

Homeowner's Property Tax Refund Program

What is the property tax refund program?

The homeowner's property tax refund program (sometimes called the "circuit breaker" or the PTR) is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the 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 increases, and
- the maximum refund decreases.

The program uses household income, a broad measure that includes most types of income. Deductions are allowed for dependents and for claimants who are over age 65 or disabled.

What are recent changes to the program?

The 2008 tax law expanded the homeowner's property tax refund program, effective for refunds based on property taxes payable in 2009. The changes lowered the maximum threshold percentage for determining eligibility from 4.0 percent of income to 3.5 percent of income and increased the maximum refund allowed from \$1,800 to \$2,310.

What are the maximums?

For refund claims filed in 2011, based on property taxes payable in 2011 and 2010 household income, the maximum refund is \$2,370. Homeowners whose income exceeds \$99,239 are not eligible for a refund.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR. Schedule M1PR is filed separately from the individual income tax form. Claims filed before August 15, 2011, will be paid beginning in late September 2011. The deadline for filing claims based on taxes payable in 2011 is August 15, 2012; taxpayers filing claims after that date will not receive a refund. Forms are available online at DOR's website, under "Forms and Instructions" (www.taxes.state.mn.us).

What is the average refund and total amount paid?

Statewide Homeowner Property Tax Refunds Filed in 2009

(based on 2008 incomes and payable 2009 taxes, most recent data available)

| | Number of returns | Total refund amount | Average per return |
|-----------------------|-------------------|---------------------|--------------------|
| Under 65 years old | 221,393 | \$164,232,346 | \$742 |
| Senior/disabled | 139,426 | \$105,082,861 | \$754 |
| Total: all homeowners | 360,819 | \$269,315,207 | \$746 |

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

The following table shows the refund amount for two example families with different incomes—one family in the metro area and one in greater Minnesota. Although the property tax refund threshold, copayment rates, and maximum refund amounts are the same statewide, the average residential homestead property tax in the metro area is higher than in greater Minnesota. The metro area family has payable 2011 property taxes of \$3,325, a typical amount for the metro. The family in greater Minnesota has payable 2011 property taxes of \$1,600, a typical amount 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 2011,
based on taxes payable in 2011 and 2010 income**

| | | Metro area | | Greater Minnesota | |
|----|--|-------------|-------------|-------------------|-------------|
| | | Taxpayer #1 | Taxpayer #2 | Taxpayer #3 | Taxpayer #4 |
| 1 | Estimated typical market value of home | \$246,000 | \$246,000 | \$159,000 | \$159,000 |
| 2 | Gross income | \$35,000 | \$75,000 | \$35,000 | \$75,000 |
| 3 | Deduction for dependents | \$9,855 | \$9,855 | \$9,855 | \$9,855 |
| 4 | Household income (2 – 3 = 4) | \$25,145 | \$65,145 | \$25,145 | \$65,145 |
| 5 | Property tax | \$3,325 | \$3,325 | \$1,600 | \$1,600 |
| 6 | Statutory threshold percentage | 2.4% | 3.2% | 2.4% | 3.2% |
| 7 | Threshold % x income (4 x 6 = 7) | \$603 | \$2,085 | \$603 | \$2,085 |
| 8 | Property tax over threshold (5 – 7 = 8) | \$2,722 | \$1,240 | \$997 | \$0 |
| 9 | Statutory copay percentage | 35% | 45% | 35% | 45% |
| 10 | Taxpayer copay amount (8 x 9 = 10) | \$953 | \$558 | \$349 | NA |
| 11 | Remaining tax over threshold (8 – 10 = 11) | \$1,769 | \$682 | \$648 | NA |
| 12 | Maximum refund allowed | \$1,820 | \$1,420 | \$1,820 | \$1,420 |
| 13 | Net property tax refund | \$1,769 | \$682 | \$648 | \$0 |

For more information: Claimants can check the status of their refund by calling DOR at (651) 296-4444 or online at www.taxes.state.mn.us.

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.