

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 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 the maximums?

For refund claims filed in 2012, based on rent paid in 2011 and 2011 household income, the maximum refund is \$1,550. Renters whose income exceeds \$54,619 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, 2012, will be paid beginning in August 2012. The deadline for filing claims based on rent paid in 2011 is August 15, 2013; taxpayers filing claims after that date will not receive a refund. Forms are available online at DOR's website, under "Forms and Instructions."

What is the average refund and total amount paid?

Statewide Renter Property Tax Refunds, Filed in 2010
(based on 2009 incomes and rent paid in 2009, taxes assumed to equal 15% of rent paid)

	Number of returns	Total amount	Average per return
Under 65 years old	198,313	\$94.3 million	\$476
Senior/disabled	83,139	\$43.2 million	\$520
Total: all renters	281,452	\$137.6 million	\$489

How has the percent of rent considered property taxes changed in recent years?

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

How do refunds vary depending on income and property taxes?

The following table shows the refund amount for two 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. The metro area family paid monthly rent in 2011 of \$761, the fair market rent for a one-bedroom apartment in the metro area. The family in greater Minnesota paid monthly rent in 2011 of \$496, the fair market rent for a one-bedroom apartment in many greater Minnesota counties. 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 2012,
based on rent paid in 2011 and 2011 household income**

		Metro area		Greater Minnesota	
		Taxpayer #1	Taxpayer #2	Taxpayer #1	Taxpayer #2
1	Gross income	\$15,000	\$30,000	\$15,000	\$30,000
2	Deduction for dependents	0	0	0	0
3	Household income (1 – 2 = 3)	\$15,000	\$30,000	\$15,000	\$30,000
4	Rent constituting property tax	\$1,552	\$1,552	\$1,012	\$1,012
5	Statutory threshold percentage	1.4%	2.2%	1.4%	2.2%
6	Threshold % x income (3 x 5 = 6)	\$210	\$660	\$210	\$660
7	Property tax over threshold (4 – 6 = 7)	\$1,342	\$892	\$802	\$352
8	Copay percentage	15%	30%	15%	30%
9	Taxpayer copay amount (7 x 8 = 9)	\$201	\$268	\$120	\$106
10	Remaining tax over threshold (7 – 9 = 10)	\$1,141	\$625	\$682	\$246
11	Maximum refund allowed	\$1,550	\$1,550	\$1,550	\$1,550
12	Net property tax refund	\$1,141	\$625	\$682	\$246

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.

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