

Property Tax Relief for Homeowners: Data and Public Policy in Minnesota

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Minnesota Department of Revenue

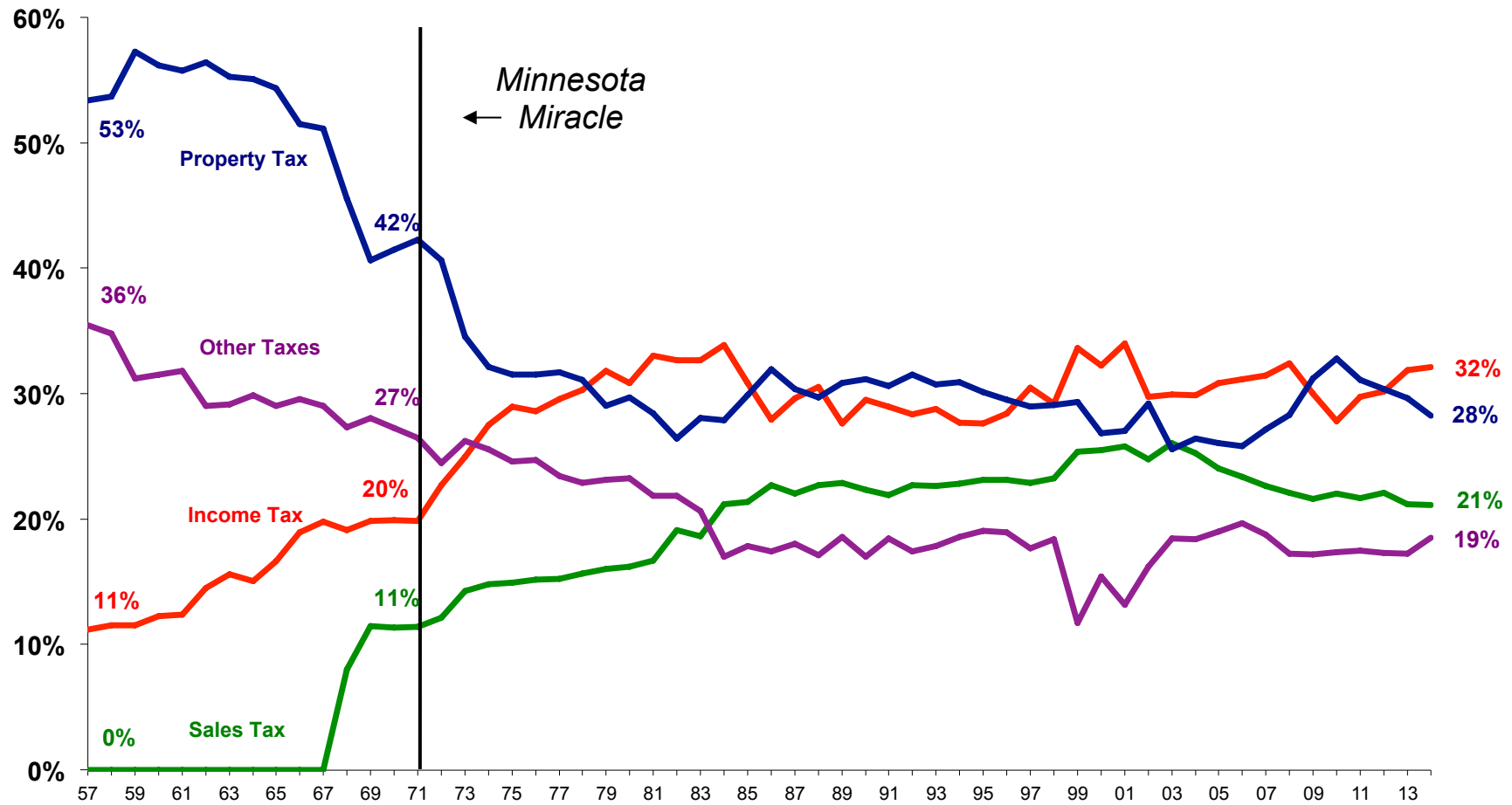
Historical Context

Since 1970, Minnesota's state-local fiscal relationship has been defined by:

