

INFORMATION BRIEF

Research Department

Minnesota House of Representatives

600 State Office Building

St. Paul, MN 55155

Steve Hinze, Legislative Analyst, steve.hinze@house.mn

Nina Manzi, Legislative Analyst, 651-296-5204

Updated: February 2014

Targeting

A Property Tax Relief Program for Qualifying Homeowners

This information brief describes “targeting,” a property tax refund program that targets property tax relief to homeowners who have large property tax increases in one year. It also includes historical information on refund data and program details.

Targeting provides a state refund for homeowners with large property tax increases

Targeting offsets some of the increase in a homeowner’s property taxes if the taxes increase by more than 12 percent. It is closely related to another property tax relief program called the homestead credit refund,¹ except that the homestead credit refund is linked to the homeowner’s income while targeting is not. Targeting is sometimes referred to as the “special” homeowner’s property tax refund.

To qualify for a refund, a homeowner’s property tax must increase over his or her last year’s tax by more than both 12 percent and \$100. The refund equals 60 percent² of the tax increase over the greater of these minimums. The maximum refund is \$1,000. The estimated cost of the targeting program for taxes payable in 2014 (fiscal year 2015) is \$1.5 million. The following example shows how the refund is calculated.

¹ Prior to 2014, the homestead credit refund was known as the homeowner’s property tax refund.

² [Laws 2012, chapter 294](#), article 1, section 6, increased the refund percentage from 60 percent to 90 percent for returns based on taxes payable in 2012 only.

Payable 2013 property tax	\$1,600
Payable 2014 property tax	\$2,000
2014 tax increase (over 2013)	\$400
Taxpayer pays first 12% of increase compared to last year's tax, which must be at least \$100 (12% x \$1,600)	\$192
Remaining increase eligible for refund ($\$400 - \$192 = \$208$)	\$208
State pays 60% of the excess over 12%, up to \$1,000 ($60\% \times \$208 = \125)	\$125
Amount of 2014 increase paid by taxpayer ($\$400 - \125)	\$275

With the targeting refund, the taxpayer's \$400 tax increase is reduced to an "out-of-pocket" property tax increase of \$275. Put another way, a 25 percent increase from the previous year is reduced to 17.2 percent.

The taxpayer pays the full \$2,000 amount of the 2014 property tax to the county. The first half is due in May and the second half in October. The taxpayer may apply to the state for a targeting refund any time after receiving his or her property tax statement. Refunds are paid in September 2014, at the same time the homestead credit refund is paid (provided the taxpayer has applied for the refunds by August 15, 2014). Refund applications received after August 15 will be paid within 60 days of filing. Since both the targeting and the homestead credit refunds are paid to the taxpayer before the October tax payment is due, they can be used to defray some of the current year's tax.

The refund is based upon the net tax increase from the current year over the year immediately preceding it. The tax is before deduction of the homestead credit refund. The tax on any improvements made to the property (such as adding a new garage or new room) is excluded in determining the net property tax increase. The effect of the targeting program is cumulative. That is, the net tax after the targeting refund in one year becomes the basis for calculating the targeting refund in the next year. As a result, a taxpayer could receive targeting relief for several years on the basis of a single year's large tax increase; targeting, in effect, phases in the large increase over several years.

In the case of farm homesteads, the refund applies to taxes on the house, garage, and one acre of land, which is the same portion of the tax that qualifies for the homestead credit refund.

Targeting is administered with the homestead credit refund program

To simplify administration for both taxpayers and the Department of Revenue (DOR), the targeting refund is administered with the homestead credit refund. All of the definitions, filing procedures, penalties, etc., that apply to the homestead credit refund apply to the targeting refund.

Refund claims are filed using the Minnesota Department of Revenue Schedule M1PR, the homestead credit refund and renter property tax refund form. There is a separate schedule on the back of the M1PR (Schedule 1 – Special Refund) for the targeting program. The taxpayer may

file for this refund after receiving his or her property tax statement. Claims filed before August 15, 2014, will be paid beginning in late September 2014. Homeowners who file electronically and meet all other requirements may receive refund payments up to 30 days earlier. Refund applications received after August 15 will be paid within 60 days of filing. The deadline for filing claims based on taxes payable in 2014 is August 15, 2015; taxpayers filing claims after that date will not receive a refund. (Forms are available online at DOR's website, under "Property Tax Refund" (www.taxes.state.mn.us). The DOR's telephone number to request forms is 651-296-4444.)

