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Overview

Modifies the homestead credit refund and the renter property tax refund.

For homeowners, the maximum refund allowed is increased for claimants at all levels of household income.

For renters, the maximum household income at which renters are eligible for the refund is increased from \$60,050 to \$75,000, and the maximum refund allowed is increased for claimants all levels of household income.

The A1 amendment updates the income brackets proposed for both the homestead credit refund and the renter property tax refund to be those projected to be in effect for refunds based on taxes payable in 2018 and rent paid in 2017 under the assumptions of the February 2017 economic forecast. The bill as introduced used the brackets as projected under the November 2016 economic forecast.

Section

- 1 Homestead credit refund.** Modifies the schedule for the homestead credit refund by increasing the maximum refund allowed for all claimants. The maximum refund would increase from \$2,710 to \$3,000. The schedule also updates the income brackets and maximum refunds to the amounts projected to be in effect under current law for refunds

Section

based on taxes payable in 2018. Effective beginning with refunds based on taxes payable in 2018.

Background. The homestead credit state refund is also sometimes called the “circuit breaker,” and is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 24 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the homeowner (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on taxes payable in 2018, the maximum income eligible is projected to be \$110,820.

- 2 **Renter property tax refund.** Modifies the schedule for the renter property tax refund by extending eligibility to renters with household incomes up to \$75,000. Also increases the maximum refund allowed for all claimants. The maximum refund would increase from \$2,100 to \$3,000. The schedule also updates the income brackets and maximum refunds to the amounts projected to be in effect under current law for refunds based on rent paid in 2017. Effective beginning with refunds based on rent paid in 2017.

Background. The property tax refund for renters is also sometimes called the “renter’s credit,” and is a state-paid refund that provides tax relief to renters whose property taxes are high relative to their incomes. Property taxes are deemed to equal 17 percent of rent paid. The refund equals a percentage of property taxes paid over a threshold of income, up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 23 income brackets: the threshold percentage increases as income increases, the percentage of taxes over the threshold paid by the homeowner (the copayment) also increases as income increases, and the maximum refund decreases as income increases. For refunds based on rent paid in 2017, the maximum income eligible is projected to be \$60,050.

- 3 **Homestead credit refund and renter property tax refund; inflation adjustment.** Updates the annual inflation adjustment of the income brackets and maximum refunds for the homestead credit refund and the renter property tax refund to be calculated relative to the schedules provided in sections 1 and 2.