

Renter's Property Tax Refund Program

What is the renter's property tax refund program?

The renter's property tax refund program (sometimes called the "renters' credit") is a state-paid refund that provides tax relief to renters whose rent and "implicit property taxes" are high relative to their incomes. "Rent constituting property taxes" is assumed to equal 19 percent of rent paid. If that rent constituting property tax exceeds a threshold percentage of income, the refund equals a percentage of the 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 increases, and
- the maximum refund decreases.

The program uses household income, a broad measure that includes most types of income. Deductions are allowed for dependents and for claimants who are over age 65 or disabled.

What are the maximums?

For refund claims filed in 2009, based on rent paid in 2008 and 2008 household income, the maximum refund is \$1,490. Renters whose income exceeds \$52,299 are not eligible for refunds.

How are claims filed?

Refund claims are filed using Minnesota Department of Revenue (DOR) Schedule M1PR. Claims filed before August 15, 2009, will be paid beginning in August 2009. The deadline for filing claims based on rent paid in 2008 is August 15, 2010; taxpayers filing claims after that date will not receive a refund. Forms are available online at DOR's web site, under "Forms and Instructions" (www.taxes.state.mn.us).

What is the average refund and total amount paid?

Statewide Renter Property Tax Refunds Filed in 2007

(based on 2006 incomes and rent paid in 2006, most recent data available)

	Number of returns	Total amount	Average per return
Under 65 years old	196,738	\$104.3 million	\$530
Senior/disabled	77,051	\$46.3 million	\$601
Total: all renters	273,789	\$150.6 million	\$550

How do refunds vary depending on income and property taxes?

The following table shows the refund amount for two example families with different incomes—a married couple without dependents in the metro area, and a married couple without dependents in greater Minnesota (a single person living alone would qualify for the same refund amounts). Although the property tax

refund threshold, copayment rates, and maximum refund amounts are the same statewide, the average rent is higher in the metro area than in greater Minnesota. The metro area family paid monthly rent in 2008 of \$699, the fair market rent for a one-bedroom apartment in the metro area. (19% of \$707 x 12 = \$1,594, which is their rent constituting property tax.) The family in greater Minnesota paid monthly rent in 2008 of \$444, the fair market rent for a one-bedroom apartment in many greater Minnesota counties. (19% of \$433 x 12 = \$1,012, which is their rent constituting property tax.) 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, no dependents
Example refunds for claims to be filed in 2009,
based on rent paid in 2008 and 2008 income**

		Metro area		Greater Minnesota	
		Taxpayer #1	Taxpayer #2	Taxpayer #3	Taxpayer #4
1	Gross income	\$15,000	\$30,000	\$15,000	\$30,000
2	Deduction for dependents	0	0	0	0
3	Household income (1 – 2 = 3)	\$15,000	\$30,000	\$15,000	\$30,000
4	Rent constituting property tax	\$1,594	\$1,594	\$1,012	\$1,012
5	Statutory threshold percentage	1.4%	2.4%	1.4%	2.4%
6	Threshold % x income (3 x 5 = 6)	\$210	\$720	\$210	\$720
7	Property tax over threshold (4 – 6 = 7)	\$1,384	\$874	\$802	\$292
8	Copay percentage	20%	30%	20%	30%
9	Taxpayer copay amount (7 x 8 = 9)	\$277	\$262	\$160	\$88
10	Remaining tax over threshold (7 – 9 = 10)	\$1,107	\$612	\$642	\$205
11	Maximum refund allowed	\$1,490	\$1,490	\$1,490	\$1,490
12	Net property tax refund	\$1,107	\$612	\$642	\$205

For more information: Claimants can check the status of their refund by calling DOR at (651) 296-4444 or online at www.taxes.state.mn.us.

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