



2013 Tax Bill Improves Property Tax Refunds for Renters and Homeowners

A high priority in the 2013 Legislative Session was to shrink the growing gap between the share of income that most Minnesotans pay in state and local taxes, and the smaller share of income paid by the highest-income Minnesotans. One contributing factor to that growing gap is the increasing reliance on local property taxes. Another is that even as rental property taxes rose, property tax refunds for renters were cut, most recently by a 13 percent reduction passed in 2011.¹

The tax bill passed this year pushes back on this trend by providing an additional \$135 million for property tax refunds starting in 2014.

The property tax refund – also known as the Circuit Breaker for homeowners and the Renters’ Credit – is one mechanism the state uses so that Minnesotans don’t pay too large a share of their incomes in property taxes. Households that meet certain income limits and whose property taxes are high in relation to their incomes can receive a refund of a portion of the property taxes they have paid. The property tax refund recognizes that homeowners and renters pay property taxes: homeowners pay their property taxes directly; renters pay property taxes through their rents.

More Than 550,000 Households Will Benefit

The tax bill increases property tax refunds for homeowners by \$120 million and for renters by over \$15 million in FY 2015. As a result:

- More than 79,000 currently eligible Minnesota households will benefit from an average \$152 increase in their Renters’ Credits.²
- More than 309,000 homeowners will see an average \$221 increase in their property tax refunds; more than 80 percent of these households have incomes of \$70,000 or less.
- An additional 30,000 renting households and 112,000 homeowners will become eligible for a property tax refund.
- An estimated 25,000 more Minnesota households are expected to file for a property tax refund, thanks to a one-time effort in 2014 to reach homeowners who appear eligible for a refund of at least \$1,000 but have not applied.

These improvements result from changes in the formulas used to determine whether households are eligible for a property tax refund and how much they receive. Specifically, the legislation:

- Increases the maximum refund.
- Reduces the “threshold” – the percentage of income a household must pay in property taxes in order to qualify for a refund – for many Minnesotans. This provision applies to renters with household incomes of \$31,030 to \$57,170 and homeowners with incomes of \$19,500 to \$105,300. This means more households in these income ranges can qualify for a refund, and increases the size of the refunds that they receive.

The Tax Bill Reduces Property Taxes and Makes Minnesota’s Tax System More Fair

The changes in property tax refunds are a crucial piece of a tax bill that reduces what Minnesotans pay in property taxes.

The bill contains other provisions so that property taxes will be lower than they otherwise would be. These include increased funding for local governments, a sales tax exemption for cities and counties, and a limit on how much cities and counties can raise in property taxes in 2014.

These provisions are important parts of a tax bill that more fairly shares the responsibility for funding our schools, roads and bridges, and other critical public services.

By Nan Madden

¹ See Minnesota Budget Project, [Renters' Credit Maintained in 2011, Cut in 2012](#), August 2011.

² Data on the impact of the changes to the Property Tax Refund are from the Minnesota Department of Revenue.