- Centralized revenue collection through state income and sales taxes
- Decentralized service delivery funded through state aids to local governments and property taxes
- Protections for preferred property taxpayers through property classification, state-paid credits and refunds

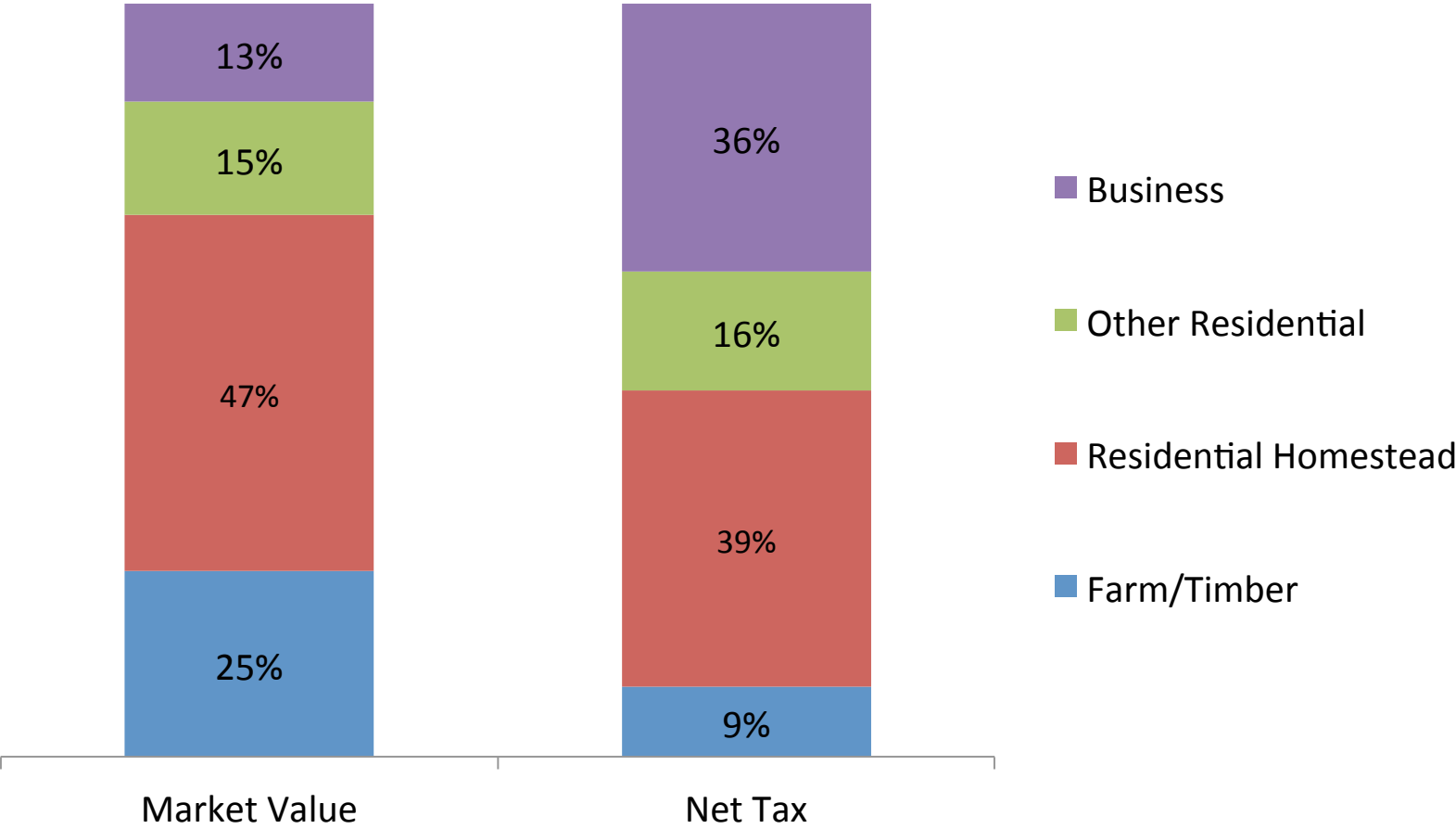
History of Major State and Local Taxes Percent Share

