

Renter's Property Tax Refund Program

What is the renter's property tax refund program?

The renter's property tax refund program (sometimes called the "renters' credit") is a state-paid refund that provides tax relief to renters whose rent and "implicit property taxes" are high relative to their incomes. "Rent constituting property taxes" is assumed to equal 17 percent of rent paid. If rent constituting property taxes 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, including income that is not subject to income tax. Deductions are allowed for dependents and for claimants who are over age 65 or disabled.

What are recent changes to the program?

The 2013 tax law expanded the program, by lowering the threshold percentage for determining eligibility from 3.5 percent of income to 2.0 percent of income, in conjunction with reductions to the homeowner thresholds. It also increased the maximum refund to \$2,000 for refunds based on rent paid in 2013.

For refunds based on rent paid from 1998 to 2008, the percentage of rent constituting property taxes was 19 percent. It was reduced to 15 percent for refunds based on rent paid in 2009 only under Gov. Tim Pawlenty's June 2009 unallotment, subsequently enacted into law. For refunds based on rent paid in 2010, the percentage returned to 19 percent. The 2011 tax law reduced the rate to 17 percent beginning for refunds based on rent paid in 2011 and following years.

What are the maximums?

For refund claims filed in 2017, based on rent paid in 2016 and 2016 household income, the maximum refund is \$2,060. Renters whose income exceeds \$58,879 are not eligible for refunds.

How are claims filed?

Refund claims are filed using Minnesota Department of Revenue (DOR) Schedule M1PR. Schedule M1PR is filed separately from the individual income tax form. Claims filed before August 15, 2017, will be paid beginning in August 2017. The deadline for filing claims based on rent paid in 2016 is August 15, 2018; taxpayers filing claims after that date will not receive a refund.

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

Based on rent paid in 2014 and 2014 incomes, 335,679 renters received refunds. The average refund was \$623, and the total dollar amount of refunds paid statewide was \$209.0 million. The average refund for senior and disabled claimants (\$687) was higher than the average for those under age 65 and not disabled (\$599).

How do refunds vary depending on income and property taxes?

The following table shows the refund amount for four example families (married couples without dependents). Although the threshold percentage, copayment rates, and maximum refund amounts are the same statewide, the average rent is higher in the metro area than in 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, no dependents
Example refunds for claims to be filed in 2016,
based on rent paid in 2016 and 2016 household income**

		Metro area		Greater Minnesota	
		Taxpayer #1	Taxpayer #2	Taxpayer #1	Taxpayer #2
1	Monthly rent, one bedroom apartment	\$813	\$813	\$554	\$554
2	Annual rent (1 x 12 = 2)	\$9,756	\$9,756	\$6,648	\$6,648
3	Rent constituting property tax (2 x 17% = 3)	\$1,659	\$1,659	\$1,130	\$1,130
4	Gross income	\$15,000	\$30,000	\$15,000	\$30,000
5	Deduction for dependents	0	0	0	0
6	Household income (4 – 5 = 6)	\$15,000	\$30,000	\$15,000	\$30,000
7	Statutory threshold percentage	1.3%	1.9%	1.3%	1.9%
8	Threshold % x income (7 x 6 = 8)	\$195	\$570	\$195	\$570
9	Property tax over threshold (3 – 8 = 9)	\$1,464	\$1,089	\$935	\$560
10	Copay percentage	15%	30%	15%	30%
11	Taxpayer copay amount (9 x 10 = 11)	\$220	\$327	\$140	\$168
12	Remaining tax over threshold (9 – 11 = 12)	\$1,244	\$762	\$795	\$392
13	Maximum refund allowed	\$1,910	\$1,700	\$1,910	\$1,700
14	Net property tax refund	\$1,244	\$762	\$795	\$392

For more information: 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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