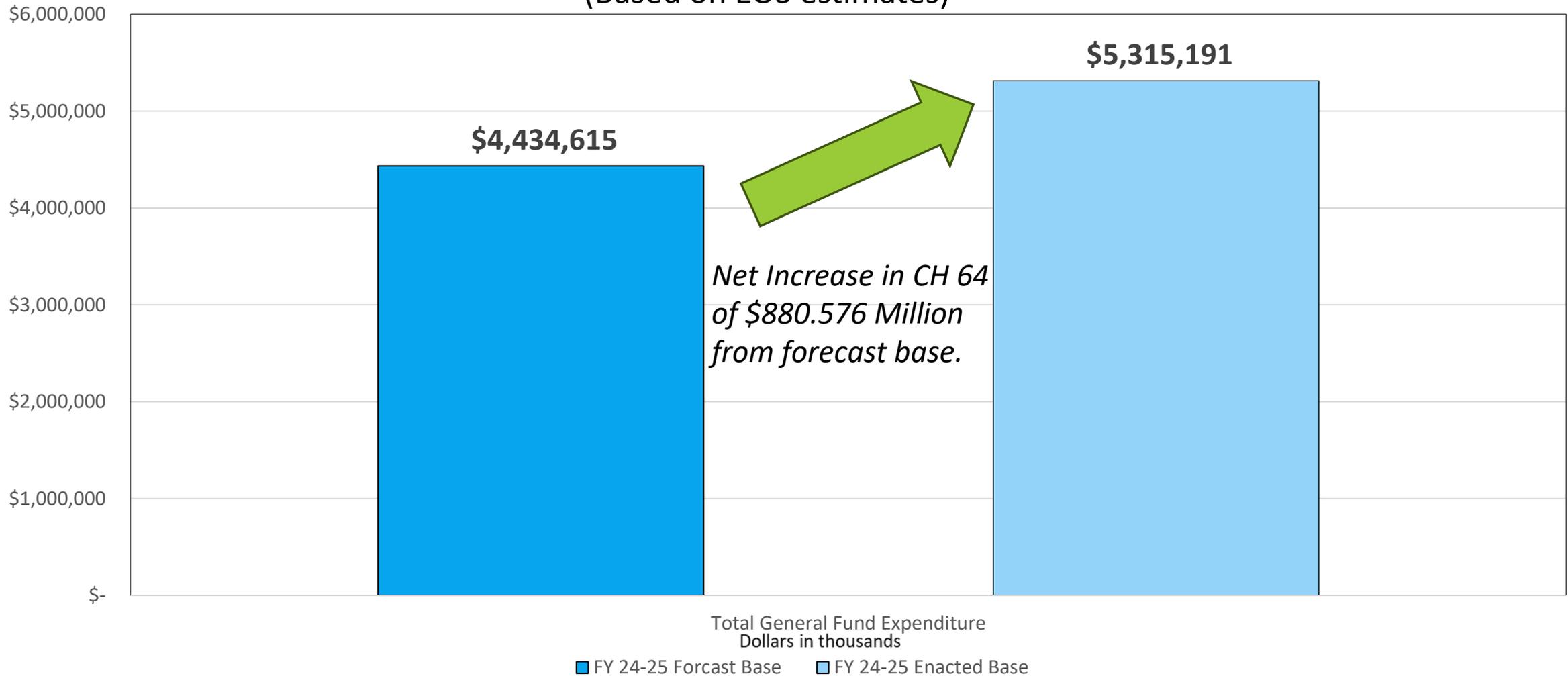
- Property Tax, Aids & Credits Budget Changes
 - Highlights to major changes by Expenditure:
 - Property tax refunds
 - Aids & Credits
 - Other areas

