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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE NO. **1632**

March 5, 2007

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to property taxation; property tax refund; increasing property tax refunds  
1.3 for homeowners; modifying household income for persons age 65 or older;  
1.4 amending Minnesota Statutes 2006, sections 290A.03, subdivision 3; 290A.04,  
1.5 subdivisions 2, 4.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 290A.03, subdivision 3, is amended to  
1.8 read:

1.9 Subd. 3. **Income.** (1) "Income" means the sum of the following:

1.10 (a) federal adjusted gross income as defined in the Internal Revenue Code; and

1.11 (b) the sum of the following amounts to the extent not included in clause (a):

1.12 (i) all nontaxable income;

1.13 (ii) the amount of a passive activity loss that is not disallowed as a result of section

1.14 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity

1.15 loss carryover allowed under section 469(b) of the Internal Revenue Code;

1.16 (iii) an amount equal to the total of any discharge of qualified farm indebtedness

1.17 of a solvent individual excluded from gross income under section 108(g) of the Internal

1.18 Revenue Code;

1.19 (iv) cash public assistance and relief;

1.20 (v) any pension or annuity (including railroad retirement benefits, all payments

1.21 received under the federal Social Security Act, supplemental security income, and veterans

1.22 benefits), which was not exclusively funded by the claimant or spouse, or which was

1.23 funded exclusively by the claimant or spouse and which funding payments were excluded

1.24 from federal adjusted gross income in the years when the payments were made;

2.1 (vi) interest received from the federal or a state government or any instrumentality  
2.2 or political subdivision thereof;

2.3 (vii) workers' compensation;

2.4 (viii) nontaxable strike benefits;

2.5 (ix) the gross amounts of payments received in the nature of disability income or  
2.6 sick pay as a result of accident, sickness, or other disability, whether funded through  
2.7 insurance or otherwise;

2.8 (x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code of  
2.9 1986, as amended through December 31, 1995;

2.10 (xi) contributions made by the claimant to an individual retirement account,  
2.11 including a qualified voluntary employee contribution; simplified employee pension plan;  
2.12 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)  
2.13 of the Internal Revenue Code; or deferred compensation plan under section 457 of the  
2.14 Internal Revenue Code;

2.15 (xii) nontaxable scholarship or fellowship grants;

2.16 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue  
2.17 Code; and

2.18 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal  
2.19 Revenue Code.

2.20 In the case of an individual who files an income tax return on a fiscal year basis, the  
2.21 term "federal adjusted gross income" shall mean federal adjusted gross income reflected  
2.22 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be  
2.23 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
2.24 carryback or carryforward allowed for the year.

2.25 (2) "Income" does not include:

2.26 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and  
2.27 102;

2.28 (b) amounts of any pension or annuity which was exclusively funded by the claimant  
2.29 or spouse and which funding payments were not excluded from federal adjusted gross  
2.30 income in the years when the payments were made;

2.31 (c) surplus food or other relief in kind supplied by a governmental agency;

2.32 (d) relief granted under this chapter;

2.33 (e) child support payments received under a temporary or final decree of dissolution  
2.34 or legal separation; or

3.1 (f) restitution payments received by eligible individuals and excludable interest as  
 3.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of  
 3.3 2001, Public Law 107-16.

3.4 (3) The sum of the following amounts may be subtracted from income:

3.5 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

3.6 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

3.7 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

3.8 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

3.9 (e) for the claimant's fifth dependent, the exemption amount; ~~and~~

3.10 (f) if the claimant ~~or claimant's spouse~~ was disabled or attained the age of 65  
 3.11 on or before December 31 of the year for which the taxes were levied or rent paid, the  
 3.12 exemption amount multiplied by 1.4; and

3.13 (g) if the claimant's spouse was disabled or attained the age of 65 on or before  
 3.14 December 31 of the year for which the taxes were levied or rent paid, the exemption  
 3.15 amount multiplied by 1.4.

