

May 16, 2022

Members of the Taxes Conference Committee:

Thank you for the opportunity to submit comments on HF 3639, the Omnibus Tax Bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals working with buyers and sellers of all types of property, in every corner of the state.

MNR appreciates the inclusion of several provisions in both the House and Senate omnibus tax bills, highlighted below, and we respectfully urge your inclusion of these provisions in the conference committee report.

With homestead estimated market values increasing due to a chronic shortage of housing supply to meet the sustained high demand, our members share the concerns of homeowners around the state about the potential for large increases in property tax bills. Therefore, MNR believes it is important to prioritize property tax relief, particularly direct relief to homeowners, this Session.

Targeting Property Tax Refund (House Art. 10, Sec. 9/Senate Art. 4, Sec. 20)

MNR appreciates the provisions in both bills reducing, from 12 to 10 percent, the threshold to qualify for the “targeting” property tax refund and increasing the maximum refund to \$2000.

The “targeting” property tax refund provides direct tax relief to homeowners who have large tax increases from one year to the next.

Homestead Market Value Exclusion (House Art. 4, Sec. 23/Senate Art 4, Sec. 13)

MNR appreciates the increases to the homestead market value exclusion minimum and maximum value thresholds in both bills. Homestead market value exclusion thresholds are not indexed and have not been increased since the exclusion was created in 2011. For context, according to MNR’s 2012 Annual Report on the Minnesota Housing Market, the median sales price of a home 10 years ago was \$149,000. In 2021, the median sales price was \$306,750.

MNR believes it is important and reasonable to significantly increase the homestead market value exclusion value thresholds so the property tax relief this program was created to provide continues to be meaningful to homeowners.

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Homestead Credit State Refund (House Art. 10, Sec. 8)

MNR appreciates the provision in the House bill, which increases the maximum homestead credit refund by \$200 for all income ranges and modifies the threshold and co-pay percentages for certain claimants.

The Homestead Credit Refund Program makes homeownership more affordable. Saving money for a down-payment and purchasing a home is just the first step in becoming a homeowner and the Homestead Credit Refund Program assists homeowners whose property taxes are high relative to their income.

Senior Citizens' Property Tax Deferral Program (House Art. 4, Sec 30/Senate Art. 4, Sec. 21)

MNR appreciates the provisions in both bills, increasing the household income limit and reducing the number of years a homeowner must own and occupy the property, to qualify for the senior citizens' property tax deferral program. Modifying the eligibility criteria is reasonable and would provide some seniors struggling to pay their property taxes an option to age in place

Additional provisions MNR would like to highlight, include:

Exclusion of Discharge of Indebtedness on Qualified Principal Residence (House Art. 1, Sec. 13/Senate Art. 1, Sec. 20)

MNR appreciates that the Federal Update article in both bills conforms to the federal provision addressing the exclusion from gross income of discharge of indebtedness on qualified principal residence.

Mortgage debt cancellation tax relief provides homeowners, who have had some portion of their mortgage debt forgiven by a lender through a short-sale, foreclosure, or a principal reduction, relief from having that forgiven debt treated as "income" and taxed.

MNR does not believe taxing the discharged debt of a homeowner is an appropriate public policy, and we would also support adopting a permanent Minnesota exclusion instead of treating this as a conformity item.

State General Levy (Senate Art. 4, Sec. 16)

MNR appreciates the reductions to, and phaseout of, the state general levy for both commercial-industrial property and seasonal-recreational property in the Senate bill. Property taxes should be reserved as a local funding source, and we support efforts to reduce and eliminate this state property tax

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Historic Structure Rehabilitation Credit Sunset Extension/Repeal (House Art. 2, Sec. 20/Senate Art. 2, Sec. 25)

MNR appreciates that both bills address the sunset for the historic structure rehabilitation credit.

MNR supports policies that recognize the importance of both market-rate housing and housing affordability, and the historic rehabilitation tax credit has supported and encouraged private investment in housing over the past decade. The University of Minnesota Extension's January 2022 report, "Economic Impact of Projects Leveraged by the Minnesota Historic Rehabilitation Tax Credit: Fiscal Year 2021," identified "owner-occupied dwellings (housing)" as among the top industries impacted by the historic tax credit.

Finally, MNR encourages the conference committee, when attempting to provide property tax relief for certain classes of property, to minimize the shifting of the property tax burden onto other classes of property, particularly residential homesteads.

Thank you again for the opportunity to provide comments on HF 3669, the omnibus tax bill.

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®