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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3543

02/12/2024 Authored by Norris and Coulter The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; property tax refunds; converting the
1.3 additional property tax refund to a refundable income tax credit; amending
1.4 Minnesota Statutes 2022, section 290A.23, subdivision 3; Minnesota Statutes 2023
1.5 Supplement, section 290A.03, subdivision 13; proposing coding for new law in
1.6 Minnesota Statutes, chapter 290; repealing Minnesota Statutes 2023 Supplement,
1.7 section 290A.04, subdivision 2h.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. 290.0696 **ADDITIONAL PROPERTY TAX REFUND.**

1.10 Subdivision 1. Definitions. For the purposes of this section, the following terms have
1.11 the meanings given:

1.12 (1) "base year" means the calendar year that included the final day of the taxable year;

1.13 (2) "comparison year" means the calendar year following the base year;

1.14 (3) "property taxes payable" means the amount of property taxes payable, as defined in
1.15 section 290A.03, subdivision 13, but disregarding any refunds under this section or section
1.16 290A.04, subdivision 2; and

1.17 (4) "qualifying property tax change" means the difference between the taxpayer's property
1.18 taxes payable in the comparison year and the base year.

1.19 Subd. 2. Credit allowed; refundable; appropriation. (a) An individual is allowed a
1.20 credit against the tax due under this chapter equal to the amount determined under subdivision

1.21 3.

2.1 (b) If the amount of credit a taxpayer is eligible to receive under this section exceeds
2.2 the taxpayer's liability for tax under this chapter, the commissioner shall refund the excess
2.3 to the taxpayer.

2.4 (c) The amount necessary to pay the refunds under this section is appropriated from the
2.5 general fund to the commissioner.

2.6 Subd. 3. **Amount of credit.** (a) A taxpayer is allowed a credit under this section if the
2.7 taxpayer's qualifying property tax change is more than \$100, and is an increase of at least
2.8 12 percent of the taxpayer's base year property taxes payable.

2.9 (b) The amount of the refund is calculated by:

2.10 (1) subtracting from the taxpayer's qualifying property tax change the greater of:

2.11 (i) \$100; or

2.12 (ii) 12 percent of the taxpayer's base year property taxes payable; and

2.13 (2) multiplying the result of clause (1) by 60 percent.

2.14 (c) The credit under this section is limited to \$1,000.

2.15 Subd. 4. **Eligibility.** Property taxes payable under this section are limited to taxes levied
2.16 on the same homestead occupied by the taxpayer on January 2 of the base year and
2.17 comparison year.

2.18 Subd. 5. **Increases excluded from calculation.** A taxpayer's qualifying property tax
2.19 change excludes the amount of an increase in the gross property taxes payable attributable
2.20 to improvements made to the homestead after the assessment date for the base year's taxes.

2.21 Subd. 6. **Property tax statement required.** To claim a credit under this section, a
2.22 taxpayer must include with the taxpayer's return a copy of the property tax statement for
2.23 taxes payable in the preceding year or other documents required by the commissioner.

2.24 Subd. 7. **County officials must provide a list of eligible claimants.** Upon request, the
2.25 appropriate county official shall make available the names and addresses of the property
2.26 taxpayers who may be eligible for a credit under this section. The information shall be
2.27 provided electronically. The county may recover its costs by charging the person requesting
2.28 the information the reasonable cost for preparing the data. The information may not be used
2.29 for any purpose other than for notifying the homeowner of potential eligibility and assisting
2.30 the homeowner, without charge, in preparing a refund claim.

2.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.32 31, 2023.

3.1 Sec. 2. Minnesota Statutes 2023 Supplement, section 290A.03, subdivision 13, is amended
3.2 to read:

3.3 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
3.4 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
3.5 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
3.6 and any other state paid property tax credits in any calendar year, and after any ~~refund~~ credit
3.7 claimed and allowable under section ~~290A.04, subdivision 2h~~ 290.0696, that is first payable
3.8 in the year that the property tax is payable. In the case of a claimant who makes ground
3.9 lease payments, "property taxes payable" includes the amount of the payments directly
3.10 attributable to the property taxes assessed against the parcel on which the house is located.
3.11 Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property
3.12 taxes payable" must be apportioned or reduced for the use of a portion of the claimant's
3.13 homestead for a business purpose if the claimant deducts any business depreciation expenses
3.14 for the use of a portion of the homestead or deducts expenses under section 280A of the
3.15 Internal Revenue Code for a business operated in the claimant's homestead. For manufactured
3.16 homes, "property taxes payable" shall also include 17 percent of the gross rent paid in the
3.17 preceding year for the site on which the homestead is located. When a homestead is owned
3.18 by two or more persons as joint tenants or tenants in common, such tenants shall determine
3.19 between them which tenant may claim the property taxes payable on the homestead. If they
3.20 are unable to agree, the matter shall be referred to the commissioner of revenue whose
3.21 decision shall be final. Property taxes are considered payable in the year prescribed by law
3.22 for payment of the taxes.

3.23 In the case of a claim relating to "property taxes payable," the claimant must have owned
3.24 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the
3.25 property must have been classified as homestead property pursuant to section 273.124, on
3.26 or before December 31 of the assessment year to which the "property taxes payable" relate;
3.27 or (ii) the claimant must provide documentation from the local assessor that application for
3.28 homestead classification has been made on or before December 31 of the year in which the
3.29 "property taxes payable" were payable and that the assessor has approved the application.

3.30 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
3.31 payable after December 31, 2024.

4.1 Sec. 3. Minnesota Statutes 2022, section 290A.23, subdivision 3, is amended to read:

4.2 Subd. 3. **Annual appropriation.** For payments made after July 1, 1996, there is annually
4.3 appropriated from the general fund to the commissioner of revenue the amount necessary
4.4 to make the payments required under section 290A.04, ~~subdivisions~~ subdivision 2 and 2h.

4.5 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
4.6 payable after December 31, 2024.

4.7 Sec. 4. **REPEALER.**

4.8 Minnesota Statutes 2023 Supplement, section 290A.04, subdivision 2h, is repealed.

4.9 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
4.10 payable after December 31, 2024.

290A.04 REFUND ALLOWABLE.

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided electronically. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.