

Property Tax Refund Timeline and Historical Data 1975-2010

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by

Karen Baker
Steve Hinze
Nina Manzi
Joel Michael
House Research Department

Minnesota House of Representatives

Property Tax Refund Timeline

- 1975 Laws 1975, chapter 437, article 1, sections 1-21 (H.F. 1674), enacted the property tax refund. Program named Income-adjusted Homestead Credit, replacing senior credit, disabled credit, and renter's credit, effective for property taxes payable in 1976, rent paid in 1975.
- Program provides direct property tax relief to homeowners and renters.
 - Refund calculated using a unified schedule for homeowners and renters.
 - Refund equals taxes in excess of a threshold of income, ranging from 1 percent to 4 percent, up to a maximum refund of \$475.
 - No income limit on eligibility.
 - For renters, property taxes set at 20 percent of rent paid.
 - For homeowners, the state-paid homestead credit is subtracted from the preliminary income-adjusted homestead credit amount.
 - Refunds for residential homesteads based on taxes on residence and one acre of land.
 - Refunds for farm homesteads based on taxes on homestead and 120 acres of land.
- 1977
- Name changed from "Income-adjusted homestead credit" to "Property Tax Refund."
 - Maximum refund increases to \$800.
 - Percent of rent constituting property taxes increases to 22%.
 - Refund calculation modified to include concept of co-payment.
 - Refunds for residential homesteads based on taxes on residence and 10 acres of surrounding land (previously one acre).
- 1979
- Maximum refund increases to \$1,000, but the offsetting state-paid homestead credit also increased so no net effect for homeowners.
 - Percent of rent constituting property taxes increases to 23%.
 - Refunds for farm homesteads based on taxes on 240 acres (previously 120 acres).
- 1981 Refunds for renters (under age 65 and not disabled) changed from credit against income tax to a payment made in August (effective for refunds paid in 1983).
- 1982 Refunds for claimants 65 and older (both renters and homeowners) changed from a credit against the income tax to payment made in August (renters) or September (homeowners) (effective for refunds paid in 1983).
- 1983
- Maximum refund increases to \$1,125.
 - Renter property taxes paid shifts to being calculated based on property tax paid on the rental unit, rather than as a percentage of rent paid.
 - Refunds for farm homesteads based on taxes on 320 acres (previously 240 acres).
 - Eligibility for refunds limited to homeowners and renters with household income under \$40,000.
- 1987
- Maximum household income eligible for refund decreases from \$40,000 to \$35,000.
 - All 1986 refunds reduced by 33 percent as part of budget balancing.
- 1988
- 33-percent reduction from 1987 is undone, and supplemental checks issued to all claimants.
 - Household income exclusion allowed for seniors/disabled, and weighted exclusion

allowed for dependents; exclusion amount based on personal exemption allowed under the federal income tax.

- 1989
 - Separate property tax refund schedules for renters and homeowners implemented.
 - For homeowners, the maximum household income increases to \$60,000, and the maximum refund decreases from \$1,100 to \$400, due to elimination of homestead credit.
 - For renters, the maximum refund decreases from \$1,100 to \$1,000.
- 1993 Income brackets and maximum refunds indexed for inflation.
- 1994 Program expanded through reduced copayment percentages for homeowners and renters.
- 1997 Renter property taxes paid shifts back to equaling a percent of rent paid (18 percent).
- 1998 Percent of rent considered property taxes increases to 19 percent
- 1999 Refunds for farm homesteads based on taxes on first \$600,000 of market value (previously calculated using taxes on first 320 acres)
- 2001
 - For homeowners, the maximum refund increases from \$510 to \$1,500, and the maximum income eligible increases from \$71,100 to \$80,000; but new maximum refund only available at very low incomes.
 - Refunds for farm homesteads based on taxes on house, garage, and first acre (previously calculated using taxes on the first \$600,000 of market value), in conjunction with class rate reductions for agricultural property and enactment of market value credits.
- 2008 For homeowners, the maximum refund increases from \$1,800 to \$2,300, and the income threshold decreases from 4 percent to 3.5 percent for incomes at the upper end of schedule.

Property Tax Refund Historical Data – Homeowners

When enacted in 1975 the homeowner PTR provided for the homestead credit to be subtracted from the PTR amount. The homestead credit was eliminated in 1989, with a corresponding decrease in the PTR maximum refund amount. The maximum income eligible for the PTR has remained relatively constant since 1985, after adjusting from inflation.

