

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? 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 following example shows how the refund is calculated.

Payable 2011 Property Tax after Targeting	\$1,400
Payable 2012 Property Tax	2,000
2012 tax increase (over 2011)	\$600
Taxpayer pays first 12% of increase compared to previous year’s tax, which must be at least \$100 (12% x 1,400)	168
Remaining increase eligible for relief (\$600 - \$168 = \$432)	\$432
State pays 60% of excess over 12% increase up to a \$1,000 maximum (60% x \$432 = \$259)	\$259
Amount of 2012 increase paid by taxpayer (\$600 - \$259)	\$341

The taxpayer’s \$600 increase (i.e., 42.9 percent) is reduced to an out-of-pocket property tax increase of \$341 (i.e., 24.4 percent) as a result of the \$259 refund.

The taxpayer pays the full \$2,000 amount of the 2012 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 M-1PR. The targeting refund is paid at the same time the regular homeowner property tax refund (“circuit breaker”) is paid in late September.

Does targeting have any other restrictions? No, unlike the regular property tax refund, the targeting refund is not tied to the taxpayer’s household income. Under the regular homeowner property tax 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, many higher income taxpayers who do not qualify for the regular property tax refund due to income restrictions are eligible for the targeting refund.

What are statewide amounts?

The amounts paid out for the targeting program decreased substantially from \$7.6 million in 2007 to about \$2.3 million in 2010, with much of the decrease occurring in the metro area.

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

Targeting Refunds, Filed 2007 – 2010 (dollars in thousands)

	Filed 2007	Filed 2008	Filed 2009	Filed 2010
Total Metro	\$4,940	\$4,330	\$3,750	\$1,024
Total Nonmetro	\$2,655	\$3,046	\$2,338	\$1,310
State	\$7,595	\$7,376	\$6,088	\$2,334

Some taxpayers (e.g., those who typically don't qualify for the regular property tax 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 2010, just over 15,000 homeowners claimed refunds based on their property tax increase from payable 2009 to 2010. The average refund amount was \$155.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR, the property tax 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, 2012, will be paid beginning in late September 2012. The deadline for filing claims based on taxes payable in 2012 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" (www.taxes.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.taxes.state.mn.us. Also see the House Research Short Subject *Homeowner's Property Tax Refund Program*, December 2010, and the Information Brief *Targeting*, December 2010.

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