

Homestead Credit Refund Program

March 2019

What is the homestead credit refund program?

The homestead credit refund is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The program was previously known as the homeowner's property tax refund program, or PTR, and sometimes popularly called the "circuit breaker." If the property tax exceeds a threshold percentage of income, the refund equals a percentage of the property tax over the threshold, up to a maximum amount. As income increases:

- the threshold percentage increases,
- the share of tax over the threshold that the taxpayer must pay (the "copay percentage") increases, and
- the maximum refund decreases.

The program uses household income, a broad measure that includes most types of income, including income that is not subject to income tax. Deductions are allowed for dependents and for claimants who are over age 65 or disabled. The refund is based on taxes payable after subtracting any targeting refund claimed by the homeowner.

What are the maximums?

For refund claims filed in 2019, based on property taxes payable in 2019 and 2018 household income, the maximum refund is \$2,770. Homeowners whose income exceeds \$113,150 are not eligible for a refund.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR, which is filed separately from the individual income tax form. Claims based on taxes payable in 2019 that are filed before August 15, 2019, will be paid beginning in late September 2019; claims filed electronically may be paid a month earlier. The deadline for filing claims based on taxes payable in 2019 is August 15, 2019; taxpayers filing claims after that date will not receive a refund.

How many homeowners receive refunds, and what is the total amount paid?

Based on payable 2017 property taxes and 2016 incomes, 471,630 homeowners received refunds. The average refund was \$894, and the total dollar amount of refunds paid statewide was \$421.9 million. The average refund for senior and disabled claimants (\$943) was slightly higher than the average for those under age 65 and not disabled (\$858).

What are the most recent changes to the program?

The 2011 and 2013 tax laws both expanded the refund program. The 2011 changes increased the maximum refund for homeowners with incomes under about \$37,000, and decreased the copayment percentage for most homeowners. The 2013 changes, effective for refunds based on taxes payable in 2014, lowered the threshold percentage for determining eligibility from 3.5 percent of income to 2.0

percent of income for homeowners with household incomes from \$19,530 to \$65,049, and to 2.5 percent for those at higher income levels.

How do refunds vary depending upon the filer's income and property tax?

The following table shows the refund calculations for four example families with different incomes—two families in the metro area and two in Greater Minnesota. Although the program parameters are the same statewide, the average residential homestead property tax in the metro area is higher than in Greater Minnesota. The example metro area families have homes valued at \$265,000 and payable 2019 property taxes of \$3,500, typical amounts for the metro area. The example families in Greater Minnesota have homes valued at \$165,000 and payable 2019 property taxes of \$1,700, typical amounts for Greater Minnesota. Taxpayers who are over age 65, disabled, or have dependents are allowed a subtraction from income in determining the refund.

Married couple, both under age 65, two dependents
Example refunds for claims to be filed in 2019,
based on taxes payable in 2019 and 2018 income

		Metro Area		Greater Minnesota	
		Taxpayer #1	Taxpayer #2	Taxpayer #3	Taxpayer #4
1	Property tax	\$3,500	\$3,500	\$1,700	\$1,700
2	Gross income	\$35,000	\$75,000	\$35,000	\$75,000
3	Deduction for dependents	\$10,865	\$10,865	\$10,865	\$10,865
4	Household income (2 – 3 = 4)	\$24,135	\$64,135	\$24,135	\$64,135
5	Threshold income percentage	2.0%	2.0%	2.0%	2.0%
6	Threshold % x income (4 x 5 = 6)	\$483	\$1,283	\$483	\$1,283
7	Property tax over threshold (1 – 6 = 7)	\$3,017	\$2,217	\$1,217	\$417
8	Statutory copay percentage	25%	40%	25%	40%
9	Taxpayer copay amount (7 x 8 = 9)	\$754	\$887	\$304	\$167
10	Remaining tax over threshold (7 – 9 = 10)	\$2,263	\$1,330	\$913	\$250
11	Maximum refund allowed	\$2,770	\$1,960	\$2,770	\$1,960
12	Net property tax refund	\$2,263	\$1,330	\$913	\$250
13	Net property tax paid after refund (1 – 12)	\$1,237	\$2,170	\$787	\$1,450

Claimants can check the status of their refund by calling DOR at 651-296-4444 or online at www.revenue.state.mn.us.



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