

Subject Property tax refund; household income set to equal federal adjusted gross income minus exemptions

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Summary

Minnesota's property tax refund programs—the Homestead Credit Refund and Renter's Credit—are calculated based on household income. Household income is an income measure based on federal adjusted gross income, but including many kinds of income that are nontaxable federally. Claimants with dependents, who are 65, or who have a disability are allowed to subtract one or more exemption amount (equal to \$4,450 in tax year 2022).

Household income also provides special treatment to Roth-style retirement accounts; essentially a portion of contributions to Roth-style accounts are subtracted from household income, but distributions from those accounts are added to household income. The treatment of Roth-style accounts is similar to the treatment of traditional retirement accounts.

H.F. 3472 changes the property tax refund system to be based on federal adjusted gross income. The bill removes all additions and subtractions required under current law, except the bill retains the exemptions allowed to claimants with dependents, who are 65 or older, or who have a disability.