

Transformational changes to the Renter's Credit are coming in 2025

While all Minnesotans want safe and affordable homes for themselves and their families, some folks living on fixed or low incomes struggle to afford the cost of housing and other basic necessities. The Renter's Credit, also called the property tax refund for renters, is one way the state of Minnesota brings down one of the costs of housing and creates a more equitable tax system.

Minnesotans will see two big changes to the Renter's Credit in 2025 that simplify the application process and expand the number of low- and moderate-income Minnesotans who will receive it. These changes are:

- Applying for the Renter's Credit will now be a part of the income tax filing process, and
- The calculations used in qualifying for and applying for the Renter's Credit will be simpler.

These improvements to the Renter's Credit are the result of legislation passed in 2023; they are bold actions taken to respond to the challenges that everyday Minnesotans are facing, and are important steps toward ensuring that all Minnesotans have safe and affordable housing.

What is the Renter's Credit and who receives it?

The Renter's Credit is a Minnesota property tax refund for low- and moderate-income renters whose property taxes are considered high for their income level. It refunds a portion of the property taxes that renters pay through their rents. The Renter's Credit is targeted to people with lower incomes and prioritizes those whose property taxes make up a larger share of their household budgets.

For the 2022 tax year, over 300,000 Minnesota households received the Renter's Credit and the average annual amount of credit received was \$964. Thirty percent of the households receiving the Renter's Credit included senior citizens and/or people living with disabilities.¹ The share of participating households that include seniors or people living with disabilities tends to be higher in Greater Minnesota. In fact, in 20 Greater Minnesota counties, at least half of the participating households included seniors and/or persons living with disabilities.

The Renter's Credit provides a needed economic boost to many Minnesota households struggling to afford rent and other basic needs. Our local economies also benefit when Minnesotans use their Renter's Credits to buy necessities like toothpaste, dental care or other health care, or essential purchases for their children.

What changes are coming

Two major changes are coming to how Minnesotans apply for the Renter's Credit, starting in 2025.

First, Minnesotans will now apply for their Renter's Credit when they file their state income tax return. Previously, renters applied for the Renter's Credit through a separate Property Tax Refund application that was due in August.²

Second, the definition of a household's income for qualifying for and calculating the credit has been simplified. The Renter's Credit will now be based on a household's Adjusted Gross Income (AGI), like many other provisions of our tax law, rather than the broader and more complicated "household income" definition that was used before.

These Renter's Credit changes are expected to have several meaningful outcomes. They will:

- Reduce barriers so that more renters receive the property tax refund they qualify for;
- Simplify the process to apply for and calculate the credit;
- Provide larger property tax refunds for many renters and more renters will qualify; and
- Get refunds out to renters much earlier in the year.

Moving the Renter's Credit onto the income tax form is estimated to result in 119,000 more households claiming it. Another 33,000 renters will become newly eligible because of simplifying the definition of household income. About half of renters who claim the Renter's Credit will see a larger tax credit – \$204 larger on average.³ In total, these changes are anticipated to expand the total amount of Renter's Credits that Minnesotans receive by \$135 million per year.⁴

The improved Renter's Credit could also advance racial equity. In Minnesota, people of color are more likely to be earning lower incomes and more likely to be renters. This reflects current barriers to economic success and wealth-building and a history of policies that excluded African Americans and other people of color from homeownership.

Attention is needed for successful implementation

While these big changes will have several positive impacts, some attention will be needed in the implementation to reach the best possible outcomes and minimize disruption for Minnesota renters who are familiar with the prior way of doing things. First, education, outreach, and support is needed to make sure everyone makes the transition to the new system – especially those folks who previously only filed a Renter's Credit application because they are not required to file a state income tax return. Second, education is needed so that Minnesotans recognize that they now receive their Renter's Credits earlier in the year as part of their state income tax refund, and they will need to adjust their household budgets if they have planned for using a Renter's Credit refund that came in the fall.

Improving the Renter's Credit addresses hardship and inequity

These high-impact changes to the Renter's Credit will provide a needed economic boost for Minnesotans struggling to make ends meet, whether they be workers, families, seniors, or people with disabilities, and move us toward becoming a state where every Minnesotan can thrive.

by Haleigh Sinclair and Nan Madden

¹ Minnesota Department of Revenue, Property Tax Research Unit, summary data reflect property tax refund claims filed in 2023 for tax year 2022. Learn more about the impact of the Renter's Credit in each Minnesota county in Minnesota Budget Project, [Who Receives the Renter's Credit](#), January 2025.

² Homeowners will continue to apply for their Minnesota Property Tax Refunds through this separate process.

³ The Department of Revenue estimates about the number of renters who would see a larger credit and the average increase applies to households who would qualify using the prior definition of household income.

⁴ Minnesota Department of Revenue, [Revenue Analysis of 2023 Renter PTR as Income Tax Credit](#), February 2023.