3.16 For purposes of this subdivision, the "exemption amount" means the exemption  
 3.17 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
 3.18 the income is reported.

3.19 **EFFECTIVE DATE.** This section is effective beginning for claims filed based on  
 3.20 rent paid in 2007, and property taxes payable in 2008 and thereafter.

3.21 Sec. 2. Minnesota Statutes 2006, section 290A.04, subdivision 2, is amended to read:

3.22 Subd. 2. **Homeowners.** (a) A claimant whose property taxes payable are in excess  
 3.23 of the percentage of the household income stated below shall pay an amount equal to  
 3.24 the percent of income shown for the appropriate household income level along with the  
 3.25 percent to be paid by the claimant of the remaining amount of property taxes payable.  
 3.26 The state refund equals the amount of property taxes payable that remain, up to the state  
 3.27 refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
<del>\$0 to 1,189</del>	1.0 percent	15 percent	<del>\$1,450</del>
<u>\$0 to 1,519</u>			<u>\$1,850</u>
<del>1,190 to 2,379</del>	1.1 percent	15 percent	<del>\$1,450</del>
<u>1,520 to 3,029</u>			<u>\$1,850</u>
<del>2,380 to 3,589</del>	1.2 percent	15 percent	<del>\$1,410</del>
<u>3,030 to 4,579</u>			<u>\$1,790</u>
<del>3,590 to 4,789</del>	1.3 percent	20 percent	<del>\$1,410</del>

4.1	<u>4,580 to 6,119</u>			<u>\$1,790</u>
4.2	<del>4,790 to 5,979</del>	1.4 percent	20 percent	<del>\$1,360</del>
4.3	<u>6,120 to 7,639</u>			<u>\$1,730</u>
4.4	<del>5,980 to 8,369</del>	1.5 percent	20 percent	<del>\$1,360</del>
4.5	<u>7,640 to 10,679</u>			<u>\$1,730</u>
4.6	<del>8,370 to 9,559</del>	1.6 percent	25 percent	<del>\$1,310</del>
4.7	<u>10,680 to 12,209</u>			<u>\$1,670</u>
4.8	<del>9,560 to 10,759</del>	1.7 percent	25 percent	<del>\$1,310</del>
4.9	<u>12,210 to 13,739</u>			<u>\$1,670</u>
4.10	<del>10,760 to 11,949</del>	1.8 percent	25 percent	<del>\$1,260</del>
4.11	<u>13,740 to 15,259</u>			<u>\$1,600</u>
4.12	<del>11,950 to 13,139</del>	1.9 percent	30 percent	<del>\$1,260</del>
4.13	<u>15,260 to 16,779</u>			<u>\$1,600</u>
4.14	<del>13,140 to 14,349</del>	2.0 percent	30 percent	<del>\$1,210</del>
4.15	<u>16,780 to 18,319</u>			<u>\$1,540</u>
4.16	<del>14,350 to 16,739</del>	2.1 percent	30 percent	<del>\$1,210</del>
4.17	<u>18,320 to 21,379</u>			<u>\$1,540</u>
4.18	<del>16,740 to 17,929</del>	2.2 percent	35 percent	<del>\$1,160</del>
4.19	<u>21,380 to 22,899</u>			<u>\$1,480</u>
4.20	<del>17,930 to 19,119</del>	2.3 percent	35 percent	<del>\$1,160</del>
4.21	<u>22,900 to 24,409</u>			<u>\$1,480</u>
4.22	<del>19,120 to 20,319</del>	2.4 percent	35 percent	<del>\$1,110</del>
4.23	<u>24,410 to 25,949</u>			<u>\$1,410</u>
4.24	<del>20,320 to 25,099</del>	2.5 percent	40 percent	<del>\$1,110</del>
4.25	<u>25,950 to 32,049</u>			<u>\$1,410</u>
4.26	<del>25,100 to 28,679</del>	2.6 percent	40 percent	<del>\$1,070</del>
4.27	<u>32,050 to 36,629</u>			<u>\$1,360</u>
4.28	<del>28,680 to 35,849</del>	2.7 percent	40 percent	<del>\$1,070</del>
4.29	<u>36,630 to 45,779</u>			<u>\$1,360</u>
4.30	<del>35,850 to 41,819</del>	2.8 percent	45 percent	<del>\$ 970</del>
4.31	<u>45,780 to 53,409</u>			<u>\$1,230</u>
4.32	<del>41,820 to 47,799</del>	3.0 percent	45 percent	<del>\$ 970</del>
4.33	<u>53,410 to 61,049</u>			<u>\$1,230</u>
4.34	<del>47,800 to 53,779</del>	3.2 percent	45 percent	<del>\$ 870</del>
4.35	<u>61,050 to 68,679</u>			<u>\$1,110</u>
4.36	<del>53,780 to 59,749</del>	3.5 percent	50 percent	<del>\$ 780</del>
4.37	<u>68,680 to 76,309</u>			<u>\$990</u>
4.38	<del>59,750 to 65,729</del>	4.0 percent	50 percent	<del>\$ 680</del>
4.39	<u>76,310 to 83,939</u>			<u>\$870</u>
4.40	<del>65,730 to 69,319</del>	4.0 percent	50 percent	<del>\$ 580</del>
4.41	<u>83,940 to 88,529</u>			<u>\$740</u>
4.42	<del>69,320 to 71,719</del>	4.0 percent	50 percent	<del>\$ 480</del>
4.43	<u>88,530 to 91,589</u>			<u>\$610</u>

