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Overview

Modifies the renter and homeowner property tax refund programs, by increasing the percentage of rent constituting property taxes from 17 to 18 percent for renters, and by decreasing the income threshold percentage used to determine eligibility for the homeowner program for income levels over \$19,500. Renames the homeowner program the “homestead credit refund.” Requires the commissioner to match property tax data submitted by the counties with income tax and other data collected by DOR and notify homeowners whom the commissioner determines may be eligible for the homestead credit refund.

Section

- 1 Rent constituting property tax.** Increases the percentage of rent constituting property taxes for the renter property tax refund, (also called the “renters’ credit”) from 17 to 18 percent. 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. Effective beginning with refunds based on rent paid in 2013.

Background. For refunds based on rent paid from 1998 to 2008, the percentage of rent constituting property taxes equaled 19 percent. Under the 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 2011 reduced the rate to 17 percent for refunds based on rent paid in 2011 and following years.

- 2 Rent constituting property taxes; manufactured homes.** Makes a corresponding increase in the percentage of rent constituting property taxes for manufactured homes, from 17 to 18

Section

percent. Effective beginning with refunds based on rent paid in 2013.

- 3 Homestead credit refund.** Names the homeowner property tax refund the “homestead credit refund” and provides a new schedule for the refund. The new schedule decreases the threshold percentage used to determine eligibility for the refund for homeowners with household income between \$19,500 and \$105,300, with the threshold decreasing to 2.0 percent for homeowners with household incomes from \$19,500 to \$64,930, and the threshold percentage at the highest income levels eligible decreasing from 3.5 percent to 2.5 percent. The schedule also updates the income brackets and maximum refunds to the amounts projected to be in effect under current law for refunds based on taxes payable in 2014. The reduction in the threshold percentage allows for the number of income ranges in the schedule to be decreased from 27 to 23. Effective beginning with refunds based on taxes payable in 2014.

Background. The refund is also sometimes called the “circuit breaker” and is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The refund equals a percentage of property taxes paid over a threshold of income up to a maximum amount. The income measure used is household income, a broad measure that includes most taxable and nontaxable income, after adjustment for household size. The refund schedule has 27 income brackets: The threshold percentage increases as income increases; the percentage of taxes over the threshold paid by the homeowner (the copayment) also increases as income increases; and the maximum refund decreases as income increases. For refunds based on taxes payable in 2014, the maximum income eligible is projected to be \$105,300.

- 4 Homestead credit refund; inflation adjustment.** Updates the annual inflation adjustment of the income brackets and maximum refunds for the homestead credit refund to be calculated relative to the schedule provided in section 3. Retains the inflation adjustment of the income brackets and maximum refunds for renters as in current law.
- 5 Notification of potential eligibility.** Directs the commissioner to annually notify homeowners who may be eligible for the homestead credit refund by August 1st, based on data from the most recent income tax returns and homestead credit refund claims matched with information about current year homestead property tax information provided by county auditors. Effective for refunds based on taxes payable in 2014, with the first notifications due by August 1, 2014.