FY 1957 - 2014



Source: Minnesota Department of Revenue and Price of Government, February 2015
Includes sales tax rebates FY 1999-2001

Homesteads and agricultural land get preferential treatment



About the Voss data

For every Minnesota non-farm Homestead:

2011 Property Tax
Burden

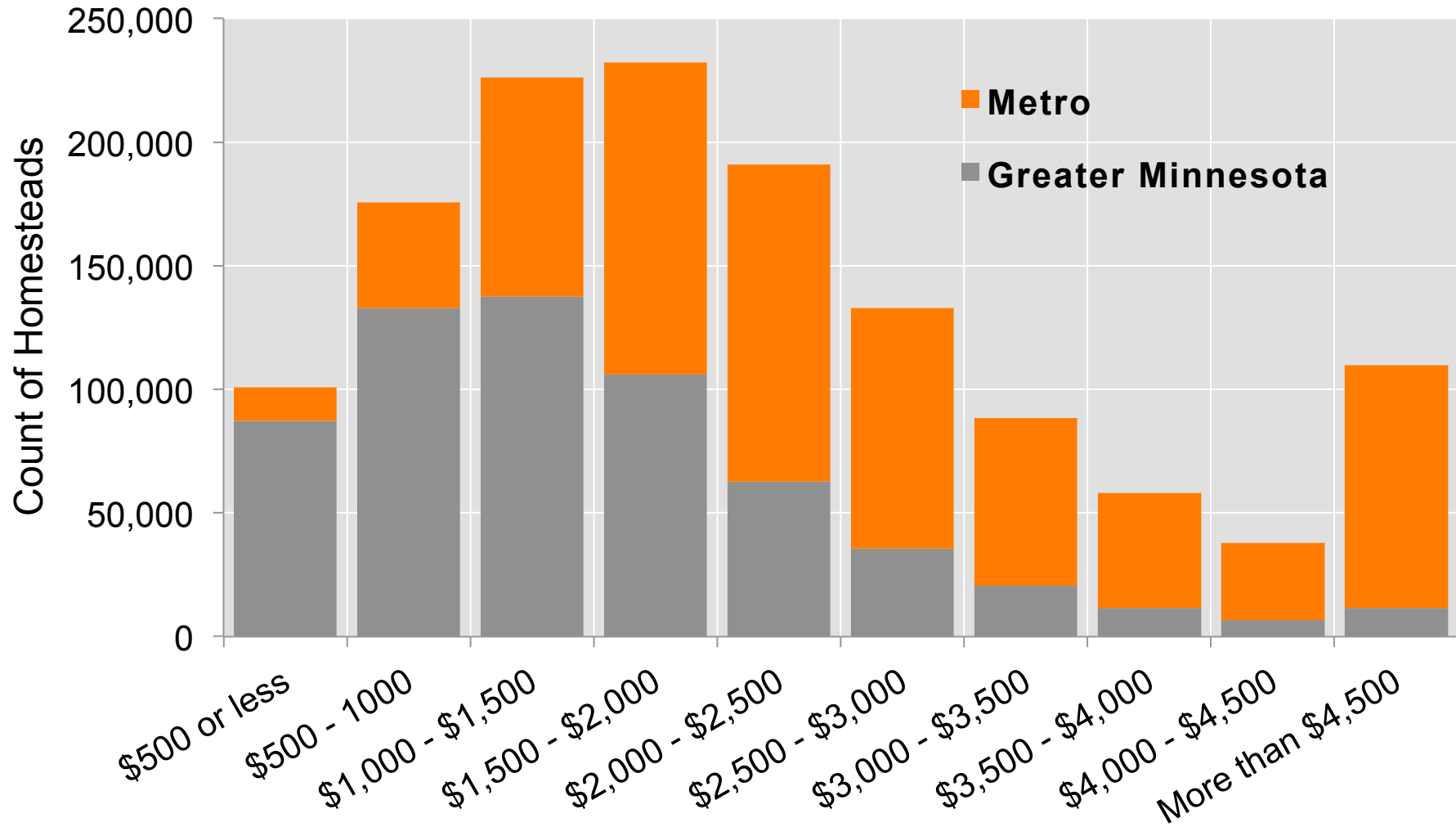
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2011 Property tax
paid after credits and
refunds

