

**PROPERTY TAX REFUND
Additional property tax
refund modified**

March 15, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2929 (Klein) / H.F. 3725 (Huot) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	\$0	\$0	(\$1,900)	(\$2,000)

Effective beginning with refunds based on taxes payable 2023.

EXPLANATION OF THE BILL

Under current law, property owners qualify for the additional property tax refund if property taxes on their homestead increase more than 12 percent over the prior year and the amount of the increase is more than \$100. The refund is equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year’s property taxes payable or \$100, with a maximum refund of \$1,000.

The proposal would decrease the minimum annual change in property taxes from 12 percent to ten percent in order to qualify for a refund. The refund amount would also change to be equal to 60 percent of the amount of the increase over the greater of 10 percent of the prior year’s property taxes payable or \$100. The maximum refund allowed would increase to \$2,000.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2022 forecast.
- Under current law, it is estimated that 53,000 taxpayers will claim additional property tax refunds for payable year 2023 for a total of \$5.3 million. Under the proposal, these taxpayers would receive an average refund increase of \$30.
- By decreasing the minimum year-to-year change for the refund, the number of taxpayers claiming the additional property tax refund is estimated to increase by 20,000 in the first year.
- Total refunds paid by the state are estimated to increase by \$1.9 million in fiscal year 2024 and \$2.0 million in 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>	Increase	More stable and predictable property taxes for homeowners.
<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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