5.1	<del>71,720 to 74,619</del>	4.0 percent	50 percent	<del>\$390</del>
5.2	<u>91,590 to 95,299</u>			<u>\$500</u>
5.3	<del>74,620 to 77,519</del>	4.0 percent	50 percent	<del>\$290</del>
5.4	<u>95,300 to 98,999</u>			<u>\$370</u>

5.5        (b) The payment made to a claimant shall be the amount of the state refund  
5.6        calculated under this subdivision. No payment is allowed if the claimant's household  
5.7        income is ~~\$77,520~~ \$99,000 or more.

5.8        **EFFECTIVE DATE.** This section is effective beginning for claims filed based on  
5.9        property taxes payable in 2008.

5.10       Sec. 3. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

5.11       Subd. 4. **Inflation adjustment.** ~~Beginning for property tax refunds payable in~~  
5.12       ~~calendar year 2002,~~ (a) The commissioner shall annually adjust the dollar amounts of the  
5.13       income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation.

5.14       (b) Beginning for property tax refunds payable in 2009, the commissioner shall  
5.15       make the inflation adjustments to the dollar amounts in subdivision 2 in accordance with  
5.16       section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the  
5.17       percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007, to  
5.18       the year ending on June 30 of the year preceding that in which the refund is payable.

5.19       (c) Beginning for property tax refunds payable in 2002, the commissioner shall  
5.20       make the inflation adjustments to the dollar amounts in subdivision 2a in accordance with  
5.21       section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the  
5.22       percentage increase shall be determined from the year ending on June 30, 2000, to the  
5.23       year ending on June 30 of the year preceding that in which the refund is payable.

5.24       (d) The commissioner shall use the appropriate percentage increase to annually  
5.25       adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for  
5.26       inflation without regard to whether or not the income tax brackets are adjusted for inflation  
5.27       in that year. The commissioner shall round the thresholds and the maximum amounts,  
5.28       as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall  
5.29       round it up to the next \$10 amount.

5.30       (e) The commissioner shall annually announce the adjusted refund schedule at the  
5.31       same time provided under section 290.06. The determination of the commissioner under  
5.32       this subdivision is not a rule under the Administrative Procedure Act.

5.33       **EFFECTIVE DATE.** This section is effective the day following final enactment.