

**PROPERTY TAX REFUND
Advance Homestead Credit
for Seniors**

April 1, 2024

Department of Revenue

Analysis of H.F. 4826 (Robbins) as proposed to be amended by H4826A1

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective beginning with advance payment elections after December 31, 2024 for credits applied to property taxes payable in 2026.

EXPLANATION OF THE BILL

The proposal would create a new property credit: the advance homestead credit for seniors. The credit would be for a homestead property whose owner is an eligible senior that applies to receive the credit when filing a claim for the homestead credit refund. Property owners would need to attest that they intend to continue to occupy their homestead in the following year when the credit is applied and file a claim for the homestead credit refund for the year they received the credit.

The credit would equal 50 percent of the amount of homestead credit refund the property owner received in the previous year. The credit would apply to the first half payment of property taxes. If the property's credit amount exceeds the first half payment amount, the credit would be reduced so the final first half payment amount is \$0. Property owners who choose to receive this credit would have their homestead credit refund reduced by the amount of the credit. If their credit is more than their homestead credit refund, they would have to repay the commissioner the difference.

The commissioner of revenue would calculate and certify the advance homestead credit amounts to county auditors by January 2 each year. County auditors would apply the credit to each qualifying property and certify to the commissioner any reductions to the credit. The commissioner would then reimburse local jurisdictions for the credit on October 31 of the taxes payable year, except for reimbursements related to tax increments, which would be reimbursed on December 26. Reimbursements to school districts would be the same timing as other credits under current law.

REVENUE ANALYSIS DETAIL

- Under the proposal, there would be no change in the property tax refund amount to senior homeowners. Rather, a portion of the refund would be provided as a credit on the property tax statement.

- The state would reimburse local jurisdictions for the credit. Those reimbursement payments would occur in the same year as the current refund payments, so there is no assumed fiscal year shift in state general fund expenditures.
- It is unknown how many senior homeowners would apply to receive the proposed advance credit on their property tax statement for taxes payable in 2026 and beyond. Based on the February 2024 forecast, it is projected that approximately 275,000 senior homeowners will file for a homestead property tax refund and receive a total of \$380 million for FY 2026. If all senior property tax refund filers elected to receive the 50% advance credit for the following year, the total credit would be approximately \$190 million.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Creating a new credit and adjusting refunds decreases simplicity.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Increase	Increases stability for senior homeowners by providing tax relief at the time property taxes are due.
<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>

hf4826(sf5081) Advance Homestead Credit for Seniors_pt_1/wms, nrg