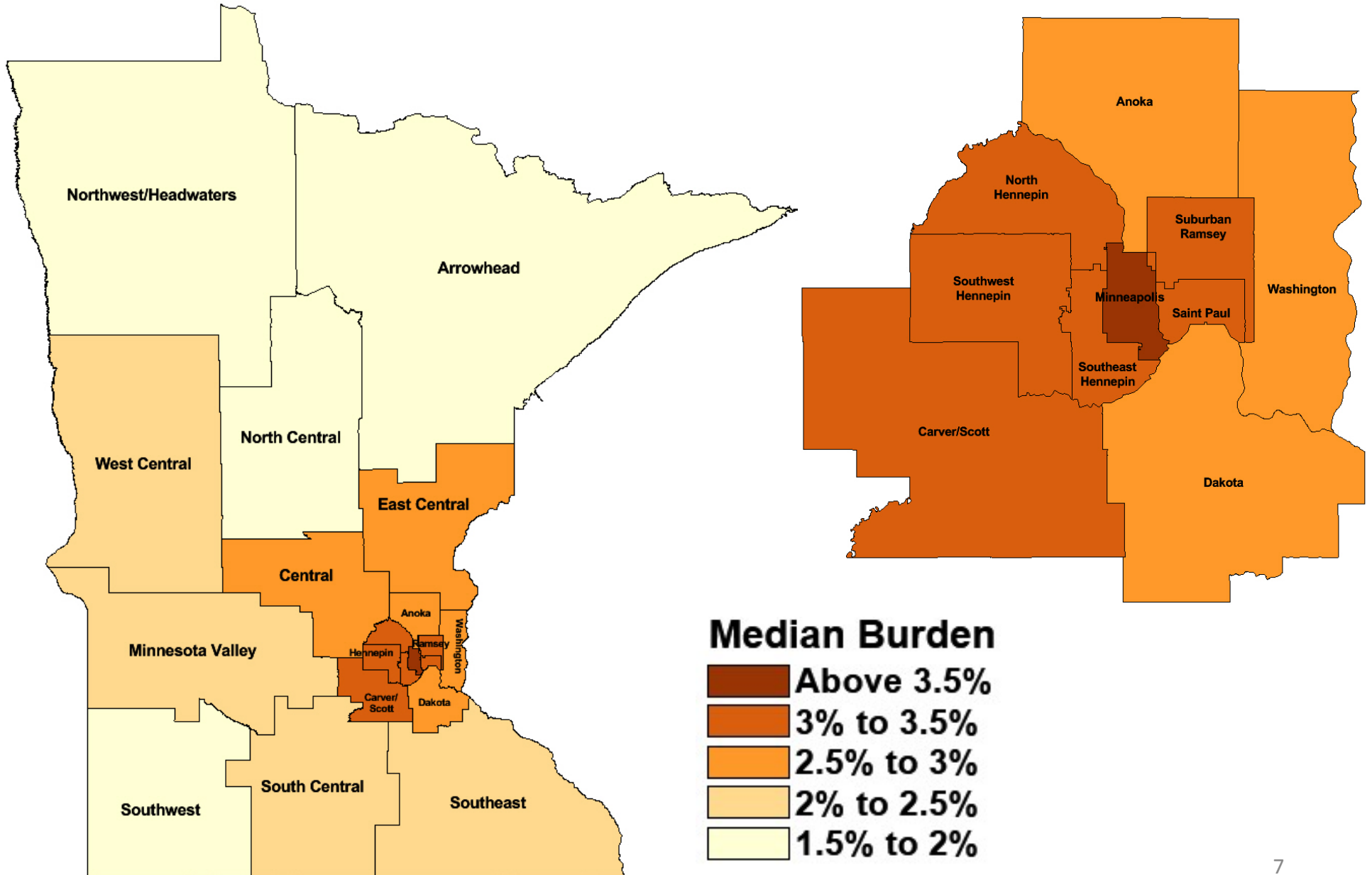
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2010 Homesteaders'
income (taxable &
nontaxable)

