



MEMORANDUM

TO: House Property Tax Division
FROM: Katherine Schill, Fiscal Analyst
DATE: March 17, 2022
RE: February 2022 Forecast update, Tax Refunds, Aids and Credits

The February 2022 forecast for Tax Refunds, Aids and Credits reflects the following changes to the November 2021 forecast as follows:

FY 2022-23 biennium

Spending in fiscal years 2022-23 is forecast to be \$4.154 billion, \$15 million (0.4%) lower than November 2021 estimates. The bulk of this reduction, \$12.9 million, is attributable to a reduction in property tax refunds as follows:

Homestead credit refunds, down \$7.7 million (0.6%),
Renter's property tax refunds, down \$3.4 million (0.8%), and
Targeting property tax refund, down \$1.8 million (15.0%).

For these PTR programs, the actual number of returns received at the time of the February forecast is lower than the number estimated for the November 2021 forecast. Lower refunds in calendar year 2022 cause spending decreases in FY 2023.

Another change in the forecast is in the school building bond agricultural credit, a reduction of \$2 million (1.5%). The credit is tied to school debt service levies, and the volume of these levies was lower in February 2022 than expected in November 2021.

FY 2024-25 biennium

Fiscal year 2024-25 spending is forecast to be \$4.383 billion, \$24 million (0.6%) lower than November 2021 estimates. The primary reason for this reduction is the decrease in the estimate for the school building bond agricultural credit, down \$19 million or about 10 percent when compared to November

2021 estimates. Again, lower school debt service levies derived from school districts proposed bond schedules reduces spending for this credit.

Other changes include

- 1) a \$6.7 million reduction in homestead credit refunds and a \$2.3 million reduction in targeting property tax refunds, showing continuing impacts of lower refunds in calendar year 2022;
- 2) a \$2 million increase in Payment in lieu of Taxes (PILT), reflecting an increase forecasted market values, and
- 3) a \$1.4 million increase in Fire Insurance Aid, due to increased receipts attributable to increased fire insurance premiums.

In addition, the forecast is also impacted by changes in projected income growth, inflation, and property taxes.

A spreadsheet for the February 2022 forecast - Tax Refunds, Aids & Credits is available at [here](#) or <https://www.house.leg.state.mn.us/Fiscal/Download/3382>

State Office Building • 100 Constitution Avenue • St. Paul, Minnesota 55155 • (651) 296-7176