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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 126

01/17/2013 Authored by Faust, Moran, Simon, Lillie, Johnson, S., and others
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; property; modifying property tax refunds; decreasing the
1.3 threshold percentage for the homestead credit refund for homeowners; increasing
1.4 the percentage of rent constituting property taxes; amending Minnesota Statutes
1.5 2012, sections 290A.03, subdivisions 11, 13; 290A.04, subdivisions 2, 4;
1.6 proposing coding for new law in Minnesota Statutes, chapter 290A.

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

1.8 Section 1. Minnesota Statutes 2012, section 290A.03, subdivision 11, is amended to
1.9 read:

1.10 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"
1.11 means ~~17~~ 18 percent of the gross rent actually paid in cash, or its equivalent, or the portion
1.12 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right
1.13 of occupancy of the claimant's Minnesota homestead in the calendar year, and which
1.14 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this
1.15 chapter by the claimant.

1.16 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
1.17 2013 and thereafter.

1.18 Sec. 2. Minnesota Statutes 2012, section 290A.03, subdivision 13, is amended to read:

1.19 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
1.20 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
1.21 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
1.22 and any other state paid property tax credits in any calendar year, and after any refund
1.23 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in
1.24 the year that the property tax is payable. In the case of a claimant who makes ground

2.1 lease payments, "property taxes payable" includes the amount of the payments directly
 2.2 attributable to the property taxes assessed against the parcel on which the house is located.
 2.3 No apportionment or reduction of the "property taxes payable" shall be required for the
 2.4 use of a portion of the claimant's homestead for a business purpose if the claimant does not
 2.5 deduct any business depreciation expenses for the use of a portion of the homestead in the
 2.6 determination of federal adjusted gross income. For homesteads which are manufactured
 2.7 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
 2.8 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property
 2.9 taxes payable" shall also include ~~17~~ 18 percent of the gross rent paid in the preceding
 2.10 year for the site on which the homestead is located. When a homestead is owned by
 2.11 two or more persons as joint tenants or tenants in common, such tenants shall determine
 2.12 between them which tenant may claim the property taxes payable on the homestead. If
 2.13 they are unable to agree, the matter shall be referred to the commissioner of revenue
 2.14 whose decision shall be final. Property taxes are considered payable in the year prescribed
 2.15 by law for payment of the taxes.

2.16 In the case of a claim relating to "property taxes payable," the claimant must have
 2.17 owned and occupied the homestead on January 2 of the year in which the tax is payable
 2.18 and (i) the property must have been classified as homestead property pursuant to section
 2.19 273.124, on or before December 15 of the assessment year to which the "property taxes
 2.20 payable" relate; or (ii) the claimant must provide documentation from the local assessor
 2.21 that application for homestead classification has been made on or before December 15
 2.22 of the year in which the "property taxes payable" were payable and that the assessor has
 2.23 approved the application.

2.24 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 2.25 2013 and thereafter.

2.26 Sec. 3. Minnesota Statutes 2012, section 290A.04, subdivision 2, is amended to read:

2.27 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property
 2.28 taxes payable are in excess of the percentage of the household income stated below shall
 2.29 pay an amount equal to the percent of income shown for the appropriate household
 2.30 income level along with the percent to be paid by the claimant of the remaining amount
 2.31 of property taxes payable. The state refund equals the amount of property taxes payable
 2.32 that remain, up to the state refund amount shown below.

			Percent Paid by	Maximum
	Household Income	Percent of Income	Claimant	State
				Refund
3.1				
3.2				
3.3				
3.4	\$0 to 1,549	1.0 percent	15 percent	\$ 2,460
3.5	1,550 to 3,089	1.1 percent	15 percent	\$ 2,460
3.6	3,090 to 4,669	1.2 percent	15 percent	\$ 2,460
3.7	4,670 to 6,229	1.3 percent	20 percent	\$ 2,460
3.8	6,230 to 7,769	1.4 percent	20 percent	\$ 2,460
3.9	7,770 to 10,879	1.5 percent	20 percent	\$ 2,460
3.10	10,880 to 12,429	1.6 percent	20 percent	\$ 2,460
3.11	12,430 to 13,989	1.7 percent	20 percent	\$ 2,460
3.12	13,990 to 15,539	1.8 percent	20 percent	\$ 2,460
3.13	15,540 to 17,079	1.9 percent	25 percent	\$ 2,460
3.14	17,080 to 18,659	2.0 percent	25 percent	\$ 2,460
3.15	18,660 to 21,759	2.1 percent	25 percent	\$ 2,460
3.16	21,760 to 23,309	2.2 percent	30 percent	\$ 2,460
3.17	23,310 to 24,859	2.3 percent	30 percent	\$ 2,460
3.18	24,860 to 26,419	2.4 percent	30 percent	\$ 2,460
3.19	26,420 to 32,629	2.5 percent	35 percent	\$ 2,460
3.20	32,630 to 37,279	2.6 percent	35 percent	\$ 2,460
3.21	37,280 to 46,609	2.7 percent	35 percent	\$ 2,000
3.22	46,610 to 54,369	2.8 percent	35 percent	\$ 2,000
3.23	54,370 to 62,139	2.8 percent	40 percent	\$ 1,750
3.24	62,140 to 69,909	3.0 percent	40 percent	\$ 1,440
3.25	69,910 to 77,679	3.0 percent	40 percent	\$ 1,290
3.26	77,680 to 85,449	3.0 percent	40 percent	\$ 1,130
3.27	85,450 to 90,119	3.5 percent	45 percent	\$ 960
3.28	90,120 to 93,239	3.5 percent	45 percent	\$ 790
3.29	93,240 to 97,009	3.5 percent	50 percent	\$ 650
3.30	97,010 to 100,779	3.5 percent	50 percent	\$ 480