2011 Net Tax



2011 Tax Burden by Region



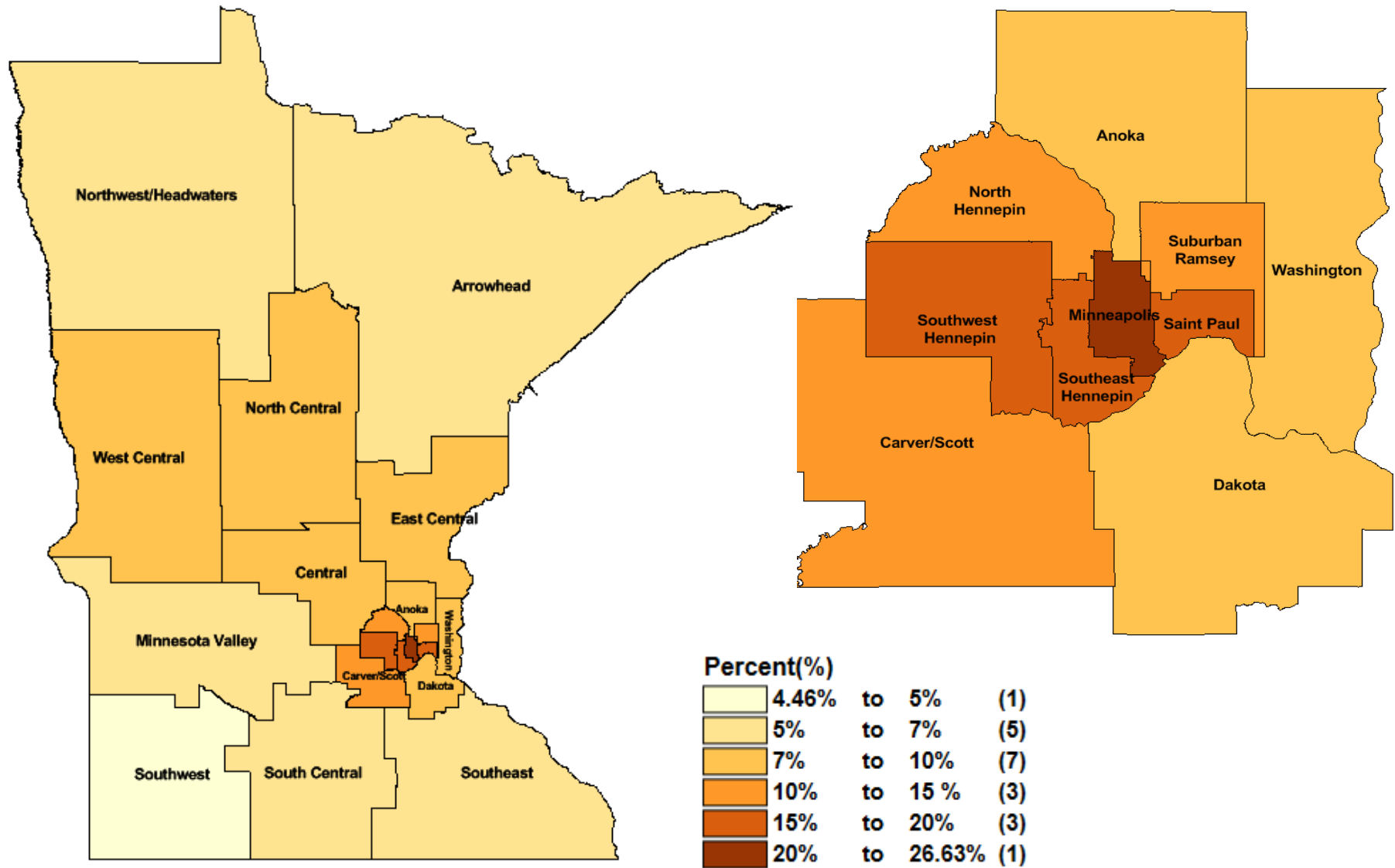
2011 Tax Burden by Region

Region	Median Burden		
	Before Credit	Before Refund	After Refund
Greater Minnesota	2.8 %	2.4 %	2.3 %
Metro	3.6	3.3	3.1
Statewide	3.2	2.9	2.7

2011 Credit and Refund by Income

Income range*	Average MVHC	Average PTR	MVHC + PTR
\$10,000 - \$30,000	\$223	\$508	\$731
\$30,000 - \$45,000	224	366	590
\$45,000 - \$65,000	215	241	456
\$65,000 - \$90,000	199	114	313
\$90,000 - \$125,000	172	35	207
\$125,000 or more	110	13	123
Overall	188	200	388

Burden Greater than 5% of Income



State Property Tax Relief 2002-2015

\$ millions

	2002	2015	Change
City general purpose aid	\$ 565	\$ 517	-9%
County general purpose aid	\$ 262	\$ 210	-20%
Homestead credit	\$ 325	\$ -	-100%
Homestead refunds	\$ 92	\$ 389	+324%

2011 Tax Burden by Income

Income range*	Median Burden		
	before MVHC	before PTR	after PTR
\$10,000 - \$30,000	7.5 %	6.2 %	3.6 %
\$30,000 - \$45,000	4.7	4.1	3.2
\$45,000 - \$65,000	3.7	3.3	3.0
\$65,000 - \$90,000	3.0	2.7	2.7
\$90,000 - \$125,000	2.6	2.4	2.4
\$125,000 or more	2.0	1.9	1.9
Overall	3.2	2.9	2.7

*Homesteads with income under \$10,000 not shown due to data issues

Latest research question:

What are the tax savings to homesteads from deducting property taxes on income tax returns?