Property Tax, Aids & Credits Expenditure Changes

HIGHLIGHTS, GENERAL FUND

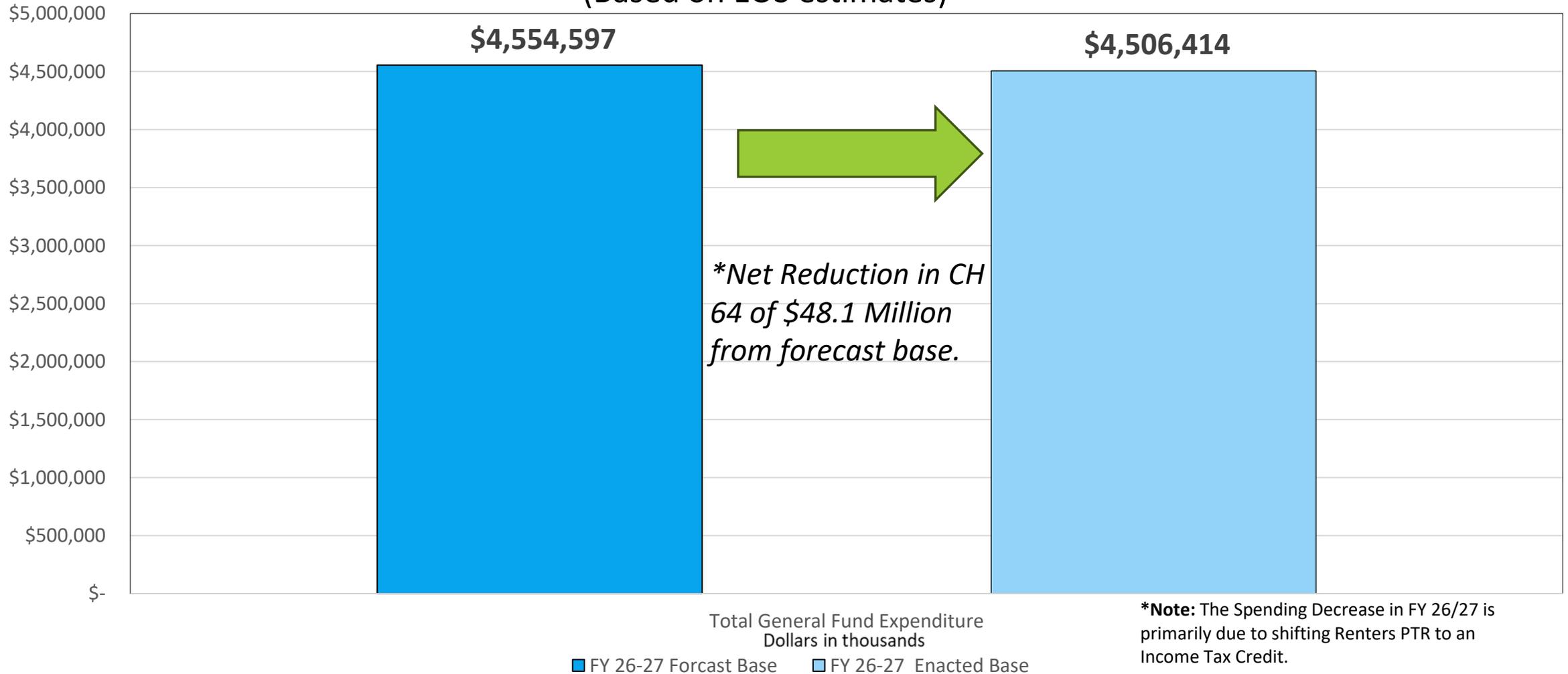
General Fund Property Tax, Aids and Credits: Chapter 64 Compared to Forecasted Spending for FY 2024-25 Biennium

(Based on EOS estimates)



General Fund Property Tax, Aids and Credits: Chapter 64 Compared to Forecasted Spending for FY 2026-27 Biennium

(Based on EOS estimates)



General Fund Changes to Tax Refunds, Aids, & Credits

Net Changes to Select Tax Refunds, Aids, & Credits

FY 2024-25: \$880.404 Million Cost (page 15, line 25)

FY 2026-27: \$48.183 Million Cost Savings (page 15, line 25)

Net Changes derive from One-Time Provisions and On-Going Modifications in the following categories:

- Property Tax Refunds
- Aids and Credits
- Other Changes

Net Property Tax Refund Changes

Net Changes, not including Renters Credit Conversion:

FY 2024-25: \$233.255 Million Cost (page 7, line 108)

FY 2026-27: \$42.830 Million Cost (page 7, line 108)

Net Changes, including Renters Credit Conversion:

FY 2024-25: \$233.255 Million Cost (page 8, line 108 + line 109)

FY 2026-27: \$449.970 Million Cost Savings (page 7, line 108 + line 109)

*The Renters Property Tax Credit Conversion and its impact will be discussed further in the on-going modifications section. Because the Renters Property Tax was transformed into an income tax deduction, it no longer appears as a state property tax related expenditure in FY 26/27.

