

Targeting Property Tax Refund

What is targeting? The “additional” or “special” property tax refund, generally referred to as “targeting,” directs property tax relief to homeowners who have large property tax increases from one year to the next.

Who qualifies? A homeowner qualifies if the property tax on the home has increased by more than 12 percent over the previous year’s tax and if the increase is over \$100. In determining eligibility, the previous year’s tax amount is the net amount paid by the homeowner after deduction of any targeting refund received in that year.

The homeowner must have owned and lived in the same home for both years. If any improvements were made to the home, that portion of the tax increase resulting from the improvements must be subtracted when determining the refund.

How does targeting work? Generally, the refund equals 60 percent of the increase over the greater of (1) 12 percent of the previous year’s tax after deduction of targeting, or (2) \$100. The maximum refund is \$1,000. The targeting refund is calculated prior to calculation of the homestead credit refund. The following example shows how the refund is calculated.

Payable 2016 Property Tax after Targeting	\$1,600
Payable 2017 Property Tax	\$2,000
2017 tax increase (over 2016)	\$400
Taxpayer pays first 12% of increase compared to previous year’s tax, which must be at least \$100 (12% x \$1,600)	\$192
Remaining increase eligible for relief (\$400 - \$192 = \$208)	\$208
State pays 60% of excess over 12% increase up to a \$1,000 maximum (60% x \$208 = \$125)	\$125
Amount of 2017 increase paid by taxpayer (\$400 - \$125)	\$275

The taxpayer’s \$400 increase (i.e., 25 percent) is reduced to an out-of-pocket property tax increase of \$275 (i.e., 17.2 percent) as a result of the \$125 refund.

The taxpayer pays the full \$2,000 amount of the 2017 property tax to the county, the first half in May and the second half in October. The taxpayer applies to the state for a targeting refund on form M1PR. The targeting refund is paid at the same time the regular homestead credit refund (“circuit breaker”) is paid in late September.

Does targeting have any other restrictions?

No, unlike the homestead credit refund, the targeting refund is not tied to the taxpayer's household income. Under the homestead credit refund, the taxpayer's household income may not exceed a specified maximum and the amount of household income affects the amount of the refund.

However, the targeting refund does not use income as a factor, nor is there any limitation on the taxpayer's household income. Therefore, higher income taxpayers who do not qualify for the homestead credit refund due to income restrictions are eligible for the targeting refund.

What are the dollar amounts of refunds paid for the state, metro, and nonmetro areas?

The table below shows the statewide amount, with a breakdown for the metro and the 80 nonmetro counties, for the past four years.

Homeowners claimed \$3.889 million on targeting refund claims filed in 2015. Changes in targeting refunds from one year to the next generally track changes in property taxes on homesteads. For example, from 2011 to 2012, homestead property taxes generally increased in Greater Minnesota and remained relatively constant in the metro area.

Targeting Refunds, Filed 2012 – 2015 (dollars in thousands)

	Filed 2012	Filed 2013	Filed 2014	Filed 2015
Total Metro	\$570	\$380	\$799	\$2,749
Total Nonmetro	\$2,696	\$348	\$723	\$1,140
State	\$3,266	\$729	\$1,523	\$3,889

Some taxpayers (e.g., those who typically don't qualify for the homestead credit refund) may not be aware of the targeting program, resulting in lower total refunds statewide than if all eligible taxpayers had filed.

How many homeowners claim the refund?

In 2015, just over 47,000 homeowners claimed refunds based on their property tax increase from payable 2014 to 2015. The average refund amount was \$82.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR, the homestead credit refund form. There is a separate schedule on the back of the M1PR ("Schedule 1 – Special Refund") for the targeting program. The taxpayer files for this refund after receiving his or her property tax statement in February or March. Claims filed before August 15, 2017, will be paid beginning in late September 2017. The deadline for filing claims based on taxes payable in 2017 is August 15, 2018; taxpayers filing claims after that date will not receive a refund. Forms are available online at DOR's website, under "Forms and Instructions" (www.revenue.state.mn.us).

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. Also see the House Research Short Subject *Homestead Credit Refund Program*, November 2016, and the Information Brief *Targeting*, February 2016.

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