

Cuts to Renters' Credit hurts those already hurt by the tough economy

The Renters' Credit provides a property tax refund for nearly 305,000 low- and moderate-income Minnesota households, more than one-quarter of which include seniors or people with severe disabilities. When the 2009 Legislative Session ended with budget negotiations stalled, Governor Pawlenty took action to cut the Renters' Credit by \$51 million, or 27 percent, through the unallotment process. Unallotment impacts Renters' Credit applications filed in 2010 only.

As a result, most Renters' Credit recipients — 280,900 households — will see a significant cut in their Renters' Credits at a time when they are struggling to make ends meet. More than 18,000 Minnesotans will no longer qualify for the credit.¹ The average credit will drop by \$129 to \$441.² 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.³

What is the Renters' Credit?

The Renters' Credit is a critical tool to offset the impact of property taxes paid by renters, 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 tax costs to tenants through higher rents. The size of the Renters' Credit depends on a formula that considers both household 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.⁴ More than 80 percent of recipients have household incomes of \$30,000 or less.⁵ 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 fair market rent of \$719 a month for a one-bedroom apartment in the metro area.⁶ 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 Governor's unallotment reduces their credit by \$155 or 56 percent.

The impact on Minnesota's economy

During a recession, financial assistance to low-income families is one of the most effective economic stimulus tools the government has, because these individuals are likely to spend those dollars quickly and locally. The Renters' Credit is one of these tools. The Renters' Credit cut takes \$51 million out of Minnesota's still-struggling economy.

¹ Minnesota Department of Revenue, Property Tax Research.

² Minnesota Department of Revenue website, [Reduction of 2009 renters' property tax refunds issued in August 2010](#).

³ This is the change from pay 2004 to pay 2009. Minnesota 2020, [Governor Proposes Tax Increase for Renters](#).

⁴ Minnesota Department of Revenue, [Renter's Refund web site](#).

⁵ Minnesota Department of Revenue, Property Tax Research.

⁶ These examples are from Minnesota House Research, [Renter's Property Tax Refund Program](#).