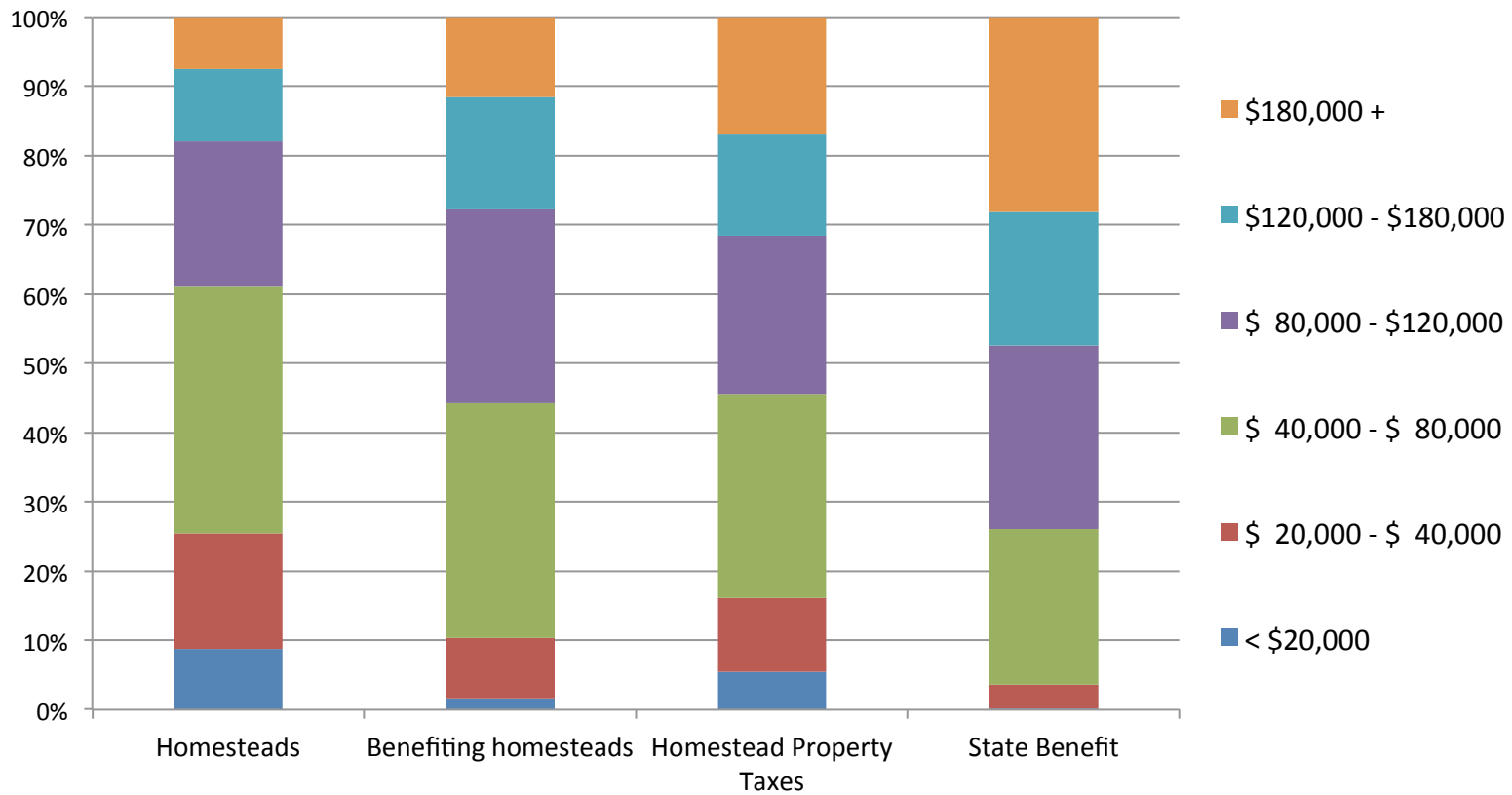
Deducting Homestead Taxes

- Income tax filers who itemize can deduct property taxes, including homestead taxes
- Lower taxable income reduces income taxes owed
- 59% of Minnesota homesteaders benefit from itemizing homestead property taxes
- Benefits are concentrated among higher income filers

Average benefit by income range

Income Range	Count of Homesteads	Percent of Homesteads with a State Benefit	Average State Benefit	Percent of Homesteads with a Federal Benefit	Average Federal Benefit
< \$20,000	128,999	3%	\$ 63	11%	\$ 183
\$ 20,000 - \$ 40,000	244,388	23%	70	31%	194
\$ 40,000 - \$ 80,000	523,328	51%	101	56%	318
\$ 80,000 - \$120,000	307,623	74%	140	79%	495
\$120,000 - \$180,000	152,412	86%	175	91%	794
\$180,000 +	110,281	88%	347	50%	1,127
All Homesteads	1,467,031	53%	153	56%	491

Distribution of Homesteads and State Benefit by Income Range



Benefit as a Share of Property Taxes

Benefiting Homesteaders only

Income Range	A. Average State Benefit	B. Average Federal Benefit	C. Average Homestead Tax	State Benefit Share of Tax (A / C)	Federal Benefit Share of Tax (B / C)
< \$20,000	\$ 63	\$ 183	\$ 1,440	4%	13%
\$ 20,000 - \$ 40,000	70	194	1,498	5%	13%
\$ 40,000 - \$ 80,000	101	318	1,918	5%	17%
\$ 80,000 - \$120,000	140	495	2,527	6%	20%
\$120,000 - \$180,000	175	794	3,281	5%	24%
\$180,000 +	347	1,127	5,237	7%	22%
All Homesteads	153	491	2,325	7%	21%

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