Targeting has no income restrictions

Unlike the homestead credit refund, the targeting refund is not tied to the taxpayer's household income. In the homestead credit refund, the taxpayer's household income may not exceed a specified maximum and the amount of household income affects the amount of the refund. Generally, the lower the income, the higher the refund, given the same qualifying property tax. (See the House Research publication, *Homestead Credit Refund Program*, September 2013).

The targeting refund, on the other hand, does not use income as a factor, nor is there any limitation on the taxpayer's household income.³ Therefore, taxpayers who do not qualify for the homestead credit refund due to income restrictions are eligible for the targeting refund, if they have sufficiently large increases in tax from one year to the next. The targeting refund is designed to partially protect all homeowners, regardless of income, from a large property tax increase in one year.

The targeting program spans over 30 years

The 1980 Legislature initially enacted the "targeting refund" as a one-year program for taxes payable in 1981. It was reenacted intermittently and viewed as a temporary program during the next several years. Then in the 1989 special session, the legislature made the program permanent, and it has remained operative ever since. Tables 1 and 2 on the following pages present historical data for the targeting refund program.

For more information about property taxes, visit the property tax area of our website, www.house.mn/hrd/.

³ See Table 2; there was an exception to this in 1983 (payable 1984).

Table 1
Targeting Refund Data 1980–2013
(Taxes Payable 1981–2014)

Year of Return	Property Tax Payable Year	Number of Returns	Total Amount	Average Refund Per Return
1980	1981	64,213	\$3,301,341	\$51
1981	1982	121,516	10,671,383	88
1982	1983	No Targeting Refund		
1983	1984	62,555 ⁴	5,205,858 ⁴	83
1984	1985	33,117	1,449,954	44
1985-1987	1986-1988	No Targeting Refund		
1988	1989	117,981	11,402,514	97
1989	1990	36,484 ⁵ 13,789 ⁵	3,829,197 1,147,080	105 – Regular Targeting 83 – Seasonal Recreational Residential Targeting
1990	1991	141,699	20,897,238	147
1991	1992	98,592	12,047,470	122
1992	1993	119,486	14,576,289	122
1993	1994	81,126	8,031,160	99
1994	1995	60,889	4,745,377	78
1995	1996	63,568	4,788,805	75
1996	1997	48,110	3,811,367	79
1997	1998	19,874	1,423,691	72
1998	1999	19,678	1,637,135	83
1999	2000	16,075	1,319,604	82
2000	2001	22,765	1,702,097	75
2001	2002	14,244	1,036,878	73
2002	2003	90,056	7,578,852	84
2003	2004	70,269	3,703,937	53
2004	2005	78,022	4,299,657	55
2005	2006	157,224	13,591,763	86
2006	2007	104,203	7,594,847	73
2007	2008	89,386	7,357,319	82
2008	2009	41,818	6,087,685	146
2009	2010	15,092	2,333,980	155
2010	2011	23,016	1,901,731	83
2011	2012	27,050	3,226,356	121
2012	2013	n/a	707,000 ⁶	n/a
2013	2014	n/a	1,540,000 ⁶	n/a

⁴ Includes both targeting programs. See Table 2 for a description of the two programs.

⁵ A total of 49,275 returns was filed in 1989. These two total to more than 49,275 because some taxpayers qualified for both targeting refunds; both refunds were filed on the same return.

⁶ Department of Revenue estimate from the November 2013 forecast is for \$0.7 million for 2012 returns and \$1.5 million for 2013 returns. However, the statutory appropriation is unlimited.

Table 2
History of Targeting 1980–2012 (Taxes Payable 1981–2013)

