

Homestead Credit Refund Program

January 2023

What is the homestead credit refund program?

The homestead credit refund is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The program was previously known as the homeowner's property tax refund program, or PTR, and sometimes popularly called the "circuit breaker." If the property tax exceeds a threshold percentage of income, the refund equals a percentage of the property tax over the threshold, up to a maximum amount. As income increases:

- the threshold percentage increases,
- the share of tax over the threshold that the taxpayer must pay (the "copay percentage") increases, and
- the maximum refund decreases.

The program uses household income, a broad measure that includes most types of income, including income that is not subject to income tax. Deductions are allowed for dependents and for claimants who are over age 65 or disabled. The refund is based on taxes payable after subtracting any targeting refund claimed by the homeowner. (The targeting refund is an additional refund available to homeowners who have large property tax increases from one year to the next.)

What are the maximums?

For refund claims filed in 2022, based on property taxes payable in 2022 and 2021 household income, the maximum refund is \$2,930. Homeowners whose income exceeds \$119,790 are not eligible for a refund.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR, which is filed separately from the individual income tax form. Claims based on taxes payable in 2023 that are filed before August 15, 2023, will be paid beginning in late September 2023; claims filed electronically may be paid a month earlier. The deadline for filing claims based on taxes payable in 2023 is August 15, 2024; taxpayers filing claims after that date will not receive a refund.

How many homeowners receive refunds, and what is the total amount paid?

508,238 homeowners received refunds based on 2020 property taxes payable and 2019 incomes. The average refund was \$1,066, and the total dollar amount of refunds paid statewide was \$542.0 million. The average refund for senior and disabled claimants (\$1,119) was slightly higher than the average for those under age 65 and not disabled (\$1,024).

What are the most recent changes to the program?

The 2011 and 2013 tax laws both expanded the refund program. The 2011 changes increased the maximum refund for homeowners with incomes under about \$37,000, and decreased the copayment percentage for most homeowners. The 2013 changes, effective for refunds based on taxes payable in 2014, lowered the threshold percentage for determining eligibility from 3.5 percent of income to 2.0

percent of income for homeowners with household incomes from \$19,530 to \$65,049, and to 2.5 percent for those at higher income levels.

How do refunds vary depending upon the filer's income and property tax?

The following table shows the refund calculations for four example families with different incomes—two families in the seven-county metro area and two in Greater Minnesota. Although the program parameters are the same statewide, the average residential homestead property tax in the metro area is higher than in Greater Minnesota. The example metro area families have homes valued at \$281,600 and payable 2021 property taxes of \$3,460, typical amounts for the metro area. The example families in Greater Minnesota have homes valued at \$175,800 and payable 2021 property taxes of \$1,880, typical amounts for Greater Minnesota. Taxpayers who are over age 65, disabled, or have dependents are allowed a subtraction from income in determining the refund.

Married couple, both under age 65, two dependents
Example refunds for claims to be filed in 2022,
based on taxes payable in 2022 and 2021 income

| | | Metro Area | | Greater Minnesota | |
|----|---|-------------|-------------|-------------------|-------------|
| | | Taxpayer #1 | Taxpayer #2 | Taxpayer #3 | Taxpayer #4 |
| 1 | Property tax | \$3,460 | \$3,460 | \$1,880 | \$1,880 |
| 2 | Gross income | \$35,000 | \$75,000 | \$35,000 | \$75,000 |
| 3 | Deduction for dependents | \$11,745 | \$11,745 | \$11,745 | \$11,745 |
| 4 | Household income (2 – 3 = 4) | \$23,255 | \$63,255 | \$23,255 | \$63,255 |
| 5 | Threshold income percentage | 2.0% | 2.0% | 2.0% | 2.0% |
| 6 | Threshold % x income (4 x 5 = 6) | \$465 | \$1,265 | \$465 | \$1,265 |
| 7 | Property tax over threshold (1 – 6 = 7) | \$2,995 | \$2,195 | \$1,415 | \$615 |
| 8 | Statutory copay percentage | 25% | 35% | 25% | 35% |
| 9 | Taxpayer copay amount (7 x 8 = 9) | \$749 | \$768 | \$354 | \$215 |
| 10 | Remaining tax over threshold (7 – 9 = 10) | \$2,246 | \$1,427 | \$1,061 | \$400 |
| 11 | Maximum refund allowed | \$2,930 | \$2,370 | \$2,930 | \$2,370 |
| 12 | Net property tax refund | \$2,246 | \$1,427 | \$1,061 | \$400 |
| 13 | Net property tax paid after refund (1 – 12) | \$1,214 | \$2,033 | \$819 | \$1,480 |

Claimants can check the status of their refund by calling DOR at 651-296-4444 or [online](#) at www.revenue.state.mn.us.



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