

**PROPERTY TAX REFUND
Homestead Credit Refund
Modifications**

March 15, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3518 (Klein) as proposed to be amended by SCS3185A-1

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
General Fund	\$0	\$0	(\$89,500)	(\$92,900)

Effective beginning for refunds based on property taxes payable in 2023.

EXPLANATION OF THE BILL

Under current law the copay percentages for homeowners claiming a property tax refund range from 15% to 50% and income thresholds range between 1.0% and 2.5%, depending on household income. Maximum refund amounts also vary by income level and are adjusted annually for inflation.

The proposal would lower the homeowner copay and increase maximum refund amounts for all income ranges. The copay percentages would be reduced 5 to 10 percentage points and maximum refund amounts would be increased \$300. The proposal would also reduce income threshold percentages by 0.1% for income ranges between \$21,410 and \$33,120.

REVENUE ANALYSIS DETAIL

- The estimates are based on the February 2022 forecast.
- By lowering the copay percentages and increasing the maximum refunds for homeowners, state-paid property tax refunds to homeowners would increase by \$89.5 million beginning in FY 2024.
- Under the proposal, all homeowner PTR claimants would receive an increased refund, with the average refund increase being \$155. It is assumed that fewer than 1,000 new claimants would become eligible and file for a property tax refund under the proposal.

Number of Taxpayers: 576,000 homeowner PTR claimants would receive an increased refund.

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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