Select Property Tax Refund Changes, One-Time Provisions

Net Changes: One-Time Provisions, not including Renters Credit Conversion

FY2024-25: \$209.025 Million Cost (page 16, line 5)

FY2026-27: \$0 Cost (page 16, line 5)

One-time Provisions:

- Homestead Credit State Refund – Additional 20.6% (page 5, line 13)
 - Effective Taxes Payable 2023
- Renters Property Tax Refund – Additional 20.6% (page 5, line 14)
 - Effective Rent Paid 2022
- Targeting Refund – Reduce threshold from to 6%, max refund to \$2,500 (page 5, line 17)
 - Effective Pay 2023

Select Property Tax Refund Changes, On-Going Modifications

Net Changes: On-going Modifications, including Renters Credit Conversion:

FY2024-25: \$22.220 Million Cost (page 16, line 20)

FY2026-27: \$451.990 Million Cost savings (page 16, line 20)

Select Property Tax Refund Changes, On-Going Modifications

On-going Modifications (Part 1):

Homestead Credit State Refund (HSCR)

- Reduce Homeowner Copays 3% (page 5, line 11)
 - Effective Pay 2024
- Expand Homestead Benefits, Allow Individual Taxpayer Identification (ITIN) (page 5, line 10)
 - Effective Application Filed 2023
- Expand Homestead Market Value Exclusion, with changes to threshold, max exclusion, etc. (page 5, line 19)
 - Effective Assessment 2024
- Class 4d low-income rental housing, remove tier, set rate at 0.25% (page 5, line 21)
 - Effective Assessment 2024
- Agricultural Homesteads, first tier valuation increase (page 5, line 23)
 - Effective Assessment 2024
- Spouses Disabled Veterans' Homestead Market Value Exclusion Application (page 6, line 29)
 - Effective Assessment 2023

Select Property Tax Refund Changes, On-Going Modifications

On-going Modifications (Part 2):

Renter Property Tax Refund-Convert to Income Tax Credit

- Renters Income Tax Credit (page 6, line 45)
 - Effective Rent Paid 2024, Filed 2025
- Repeal Renters Property Tax Refund (page 6, line 46)
 - Effective Rent Paid 2024, Filed 2025

Selected Aids & Credits Changes

Net Changes to Aids & Credits:

FY 2024-25: \$642.556 Million Cost (page 17, line 28)

FY 2026-27: \$399.464 Million Cost (page 17, line 28)

Selected Aids & Credits Changes, One-Time Provisions

Net Changes: One-Time Provisions

FY2024-25: \$361.136 Million Cost (page 17, line 12)

FY2026-27: \$60.586 Million Cost savings (page 17, line 12)

One-Time Provisions, Part 1:

- Public Safety Aid (page 6, line 79)
 - Effective Pay 2023
- Local Government Aid, one-time prepayment (page 6, line 52)
 - Effective FY 2025

Selected Aids & Credits Changes, One-Time Provisions

One-Time Provisions, Part 2:

Local Aids

- 2021 LGA Penalty Forgiveness Echo and Morton (page 6, lines 53 & 54)
 - Day Following Enactment (DFE)
- City of Spring Grove, Fire Remediation (page 6, line 57)
 - Effective FY 2024
- City of Northfield, Infrastructure (page 6, line 58)
 - Effective FY 2024

Selected Aids & Credits Changes, On-Going Modifications

Net Changes: On-Going Modifications

FY2024-25: \$281.420 Million Cost (page 17, line 27)

FY2026-27: \$460.050 Million Cost (page 17, line 27)

On-going Modifications, Part 1

- LGA (Local Government Aid) appropriation increase (page 6, line 51)
 - Effective Pay 2024
- CPA (County Program Aid) appropriation increase (page 7, line 64)
 - Effective Pay 2024
- PILT (Payment in Lieu of Taxes) valuation increase (page 7, line 66)
 - Effective Pay 2024

Selected Aids & Credits Changes, On-Going Modifications

On-going Modifications, Part 2

- Electric Generation Transition Aid for Local Governments (page 7, line 75)
 - Effective Pay 2024
- Statewide Local Housing Aid (page 7, line 73)
 - Effective Pay 2023
- Soil & Water Conservation Aid (page 7, line 79)
 - Effective Pay 2023
- Tribal Nations Aid (page 7, line 88)
 - Effective Pay 2024

Selected Other Changes

Total Selected Other Changes:

FY2024-25: \$64 Million Cost (page 17, line 6)

FY2026-27: \$3 Million Cost (page 17, line 6)

Selected Other Changes

- Housing Development Fund, Workforce & Affordable Homeownership Account (page 7, line 90)
 - One-time, Effective 7/1/2023
- MN Department of Revenue (DOR) Administration of Refundable Credit (page 7, line 97)
 - One-time, DFE
- MN DOR Administration of 2023 Tax Act (page 7, line 98)
 - On-going, DFE



Questions?

Property Tax, Aids and Credits – Katrina Heimark

Katrina.Heimark@house.mn.gov

State Tax and Non-Tax Revenue – Cynthia Templin

Cynthia.Templin@house.mn.gov