

Subject Nontaxable scholarships excluded from household income for the property tax refund program

Authors Davids

Analyst Sean Williams

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Overview

The amount of a taxpayer's homestead credit refund or renter's credit depends on the taxpayer's "household income." Household income is a measure of income defined in Chapter 290A for the purposes of the property tax refund program.

The definition of household income begins with adjusted gross income (AGI), but additionally includes a number of different kinds of income that are excluded from AGI. Examples of income that are added to AGI include nontaxable interest, nontaxable scholarships, workers' compensation, cash public assistance, disability pay, IRA contributions, and nontaxable pension and annuity income, including veterans benefits.

Chapter 290A also explicitly excludes some items from household income—examples include gifts, inheritances, life insurance death benefits, Roth IRA contributions, surplus food or other relief supplied by a government agency, child support payments, and restitution.

H.F. 1467 would exclude nontaxable scholarships from the definition of household income for the purpose of the homestead credit refund and renter's credit. This would have the effect of increasing refund amounts for individuals with nontaxable scholarships, and making some individuals with nontaxable scholarships newly eligible for refunds.

The bill is effective for refunds payable in 2020 (based on rent paid in 2019 and property taxes paid in 2020).