Homeowner Property Tax Refund – Program Parameters

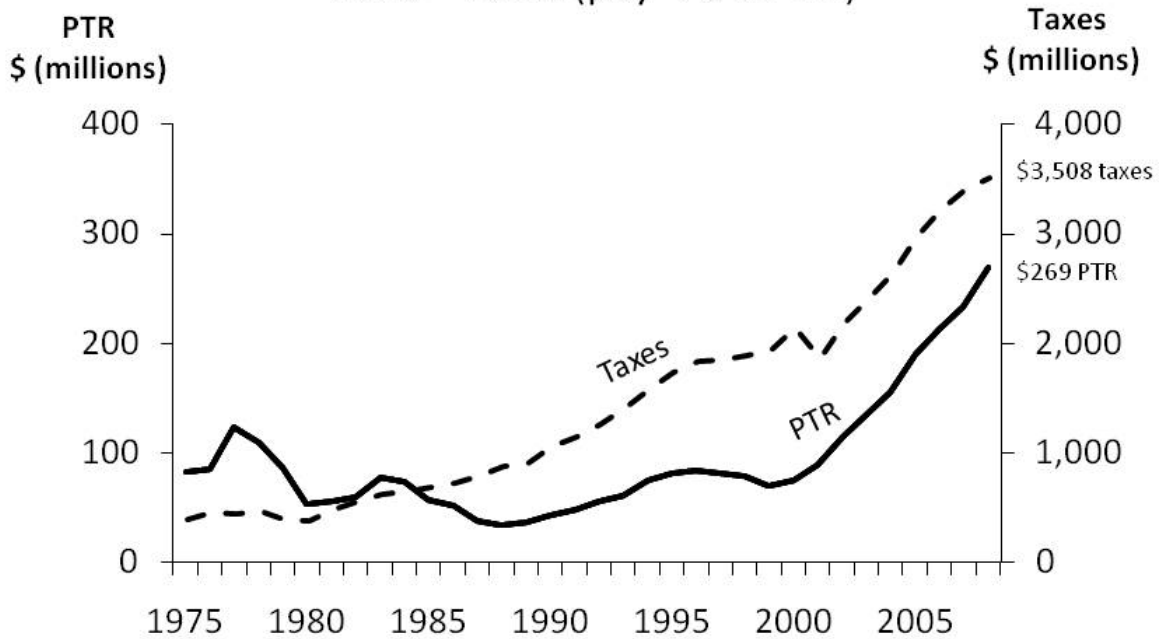
	Maximum Refund		Maximum Income Eligible	
	Current \$	Adjusted to 2010 \$	Current \$	Adjusted to 2010 \$
1975 (pay '76)	475	1,931	no income limit	
1980	1,000	2,655	no income limit	
1985	1,125	2,287	40,000	81,318
1990	400	669	60,000	100,419
1995	450	646	63,690	91,415
2000	510	648	71,700	91,079
2005	1,640	1,837	87,780	98,317
2010 (projected)	2,370	2,370	99,270	99,270

Participation in the homeowner PTR was at its highest when it was first enacted. In following years the homestead credit was increased. Since the homestead credit had to be subtracted from the PTR, this resulted in fewer homeowners being eligible for the PTR. In the last 20 years between 15 and 20 percent of all homesteads have claimed the PTR.

Homeowner Property Tax Refund – \$ of Refunds Claimed and # of Claimants

	\$ Refunds (millions)	# Refunds	Average	% of Homesteads
1975 (pay '76)	\$82.6	561,815	\$147	58.9%
1980	\$54.0	323,309	\$167	31.4%
1985	\$57.2	237,450	\$241	22.6%
1990	\$43.7	192,328	\$227	16.6%
1995	\$82.2	263,860	\$311	20.4%
2000	\$74.8	218,764	\$342	15.6%
2005	\$190.0	301,406	\$630	20.1%
2008 (most recent)	\$269.3	360,819	\$746	23.7%

Homeowner PTR and Residential Homestead Taxes* 1975 – 2008 (pay '76 to '09)



*Residential homestead taxes excludes taxes on agricultural homesteads

The graph shows the growth in both residential homestead property taxes and the homeowner property tax refund from 1975 to 2008. The two lines are shown on different scales, with the scale for taxes ten times that shown for property tax refunds. If the property tax refund exactly equaled ten percent of taxes, then the two lines would be the same. As it is, property tax refunds exceeded ten percent of residential homestead taxes in the early years of the program, and since about 1984 the property tax refund has equaled between seven and eight percent of residential homestead taxes – 7.7 percent in 2008. Total refunds have decreased in real terms since 1975, when total refunds of \$82.6 million equaled \$330.5 million in 2008 dollars after adjusting for inflation.

Property Tax Refund Historical Data – Renters

The renter property tax refund extended to higher income levels, after adjusting for inflation, in its early years than it does today. The program has remained relatively unchanged since the renter and homeowner refunds were shifted onto separate schedules in 1989. Inflation adjustment of the income brackets and maximum refunds have kept the maximum income eligible and the maximum refund at a constant level since 1995.

