

HOUSE RESEARCH

Bill Summary

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Subject: Permanently enacts state revenues savings initiatives enacted temporarily during the 2010 session and conforms to federal income tax changes

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Overview

This bill:

- makes permanent all Pay 2010 aid and credit reductions to local governments;
- reduces the percent of rent constituting property taxes for renter property tax refund claims from 19 percent to 15 percent, effective for claims based on rent paid in 2010 and following years;
- repeals the political contribution refund; and
- limits payments to individual claimants under the sustainable forest incentive program.

These are all temporary revenue savings initiatives enacted for one year in the 2010 session; this bill makes all of these provisions permanent and ongoing.

Section

- 1 Political contribution refund.** Strikes a reference to the political contribution refund, which is repealed in section 12.
- 2 Credit reduction.** Provides for a permanent annual reduction in each county's and city's market value credit reimbursements beginning in Pay 2011 equal to its total loss in market value credit reimbursements under the Pay 2010 supplementary reduction contained in Laws 2010, ch. 215. These reimbursement reductions total about \$96 million annually. The market value credit reimbursement reductions under the governor's January 2010 unallotment, later ratified in Laws 2010, First Special Session chapter 1, are already a permanent annual reduction.
- 3 Political contribution refund; conforming changes.** Eliminates a reference to the

political contribution refund, which is repealed in section 12.

- 4 Political contribution refund; conforming changes.** Strikes a definition of the term “taxpayer” that is used in determination of the political contribution refund, which is repealed in section 12.
- 5 Renter property tax refund; rent constituting property taxes.** Reduces the percent of rent constituting property taxes used in calculating the property tax refund for renters from 19 percent to 15 percent. Effective for refund claims based on rent paid in 2010 and following years.
- The percent of rent constituting property taxes was reduced from 19 to 15 percent for 2009 refunds only under the June 2009 unallotment. This reduction was subsequently enacted into law in Laws 2010, First Special Session chapter 1.
- 6 Renter property tax refund; manufactured homes.** Reduces the percent of rent constituting property taxes for rent paid on the site on which a manufactured home or park trailer taxed as a manufactured home is located from 19 percent to 15 percent. Effective for refund claims based on rent paid in 2010 and following years.
- 7 Calculation of incentive payment (sustainable forest initiative program).** Permanently limits the maximum sustainable forest incentive refund beginning in calendar year 2011. Program payments for any Social Security number or tax identification number may not exceed \$100,000.
- 8 City aid distribution.** Changes the amount used to calculate maximum increases and decreases to individual city LGA payments for Pay 2012 only. The base used in the calculation will be the Pay 2011 paid LGA amount rather than the Pay 2011 certified LGA amount.
- 9 2011 reductions, counties and cities.** Calculates Pay 2011 LGA and county program aid (CPA) reductions for each city and county based on a percentage of their total LGA or CPA reductions in Pay 2010. The percentages are based on how much of the CPA and LGA reductions from Pay 2010 are already permanent through enactment of lower Pay 2011 appropriations during the previous session. The amount of Pay 2010 aid reductions made permanent was calculated by comparing the pay 2011 appropriation to the total amounts originally certified for Pay 2010 in each program. For a city the cut is equal to 91.5% of its Pay 2010 total LGA reduction. For a county the cut is equal to 48.5% of its total Pay2010 CPA reduction. These reductions total about \$132 million.
- 10 Appropriation.** Permanently reduces the LGA and CPA appropriations beginning with aids payable in 2012. The annual city LGA appropriation is reduced by \$100.5 million – from \$527 million to \$426.54 million. The annual CPA appropriation is reduced by \$32 million – from \$197.7 million to \$165.7 million.
- 11 Administration of 2011 property tax refund claims; renters.** Directs the commissioner of revenue to recalculate claims for 2011 renter property tax refunds to reflect the reduction in the percent of rent constituting property taxes from 19 percent to 15 percent provided in sections 5 and 6. Requires the commissioner to notify claimants whose refunds are recalculated that the recalculation was mandated by action of the 2011 Legislature.

Background. By January 31, 2011, landlords are required to issue form CRP to renters for use in claiming the renter property tax refund. Form CRP reports on line 1 the dollar amount of rent paid, and on line 3 the rent multiplied by the 19 percent, which equals the percent constituting property taxes. Renters are instructed to use the amount on line 3 in filling out form M-1PR, the claim form for property tax refunds. The Department of Revenue would then recalculate the M-1PR claim as if the line 3 amount had been rent multiplied by 15 percent, rather than 19 percent.

- 12** **Repealer.** Repeals the political contribution refund program, the section of the data practices law relating to political contribution refunds, and the section providing for refund receipts. Effective for contributions made after June 30, 2011.