MINNESOTA BUDGET PROJECT
An initiative of the Minnesota Council of Nonprofits

No Further Cuts to Renters' Property Tax Refunds Made in 2012 Legislative Session

The Renters' Credit refunds a portion of the property taxes that renters pay through their rents. It is an important tool to ensure that these Minnesotans aren't asked to pay more than their fair share of taxes. In FY 2013, 315,000 low- and moderate-income Minnesota households are expected to receive this tax refund. Over a quarter of participating households include seniors or people with severe disabilities, and more than three-quarters have household incomes under $30,000.[1]

In 2011, Minnesota policymakers cut the Renters' Credit by $26 million in FY 2013, or 13 percent, as part of actions to address a large state revenue shortfall. In 2012, the Renters' Credit was once against put at risk when the House proposed additional cuts on top of those passed in 2011.

The 2012 House omnibus tax bill (House File 2337) included a stunning 38 percent cut to the Renters' Credit, a $67 million reduction in FY 2013. Under that proposal, 66,200 Minnesota households would no longer qualify for a property tax refund – one in five currently eligible households. The average refund would be cut by $213, a noticeable loss for people with modest incomes. These cuts would be used to fund other parts of the House omnibus tax bill, primarily a cut in property taxes paid by businesses and cabins.

Fortunately, this proposal did not win support from the Senate tax committee or Governor Dayton during the 2012 Legislative Session, so no additional cuts will be made to the Renters' Credit this year. However, Minnesota's renters will see their refunds drop by $87 on average as a result of the cuts agreed to in 2011.

Policymakers Made the Right Choice for Minnesota

House File 2337 proposed a substantial restructuring of the Renters' Credit.[2] As a result, households including seniors and people with disabilities would see their refunds cut by $103 and 4,100 of these households would have lost their entire refunds. Other kinds of households, 41 percent of which have at least one dependent and close to a quarter of which have at least two dependents, faced even deeper cuts: their average refund would be cut by $256 and 62,100 of these households would have lost their entire refunds.

The pain from the proposed cuts would have been felt by Minnesota's renters, but would also have had a ripple effect. When low- and moderate-income families can maintain their incomes – and their buying power – during tough economic times, they can continue to spend those dollars in their local communities. The proposed Renters' Credit cut would have taken $67 million out of Minnesota's still-struggling economy. And this would have been done to fund property tax cuts for businesses and cabins, actions whose economic benefit to the state is less clear.

Given the harm to Minnesota's renters and our fragile economy, policymakers made the right choice to protect the Renters' Credit.

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[1] The data in this analysis comes from Minnesota Department of Revenue, Property Tax Research.

[2] The percentage of rent considered the renter's share of property taxes, which is the starting point for calculating the Renters' Credit, would be reduced from 17 percent to 15 percent. The 2011 omnibus tax bill reduced this percentage from 19 percent to 17 percent. The Renters' Credit would no longer be indexed to inflation, eroding its value over time. The maximum income for eligibility would be reduced from $53,539 to $40,000 for households including seniors and people with disabilities, and to $25,000 for all other households. The maximum refund and refund amounts would be reduced for many participating households. For more information, see Minnesota Budget Project, 2012 House Tax Bill Would Severely Cut Renters' Property Tax Refunds.

The Minnesota Budget Project is an initiative of the Minnesota Council of Nonprofits.
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