Renter Property Tax Refund – Program Parameters

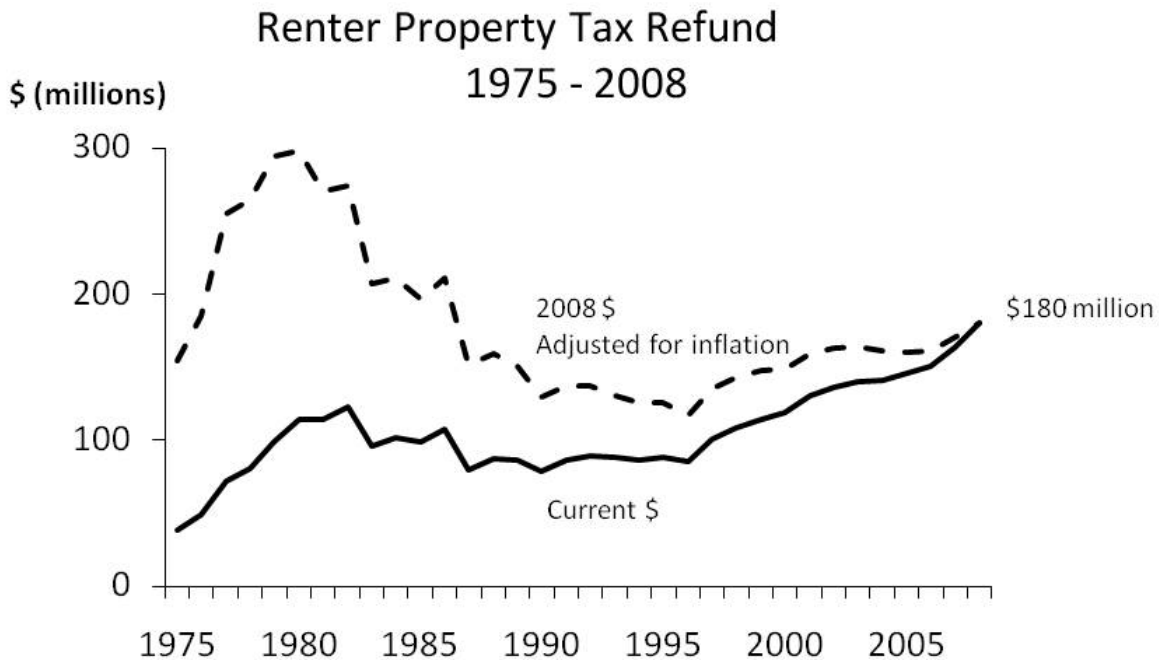
	Maximum Refund		Maximum Income Eligible	
	Current \$	Adjusted to 2010 \$	Current \$	Adjusted to 2010 \$
1975	475	1,931	no income limit	
1980	1,000	2,655	no income limit	
1985	1,125	2,287	\$40,000	81,318
1990	1,000	1,841	\$35,000	58,578
1995	1,060	1,521	\$37,150	53,321
2000	1,190	1,512	\$41,820	53,123
2005	1,350	1,512	\$47,350	53,033
2010 (projected)	1,520	1,520	\$53,550	53,550

The number of renters claiming the PTR peaked in 1980, when renters of all income levels were eligible and the maximum refund allowed was higher in real dollars than it is today. In 1980 the number of renter PTR claims nearly equaled the estimated number of rental units in the state. Since then between 50 and 60 percent of all rental units have claimed the renter PTR.

Renter Property Tax Refund – \$ of Refunds Claimed and # of Claimants

	\$ Refunds (millions)	# Refunds	Average	% of Rental Units*
1975 (rent paid 1975)	\$38.5	250,257	\$154	
1980	\$114.0	407,234	\$280	99.4%
1985	\$98.5	321,742	\$306	
1990	\$78.8	257,488	\$306	55.5%
1995	\$88.7	251,646	\$352	
2000	\$119.2	272,254	\$438	56.5%
2005	\$145.5	271,399	\$536	
2008 (most recent)	\$180.0	304,502	\$591	59.4%

* Percent of rental units estimated using U.S. Census Bureau counts of rental units in Minnesota; data unavailable for 1975, 1985, 1995, and 2005.



The graph shows that the total amount paid renter property tax refunds, in inflation-adjusted dollars, peaked in 1980. The \$114 million in refunds paid in 1980 equals almost \$300 million in 2008 dollars, after adjusting for inflation. Total refunds paid dropped substantially from 1982 (\$275 million in 2008 dollars) to 1983 (\$207 million in 2008 dollars), when the refund shifted to being calculated based on property tax paid on the rental unit, rather than as a percentage of rent paid. Refund payments reached their low point in 1996, with about \$86 million paid, equal to roughly \$117 million in 2008 dollars. In 1997 the calculation was changed back to being based on a percent of rent paid. Since then total refunds paid have increased in real terms, reaching \$180 million in 2008.