			Percent Paid by	Maximum
	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>State</u>
				<u>Refund</u>
3.31				
3.32				
3.33				
3.34	<u>\$0 to 1,619</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 2,570</u>
3.35	<u>1,620 to 3,229</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,570</u>
3.36	<u>3,230 to 4,879</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,570</u>
3.37	<u>4,880 to 6,509</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.38	<u>6,510 to 8,119</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.39	<u>8,120 to 11,369</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.40	<u>11,370 to 12,989</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.41	<u>12,990 to 14,619</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.42	<u>14,620 to 16,239</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,570</u>
3.43	<u>16,240 to 17,849</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,570</u>
3.44	<u>17,850 to 22,739</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,570</u>

4.1	<u>22,740 to 24,359</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,570</u>
4.2	<u>24,360 to 27,609</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,570</u>
4.3	<u>27,610 to 38,949</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,570</u>
4.4	<u>38,950 to 56,809</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,090</u>
4.5	<u>56,810 to 64,929</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,830</u>
4.6	<u>64,930 to 73,049</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$ 1,500</u>
4.7	<u>73,050 to 81,169</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$ 1,350</u>
4.8	<u>81,170 to 89,289</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$ 1,180</u>
4.9	<u>89,290 to 94,169</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$ 1,000</u>
4.10	<u>94,170 to 97,429</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$ 830</u>
4.11	<u>97,430 to 101,359</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 680</u>
4.12	<u>101,360 to 105,299</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 500</u>

4.13 The payment made to a claimant shall be the amount of the state refund calculated
 4.14 under this subdivision. No payment is allowed if the claimant's household income is
 4.15 ~~\$100,780~~ \$105,300 or more.

4.16 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
 4.17 payable in 2014 and thereafter.

4.18 Sec. 4. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

4.19 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in
 4.20 calendar year 2002, the commissioner shall annually adjust the dollar amounts of the
 4.21 income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation.
 4.22 The commissioner shall make the inflation adjustments in accordance with section 1(f) of
 4.23 the Internal Revenue Code, except that for purposes of this subdivision the percentage
 4.24 increase shall be determined as provided in this subdivision.

4.25 (b) In adjusting the dollar amounts of the income thresholds and the maximum
 4.26 refunds under subdivision 2 for inflation, the percentage increase shall be determined
 4.27 from the year ending on June 30, ~~2011~~ 2013, to the year ending on June 30 of the year
 4.28 preceding that in which the refund is payable.

4.29 (c) In adjusting the dollar amounts of the income thresholds and the maximum
 4.30 refunds under subdivision 2a for inflation, the percentage increase shall be determined
 4.31 from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding
 4.32 that in which the refund is payable.

4.33 (d) The commissioner shall use the appropriate percentage increase to annually
 4.34 adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for
 4.35 inflation without regard to whether or not the income tax brackets are adjusted for inflation
 4.36 in that year. The commissioner shall round the thresholds and the maximum amounts,

5.1 as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall
5.2 round it up to the next \$10 amount.

5.3 (e) The commissioner shall annually announce the adjusted refund schedule at the
5.4 same time provided under section 290.06. The determination of the commissioner under
5.5 this subdivision is not a rule under the Administrative Procedure Act.

5.6 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
5.7 payable in 2014 and thereafter.

5.8 **Sec. 5. [290A.28] NOTIFICATION OF POTENTIAL ELIGIBILITY.**

5.9 (a) By August 1 of each year, the commissioner shall notify, in writing or
5.10 electronically, individual homeowners whom the commissioner determines likely will be
5.11 eligible for a homestead credit refund under this chapter for that property taxes payable
5.12 year. In determining whether to notify a homeowner, the commissioner shall consider the
5.13 property tax information available to the commissioner under paragraph (b) and the most
5.14 recent income information available to the commissioner from filing under this chapter
5.15 for the prior year or under chapter 290 for the current or prior year. The notification
5.16 must include information on how to file for the homestead credit refund and the range
5.17 of potential homestead credit refunds that the homeowner could qualify to receive. The
5.18 notification requirement under this section does not apply to a homeowner who has
5.19 already filed for the homestead credit refund for the current or prior year.

5.20 (b) By May 15 of each year, each county auditor shall transmit to the commissioner
5.21 of revenue the following information for each property classified as a residential or
5.22 agricultural homestead under section 273.13, subdivision 22 or 23:

5.23 (1) the property taxes payable;

5.24 (2) the name and address of the owner;

5.25 (3) the Social Security number or numbers of the owners; and

5.26 (4) any other information the commissioner deems necessary or useful to carry
5.27 out the provisions of this section.

5.28 The information must be provided in the form and manner prescribed by the commissioner.

5.29 **EFFECTIVE DATE.** This section is effective for refund claims based on property
5.30 taxes payable in 2014 and thereafter.