

HOUSE RESEARCH

Bill Summary

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Authors: Thissen

Subject: Payment of special property tax refund ("targeting") on property tax statement

Analyst: Karen Baker (651 296-8959)
Steve Hinze (651 296-8956)
Nina Manzi (651 296-5204)

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Overview

Provides that the special property tax refund ("targeting") will be calculated by the county auditor and subtracted from property taxes otherwise due at the time that property tax statements are prepared. County auditors would verify that homestead properties were owned by the same owner in the current and preceding year. The state would reimburse each local taxing jurisdiction for the amount that property taxes in the jurisdiction were reduced due to the targeting refund. The amount of the targeting refund remains the same as in current law: 60 percent of the property tax increase on a homestead from one year to the next in excess of 12 percent, provided the increase is greater than \$100. Effective for refunds payable in 2007 and hereafter.

Section

- 1 Revenue recapture.** Excludes the special property tax refund from refunds subject to revenue recapture.
- 2 Homestead application.** Adds the special property tax refund proposed to be paid on the property tax statement to the list of homestead benefits that may be recovered from the property owner if the owner is found to be fraudulently claiming homestead status. Amounts recovered would be paid to the commissioner of revenue for deposit in the general fund.
- 3 Special property tax refund; computation, administration, and payment.** Provides for

Section

the special property tax refund, also referred to as "targeting," to be paid on the property tax statement. The refund remains the same as in current law: 60 percent of the property tax increase on a homestead from one year to the next in excess of 12 percent, provided the increase is greater than \$100. Under present law, homeowners apply for and claim the refund on form M-1PR. Under this bill, county auditors would calculate the refund for each homestead, and certify the amount to the county treasurer and to the commissioner of revenue. The amount of the refund would appear as a deduction on the property tax statement. The commissioner of revenue would reimburse local governments other than school districts for the refund, and would report amounts to be paid to school districts to the commissioner of education, who would reimburse school districts. Effective for refunds payable in 2007 and thereafter.

- 4 **Property tax statement.** Requires the special property tax refund to be shown separately as a deduction on the property tax statement.
- 5 **Property taxes payable.** Requires a property to be classified as homestead property in the current and preceding taxes payable year in order to qualify for the special property tax refund.
- 6 **Special property tax refund.** Provides that the special property tax refund will be shown as a refund on the property tax statement rather than paid to the homeowner as under current law. Retains the requirement that a homestead must be owned and occupied by the same owner in the current and preceding taxes payable year in order to qualify for the refund.
- 7 **Payment of property tax refunds.** Excludes the special property tax refund from the refunds paid directly to claimants by the commissioner.
- 8 **Payment of homeowner property tax refunds.** Excludes the special property tax refund from the requirement that refunds be paid by September 30th, since the refund would be shown as a deduction on the property tax statement.
- 9 **Outstanding liability.** Excludes special property tax refunds from the refunds that may be retained to offset delinquent tax liability, since these refunds would appear as deductions on the property tax statement.
- 10 **Right to receive claim.** Provides that the right to receive a property tax refund claim attaches to the property and not to the claimant. The right to receive the deduction is not personal to the claimant or surviving spouse or dependent.
- 11 **Appropriation; county costs.** Provides a one-time blank appropriation in fiscal year 2007 to the commissioner of revenue to reimburse counties for a portion of the costs of making the transition to computing the special property tax refund on the property tax statement. A blank percentage of the appropriation is allocated per county and a blank percentage is allocated based on the number of homestead parcels in each county.