



Renters' Credit Maintained in 2011, Cut in 2012

The Renters' Credit provides a property tax refund for more than 300,000 low- and moderate-income Minnesota households, more than one-quarter of which include seniors or people with severe disabilities.¹ It refunds a portion of the property taxes that renters pay through their rents.

As a result of the 2011 final tax legislation, the Renters' Credit will be cut by \$26 million in FY 2013, or 13 percent, starting with refunds filed in 2012.² An estimated 297,000 Minnesota households will lose an average of \$87 because of this cut. About 7,300 Minnesota households will lose their entire credit.

The Renters' Credit is calculated using a formula that considers both the household's rent and income. The final tax legislation changes the starting point for calculating the credit. Currently, 19 percent of rent paid is considered the renters' share of property taxes. Starting with refunds filed in 2012, this starting point will drop to 17 percent of rent paid.

This outcome is less harmful than the deep cuts to the Renters' Credit that were passed by the Legislature but vetoed by Governor Dayton. The 2011 Legislature's tax conference committee passed a stunning 46 percent cut to the Renters' Credit, a \$186 million reduction for FY 2012-13.³ Under that proposal, approximately 72,500 Minnesota households would have no longer qualified for a property tax refund – close to one in four currently eligible households. Households that include seniors and people with disabilities would have faced an average cut in their property tax refunds of \$190, and other families would have received an average cut of \$335. Those cuts would have taken effect starting with refunds filed in 2011.

What is the Renters' Credit?

The Minnesota Department of Revenue finds that the Renters' Credit is one of two state tax credits that make a real difference in ensuring that low- and moderate-income Minnesotans do not pay more than their fair share in taxes. The Renters' Credit and the Circuit Breaker for homeowners are two halves of the state's Property Tax Refund, which provides tax credits to Minnesotans whose property taxes are high in relation to their income. The Renters' Credit recognizes that landlords pass on a portion of their property taxes to tenants through higher rents.

For tax year 2010, households with no dependents and incomes up to \$53,540 can qualify for the Renters' Credit. The income limits go higher for households with dependents or with seniors or people with severe disabilities.⁴ More than three-fourths of Renters' Credit recipients have household incomes of \$30,000 or less. Minnesota renters report that they spend their refunds on basic needs from school clothes to car repairs to medicine.

The Renters' Credit has a critical role to play. When the economy slows, financial assistance to low-income families and individuals is one of the most effective tools to boost the economy that the government has, because these households are likely to spend those dollars quickly and locally. The Renters' Credit is one of these tools.

¹ Except where otherwise noted, the data in this analysis comes from Minnesota Department of Revenue, Property Tax Research.

² This cut is contained in [House File 20](#).

³ This was contained in [House File 42](#).

⁴ Minnesota Department of Revenue, [Renter's Refund](#).