

Minnesota Property Tax Proposal

Establish a limit for property taxes to a percentage of household income.

Rational: Because of yearly increases in property taxes more and more homeowners can no longer afford their taxes. The cumulative increases in many cases result in homeowners paying 30% or 40% (or more) of their income just for property taxes. The result is homeowners are dislocated and forced to sell their homes. For senior citizens this often leads to a forced transition to assisted living or nursing homes placing an even bigger burden on that system which is already under severe stress. A way needs to be found to keep taxpayers in their homes by making property taxes affordable. This proposal does that by limiting property taxes to a percent of household income. This is a proposal for all Minnesota homeowners. The statewide cost estimates of a property tax limit is shown.

HF 1548 / SF 1339 Cost Estimates

(All residential taxpayers meeting PTR requirements are Eligible)

% Of Income Limit	FY 2011	FY2012	FY2013
5%	\$50,400,000	\$55,000,000	\$57,700,000
6%	\$36,400,000	\$39,600,000	\$41,600,000
7%	\$29,200,000	\$31,700,000	\$33,300,000

Cost of HF1548/SF1339: The funding would come from the Market Value Homestead Credit (MVHC) and the Targeting programs. The cost is covered by reducing the MVHC funding rate from .4% (\$304) to .37% (\$281) along with the use of the Targeting funds. This would fund a 6% limit. The MVHC program is not based on need, as is the limit legislation. Priority should be given to those in need.

Limit percentages: To make the proposal fit better with budget issues, higher limits can be considered.

HF1540: A companion bill making the same proposal but limiting eligibility to homeowners 65 and older. HF1540 cost is less of course. Since affordability can affect homeowners of all ages, HF1540 is not being endorsed. Amongst legislators there is limited interest in the over 65 proposal.

Status: The proposal has been submitted for tax committee action and is awaiting a hearing.

Based on the work of Marlowe Hamerston and his tax committee at the Minnesota Seniors Federation, March 2009. Cost estimates provided by the Minnesota Department of Revenue.