

**PROPERTY TAX
Targeting Property Tax
Refund Expanded**

March 19, 2025

Department of Revenue

Analysis of H.F. 2315 (Norris) as proposed to be amended by H2315A1

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
Targeting Refund	\$0	(\$13,600)	(\$13,800)	(\$14,700)
Property Tax Refund Interaction	\$0	\$5,710	\$5,800	\$6,170
Income Tax Interaction	\$0	\$40	\$40	\$40
General Fund Total	\$0	(\$7,850)	(\$7,960)	(\$8,490)

Effective for refunds based on property taxes payable after December 31, 2025.

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 six percent 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 six percent of the prior year's property taxes payable or \$100. The maximum refund allowed would increase to \$2,500.

REVENUE ANALYSIS DETAIL

- The estimate is based on the February 2025 forecast.
- Under current law, it is estimated that 70,000 taxpayers will claim additional property tax refunds for payable year 2026 for a total of \$7.2 million. Under the proposal, these taxpayers would receive an average refund increase of \$130.
- 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 70,000 in the first year.
- Total additional property tax refunds paid by the state are estimated to increase by \$13.6 million in fiscal year 2027. These refunds are expected to increase in future years based on forecasted net taxes for homesteads.
- Higher additional property tax refunds would lower property taxes for the calculation of regular homeowner property tax refunds. This would decrease regular property tax refunds by \$5.71 million in fiscal year 2027, \$5.80 million in fiscal year 2028, and \$6.17 million in fiscal year 2029.

- The overall decrease in property taxes for homeowners would reduce deductions on income tax returns, increasing state tax collections by \$40,000 beginning in fiscal year 2027.

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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