

**PROPERTY TAX
Senior Homestead Property
Tax Credit**

March 4, 2025

Department of Revenue
Analysis of S.F. 443 (Coleman) / H.F. 403 (Myers) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
Senior Homestead Credit	\$0	\$0	(\$24,300)	(\$33,300)
PTR Interaction – Special Refund	\$0	\$0	\$3,750	\$4,170
PTR Interaction – Regular Refund	\$0	\$0	\$12,140	\$16,650
Income Tax Interaction	\$0	\$0	\$40	\$60
General Fund Total	\$0	\$0	(\$8,370)	(\$12,420)

Effective beginning with assessment year 2026 for taxes payable in 2027.

EXPLANATION OF THE BILL

The proposal would create a state-paid property tax credit for homestead property that:

- a) is owned and occupied as a homestead by a person age 65 or older. (For a married couple, one spouse must be at least age 65 and the other spouse must be at least age 62.)
- b) has been owned and occupied as the homestead of at least one of the homeowners since January 2 of the year in which the application for the credit is submitted.

A homeowner may first apply for the credit in the calendar year in which the homeowner becomes age 65. A one-time application must be submitted by December 15 and eligibility begins with taxes due in the following year.

Under the proposal, an eligible homestead would receive a state-paid credit for any homestead property taxes (net of all other credits) that exceed the product of (i) 1.08, times (ii) the homestead tax due in the previous taxes payable year (net of all other credits).

REVENUE ANALYSIS DETAIL

- The estimate is based on the November 2024 forecast.
- It is assumed that 65% of eligible homesteads would apply in 2026 (for taxes payable in 2027), and that additional homesteads would apply in 2027, resulting in 80% enrollment of all senior homesteads by assessment year 2027 (for taxes payable in 2028).
- Under the proposal, it is estimated that a total of \$24.3 million in property tax credits would be paid in FY 2028.
- Any homestead receiving the senior homestead credit would not be eligible for the special property tax refund (available when homestead property taxes increase by more than 12%).
- Reduced special property tax refunds would result in a savings to the state general fund of an estimated \$3.75 million in FY 2028.

- Because the senior homestead credit reduces the total homestead tax, the credit would also:
 - reduce payments of the regular (income-based) homestead property tax refund; and
 - reduce real estate tax deductions on income tax returns.
- Reduced regular property tax refunds would result in a savings to the state general fund of an estimated \$12.14 million in FY 2028.
- Reduced deductions on income tax returns would increase state income tax collections by \$40,000 in FY 2028.
- The overall cost to the state general fund is net of all property tax refund (PTR) and income tax savings.
- 3% annual growth in property taxes and refund payments is assumed.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: An estimated 105,000 homesteads would receive the credit for taxes payable in 2027.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Decrease - Additional applications and calculations add complexity. Increase - A one-time application (for the credit) is simpler than an annual application (for the special property tax refund).
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Increase	For eligible homesteads, property taxes would become more stable.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

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

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