



May 16, 2022

TO: Chair Nelson and Marquart, Senators Bakk, Gazelka, Rest, Weber, and Representatives Davids, Her, Lislegard, Youakim

RE: AARP Position on Senior Tax Relief in the Omnibus Tax Bill (HF 3669)

Dear Chair Nelson, Marquart, and Members of the Tax Conference Committee,

On behalf of AARP's more than 630,000 members, we appreciate the attention paid to providing tax relief to Minnesota's seniors. As we have testified throughout the session, AARP supports a balanced approach to tax relief that is targeted to seniors most in need and ensures adequate funding for other programs seniors rely on. To that end, we support the House position on Social Security tax relief which eliminates the state Social Security tax for lower and middle-income seniors and property tax relief focused on homeowners and renters alike, as well as targeted relief for seniors found in both bills.

We respectfully submit the following comments on the Omnibus Tax Bill

Social Security Tax Relief

AARP urges lawmakers to find a way to work together on Social Security tax relief this year. We encourage you to support eliminating the state income tax on Social Security benefits for all lower and middle-income retirees and continue the subtraction for higher earners.

Under the house approach, lower and middle-income retirees will no longer pay taxes up to the new income threshold amounts of \$75,000 for married couples and \$58,600 for single filers. The reduced subtraction could continue for higher-income earners. These new limits are consistent with the threshold amounts, albeit adjusted for inflation, put in place by Congress in 1983. By adjusting them for inflation, lower and middle-income retirees will no longer be paying taxes on their Social Security benefits.

Several states use this approach, including Vermont, Kansas, and New Mexico. Not only is this a fair approach, but it is much simpler for Minnesotan seniors to understand and will go a long way in helping middle-income seniors feeling the pressure of rising costs and living on a fixed budget. While a full repeal is appealing, it is also very costly and could jeopardize the other programs seniors rely on.

Property Tax Relief

Many adults over the age of 65 want to stay in their homes as long as possible. However, the challenges of escalating costs of consumer goods due to inflation, housing costs, and financial uncertainty can put that possibility out of reach. As home values continue to spike, homeowners and renters alike can struggle to keep up with paying property taxes.

Overall, AARP believes the House's **Homestead Credit Refund** and the **Renters' Credit** are among the most cost-effective approaches to property tax relief because they target assistance to

households with the least ability to pay, rather than providing more expensive across-the-board relief to all taxpayers without regard to their payment capacity.

Moreover, Renters' Credit expansion is important to seniors – about 30 percent of households receiving the credit include seniors and/or people with severe disabilities, and the share is higher in many parts of Greater Minnesota. By making Renter's Credit a part of the income tax filing process, seniors will likely receive larger refunds and find it easier to qualify for the Renters' Credit and would no longer need to count their non-taxable Social Security as income when determining if they qualify for the Renters' Credit or calculating the amount of credit they qualify for.

Beyond circuit breakers and renters' credit, AARP also supports the following provisions found in both the Senate and House bills, but prefers the House's position on the Property Tax Deferral Program:

- **Expansion of the Senior Citizens' Property Tax Deferral**- expands the income limit to \$96,000 and reduces the length of years a senior has to live in their home from 15 years to 5 years. Tax deferral programs directly address the problems cash-strapped seniors face with significant equity in their homes to pay current property taxes and can help many seniors who have moved or downsized but still want to stay in their communities.
- **Additional Targeted Relief** provides relief to homeowners who have experienced a spike in their property taxes of 10% from 12% and increases the maximum refund from \$1,000 to \$2,000. This will go a long way in helping retired seniors living on a fixed income who have modest incomes and have to pay other increasing expenses like medications, utilities, and groceries.

Together, these measures will allow more of Minnesota's older residents to continue to age in their own homes and communities among family and friends and offer an additional step toward remedying long-standing inequalities in the housing arena.

I appreciate your support for these critical tax reductions for seniors. If you have any questions, please contact Mary Jo George, Associate State Director, Advocacy at 651-271-6586 or mgeorge@aarp.org.

Sincerely,



Cathy McLeer
State Director
AARP Minnesota

Cc: Governor Walz
Senate Majority Leader, Jeremy Miller
House Speaker, Melissa Hortman

