

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 957

**DATE:** March 6, 2007

**Version:** As introduced

**Authors:** Zellers and others

**Subject:** Property taxation; freezing property taxes for certain senior homeowners

**Analyst:** Steve Hinze, 651-296-8956  
Karen Baker, 651-296-8959

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

### Overview

Establishes a program to freeze property taxes for homeowners age 65 or older that have lived in the same house for at least 25 years. The program is available only in counties that approve it. Program participants would have their taxes frozen at the level of taxes payable in the year of application for the program, except for increases due to property improvements and/or voter-approved levies. Revenue losses would be borne by the taxing jurisdictions; there would not be any compensation from the state.

### Section

**1 Maximum homestead property tax program.** Provides that the maximum tax amount for a qualifying homestead is equal to the tax amount payable in the base year, increased by any tax increases since the base year attributable to:

- (1) an increase in the square footage of the building;
- (2) the value of any improvements exceeding 15 percent of value; or
- (3) voter-approved levies exceeding the level of voter-approved levies in the base year.

**2 Definitions.** Provides definitions for terms used in the rest of the bill, which are all fairly

## **Section**

standard.

### **3 Program participation requirements; qualified taxpayer.** Establishes the following qualification criteria for participants in the program:

- (1) the property must be owned and occupied as a homestead in a county that has approved the program by a person 65 years of age or older (in the case of a married couple both spouses must be age 65 or older);
- (2) the taxpayer's household income may not exceed \$60,000 (based on the definition of household income used in the property tax refund program); and
- (3) the property must have been owned and occupied by one of the taxpayers for at least 25 years.

### **4 Application.**

**Subdivision 1. Initial application.** Provides that a taxpayer may apply to the commissioner of revenue for participation in the program in the year that the taxpayer turns 65 or a later year. The application must include the taxpayer's name, address, and social security number, a copy of the current property tax statement, a declaration of the initial year of ownership and occupancy, and a declaration of the previous year's household income. The application must be received by June 1 in order to participate in the program for taxes payable in the forthcoming year.

**Subd. 2. Approval; notification.** Provides that the commissioner must approve a qualifying application and notify the taxpayer of the approval by September 1.

**Subd. 3. Excess income certification by taxpayer.** Requires the taxpayer to notify the commissioner by June 1 of any year in which the taxpayer's household income for the previous year was in excess of \$60,000. Provides that when a taxpayer's income exceeds \$60,000 in the previous year, the tax limitation under section 0 shall not apply for taxes payable in the forthcoming year, regardless of whether the taxpayer filed an excess income certification or not, nor shall the limitation apply in any following year unless the taxpayer has filed a "resumption of eligibility" certification.

**Subd. 4. Resumption of eligibility certification.** Requires a taxpayer that has previously filed an excess-income certification to file a "resumption of eligibility certification" in order to again participate in the program, provided that the household income for the previous year did not exceed \$60,000. The certification must be filed by June 1 for taxes payable in the forthcoming year.

**Subd. 5. Penalty for failure to file excess-income certification.** Requires the commissioner to assess a penalty equal to 20 percent of the tax reduction in the event of a false application, a false certification, or failure to file an excess-income certification in a timely manner. Requires the commissioner to assess a penalty equal to 50 percent of the reduction in taxes if the taxpayer knowingly files a false application or certification, or fails to file a required excess-income certification. Allows the commissioner to conduct investigations for 3-1/2 years from the due date of the application or certification.

## **Section**

### **5 Certification by commissioner; calculation of tax, tax rate and levy by county auditor.**

**Subdivision 1. Commissioner certification.** Requires the commissioner of revenue to notify the county auditor of all properties qualifying for program participation and the property taxes payable in the base year by September 1 of the year of initial application.

**Subd. 2. County auditor calculations.** Requires the county auditor to determine the maximum homestead property tax amount under section 0 for each participating property each year, and to use the maximum amount in preparing truth-in-taxation notices.

**Subd. 3. Adjustment of tax rate and levy.** Allows a taxing jurisdiction to request that the county auditor estimate the loss of revenue to the jurisdiction due to properties participating in the program, and adjust the tax rate to compensate for the estimated loss. Requires that when a rate adjustment has been made, in the following year the auditor must adjust the jurisdiction's levy based on the variance between the estimated loss and the actual loss. Provides that if a jurisdiction does not request a rate adjustment, it may adjust its levy for the next year based on the loss of revenue in the current year, and provides that this adjustment is not subject to levy limits.

### **6 Termination of program participation.** Provides that participation in the program terminates when one of the following conditions occurs:

- (1) the property is sold or transferred;
- (2) all qualifying owners have died;
- (3) the homeowner voluntarily drops out of the program; or
- (4) the property no longer qualifies as a homestead.

### **7 Effective date.** Provides that the program is effective for taxes payable in 2008 and thereafter.