

Subject Property tax refund program converted to an income tax credit

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Summary

H.F. 3558 converts the state’s property tax refund programs into a refundable tax credit. The change would apply to the homestead credit refund, the renter’s credit, and the additional property tax refund (sometimes called the “targeting refund”).

Claimants would file for the credit along with their individual income tax returns (due April 15), and would receive their refund (if they were eligible) after their income tax return was received, approved, and processed by the Department of Revenue.

The bill additionally changes the property tax refund system to be based on federal adjusted gross income, rather than household 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.

Background: Current Law

Administration: Minnesota’s property tax refund programs are currently stand-alone programs administered separately from the income tax. Refund claimants must file a separate property tax refund form (the M1PR) prior to August 15, and generally receive their refund payments in August or September. Claimants may claim a refund for a given year for up to one year after the August 15 deadline for that year—for example, an application for a 2021 refund (payable in 2022) has an initial deadline of August 15, 2022, but a claimant may file for a refund as late as August 15, 2023.

Income definition: Minnesota’s property tax refund programs 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).