

**INDIVIDUAL INCOME TAX
PROPERTY TAX REFUND
Homeowner special property
tax refund converted to
refundable income tax credit**

March 6, 2024

Department of Revenue

Analysis of H.F. 3543 (Norris) / S.F. 4261 (Klein) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Special Homeowner Income Tax Credit	\$0	(\$28,500)	(\$26,000)	(\$29,900)
Repeal Special Property Tax Refund	\$0	\$0	\$9,200	\$8,400
General Fund Total	\$0	(\$28,500)	(\$16,800)	(21,500)

The repeal of the special property tax refund is effective beginning with refunds based on property taxes payable in 2025.

The new income tax credit is effective beginning in tax year 2024.

EXPLANATION OF THE BILL

Current Law: Homeowners qualify for the special property tax refund (PTR) if property taxes on their homestead increase more than 12 percent over the prior year and the amount of the increase is more than \$100. The refund is 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, with a maximum refund of \$1,000.

Homeowners must file form M1PR by August 15 to claim the special property tax refund.

Proposed Law: The bill repeals the special property tax refund and replaces it with a refundable income tax credit. The refund calculation would not change.

Taxpayers would file form M1, generally by April 15, to claim the credit.

REVENUE ANALYSIS DETAIL

- Based on the February 2024 forecast, the current special PTR is projected to be \$9.2 million in fiscal year 2026 and \$8.4 million in fiscal year 2027.
- Changing the refund to an income tax credit would shift the timing in which the payment is made. The analysis assumes a 100% shift to the previous fiscal year.
- The analysis assumes that 100% of current special PTR filers would file form M1 to get the credit.
- Among people who did not file for special PTR but were eligible for a refund under current law and for the credit under the proposal, the analysis assumes 10% would not file form M1 to claim the credit.

- Under the proposed special homeowner income tax credit, tax year 2024 payments are estimated to be \$28.5 million.
- Fiscal year 2026 would be the first full year impact from the repeal.

Current Special PTR Claimants

- Under the proposal, approximately 88,000 current special PTR claimants would have no change in their refund amount. The credit would be equal to the current refund, which averages approximately \$105.

Additional Filers Receiving the Special PTR Credit

- In the first year of the proposed income tax credit, it is estimated that an additional 256,000 filers would receive the proposed income tax credit totaling approximately \$19.3 million, or an average credit of \$85.

Fiscal Year Shift

- The impact in the initial fiscal year reflects the fiscal year 2026 payment of property tax refunds being shifted into the previous fiscal year 2025. The impact of the shift in subsequent years is calculated as the difference between forecasted amounts to be paid as a refund under current law and the effect of shifting the amounts to the previous fiscal year as an income tax credit.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

hf3543(sf4261) Special PTR Converted to IncTax Credit_pt_1/wms, nrg