Year of Return	Property Tax Payable Year	Targeting Refund					
		Calculation	Minimum Qualifying Increase	Maximum Refund	Household Income Limitation	Total Appropriation ⁷	Law
1980	1981	State pays 50% of tax increase over 10%	None	\$300 ----- \$300 increased to \$500	No limit	No limit	1980, ch. 607, art. 3, § 2 ----- 1981, 1 st spec. sess., ch. 1, art. 2, § 19
1981	1982	State pays 75% of tax increase over 20%	None	\$200	No limit	\$14.2 million	1981, 1 st spec. sess., ch. 1, art. 2, § 20
1982	1983	No program					
1983	1984	State pays 50% of tax increase over 20% ----- 50% changed to 100%	None	\$200 ----- \$200 changed to no limit	Phase-out: no refund at \$40,000 ----- \$40,000 increased to \$50,000; phase-out modified	\$11 million ----- No limit	1983, ch. 342, art. 4, § 10 ----- 1984, ch. 502, art. 3, § 21
1984	1985	State pays 50% of tax increase over 10% if property's effective rate exceeds 2.25%	None	\$200	No limit	No limit	1983, ch. 342, art. 4, § 11
1985-1987	1986-1988	No program					
1988	1989	State pays 75% of tax increase over 10% (Increase must be \$40 or greater)	\$40	\$250	No limit	No limit	1988, ch. 719, art. 4, § 7
1989	1990	State pays 75% of first \$250 increase over 10%; plus 90% of amount of increase over 10% and over the \$250	\$40	No limit	No limit	No limit	1989, 1 st spec. sess., ch. 1, art. 7, § 3

⁷ For years in which a specific appropriation amount is listed, if estimated total refund claims exceeded the amount appropriated, the Commissioner of Revenue was required to adjust the qualifying amount of tax increase or the percentage factor so that the total refund claims did not exceed the appropriation.

Table 2 – con’t.
History of Targeting 1980–2012 (Taxes Payable 1981–2013)

Year of Return	Property Tax Payable Year	Targeting Refund					
		Calculation	Minimum Qualifying Increase	Maximum Refund	Household Income Limitation	Total Appropriation	Law
1990	1991	Same as 1989	\$40	No limit	No limit	No limit ⁸	See footnote (8)
1991	1992	State pays 75% of first \$275 increase over 10%; plus 90% of amount of increase over 10% and over the \$275	\$60	No limit	No limit	No limit ⁹	See footnote (9)
1992	1993	State pays 75% of increase over 12%	\$80	\$1,500	No limit	No limit ¹⁰	See footnote (10)
1993	1994	Same as 1992	\$100	\$1,500	No limit	No limit ¹¹	1994, ch. 383
1994	1995	State pays 60% of increase over 12%	\$100	\$1,000	No limit	\$5.5 million	1993, ch. 375 , art. 6, § 4
1995	1996	Same as 1994	\$100	\$1,000	No limit	\$5.5 million	1994, ch. 587 , art. 4, § 3
1996	1997	Same as 1994	\$100	\$1,000	No limit	\$5.5 million	1996, ch. 471 , art. 3, § 33
1997-2000	1998-2001	Same as 1994	\$100	\$1,000	No limit	No limit	1997, ch. 84 , art. 1, § 4
2001-2010	2002-2011	Same as 1994	\$100	\$1,000	No limit	No limit	See footnote (12)
2011	2012	State pays 90% of increase over 12%	\$100	\$1,000	No limit	No limit	2012, ch. 294 , art. 1, § 6
2012	2013	Same as 1994	\$100	\$1,000	No limit	No limit	

⁸ The original appropriation from the 1989 law was \$7 million. Appropriation was increased to \$13 million by [Laws 1990, chapter 604](#), article 5, section 4.

⁹ Appropriation was unlimited by [Laws 1991, chapter 291](#), article 1, section 34. (The original appropriation from the 1989 law was \$6.5 million.)

¹⁰ Original appropriation from [Laws 1991, chapter 291](#), article 1, section 34, was \$5.5 million. Appropriation was unlimited by [Laws 1992, chapter 511](#), article 2, section 30.

¹¹ [Laws 1994, chapter 383](#), restores the \$100 minimum qualifying increase and removed the appropriation cap. The Commissioner of Revenue had increased the minimum qualifying increase to \$300 because the original appropriation of \$5.5 million from the 1992 law was insufficient to pay the expected refunds.

¹² [Laws 2001, first special session, chapter 5](#), article 4, section 1, provides that beginning with returns based on taxes payable in 2002, the portion of an agricultural homestead’s tax qualifying for targeting would be limited to the tax on the house, garage, and surrounding one acre of land. [Laws 2001, first special session, chapter 5](#), article 4, section 2, provided that beginning with refunds based on taxes payable in 2002, the targeting refund is calculated before the regular refund. Before this change, the regular property tax refund was calculated first.