



## 2010 Cuts to the Renters' Credit Hurt Those Already Hurt by the Tough Economy

The Renters' Credit provides a property tax refund for over 300,000 low- and moderate-income Minnesota households, more than one-quarter of which include seniors or people with severe disabilities. Under his 2009 unallotment plan, Governor Pawlenty cut the Renters' Credit by \$52 million, or 27 percent. The 2010 Legislature ratified this cut as part of its final budget legislation. The reduction applies to Renters' Credit applications filed in 2010 only.

As a result, most Renters' Credit recipients — over 290,000 households — will see an average cut of \$130 to their Renters' Credits at a time when they are struggling to make ends meet. And 18,000 Minnesotans will lose their entire credit in 2010.<sup>1</sup> Even before the cuts, the Renters' Credit wasn't keeping pace with rising property taxes. In the past five years, rental property taxes increased three times faster statewide than the Renters' Credit.<sup>2</sup>

### ***What is the Renters' Credit?***

The Renters' Credit is a critical tool to offset the impact of property taxes on rental housing, already one of the most regressive taxes in the state. The Renters' Credit and the Circuit Breaker for homeowners are two halves of the state's Property Tax Refund, which provides tax credits to Minnesotans whose property taxes are high in relation to their income. The Renters' Credit recognizes that landlords pass on a portion of their property taxes to tenants through higher rents.

The size of the Renters' Credit depends on a formula that considers both the household's rent and income. Households with no dependents can qualify for the Renters' Credit with incomes up to \$53,030. The income limits go higher for households with dependents or with seniors or people with severe disabilities.<sup>3</sup> More than 80 percent of recipients have household incomes of \$30,000 or less.<sup>4</sup> Discussions with renters find that they spend their Renters' Credit on basic needs from school clothes to car repairs to medicine.

### ***What is the impact on individual renters?***

While the Renters' Credit is cut overall by 27 percent, the impact will vary based on individual circumstances. For example, take a married couple with no dependents with an annual income of \$30,000 who pay \$719 a month for a one-bedroom apartment, fair market rent in the metro area.<sup>5</sup> Before unallotment, the couple would receive an annual Renters' Credit of \$686. Unallotment reduces their credit by \$242, or 35 percent. In Greater Minnesota, the same couple would pay \$462 a month in fair market rent. Before unallotment, their Renters' Credit would be \$275. The unallotment reduces their credit by \$155 or 56 percent.

### ***The impact on Minnesota's economy***

During a recession, financial assistance to low-income families and individuals is one of the most effective economic stimulus tools the government has, because these households are likely to spend those dollars quickly and locally. The Renters' Credit is one of these tools. The Renters' Credit cut takes \$52 million out of Minnesota's still-struggling economy.

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<sup>1</sup> Minnesota Department of Revenue, Property Tax Research.

<sup>2</sup> This is the change from pay 2004 to pay 2009. Minnesota 2020, [Governor Proposes Tax Increase for Renters](#).

<sup>3</sup> Minnesota Department of Revenue, [Renter's Refund](#).

<sup>4</sup> Minnesota Department of Revenue, Property Tax Research.

<sup>5</sup> These examples are from Minnesota House Research, [Renter's Property Tax Refund Program](#).