

Senior Citizen Property Tax Deferral

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Property Tax Fact Sheet 7

Fact Sheet

The Senior Citizen Property Tax Deferral Program was established to help senior citizens who were having difficulty paying their property taxes. This deferral program has two primary advantages for senior citizens.

1. It limits the maximum amount of property tax you pay to 3% of your total household income.
2. It provides predictability. The amount of tax you pay will stay the same as long as you remain in the program.

What is it?

Under the Senior Citizens' Property Tax Deferral program, you can defer on a portion of the property taxes you owe if:

- You are 65 years old or older
- Your household income is \$60,000 or less

The amount of property taxes that you will be responsible for paying will be 3% of your household income.

How does it work?

This is a low-interest loan from the state. This is not a tax forgiveness program. The state pays the county your property taxes directly and charges you interest. The interest on the loan changes yearly, but will never be more than 5%.

Please note, under this program, a lien will attach to your property. This means that the state can take possession of your home as payment for the loan if you leave the program or no longer qualify for the program and you do not pay the loan amount back.

How much will I pay in taxes?

The amount of tax you pay is determined the year you enter the program. Your annual income from the year before you enter the program is used to figure out how much you will pay.

Example: Let's assume your household income was \$15,000 the year before you entered the program and under the program, you are responsible for 3% of your household income. 3% of \$15,000 is \$450.

- The maximum amount of property tax you would be responsible for paying each year you participate would be \$450.

If your property tax for the year was \$1,450, you would pay \$450, and the remaining \$1,000 would be paid by the state.

The \$1,000 would be the amount of the loan from the state and interest would be charged on it. If your total property tax ever fell below your maximum tax amount (\$450 in this example), you would only pay the amount due.

As part of your initial application, you will need to provide a report detailing any mortgages, liens, judgments, or unpaid property taxes on your property. The report must be dated within 30 days of your application. Depending on the type of property you own, your report will be one of the following:

- **Abstract property:** a licensed abstracter must prepare a report showing the last deed recorded and any unsatisfied liens or judgments. This report is also called an "Owners and Encumbrances" report.
- **Torrens property,** you will need to obtain a copy of the "Original Certificate of Title," sometimes called a "Condition of Register," from the County Recorder.

If you are unsure what type of property you have, contact your county recorder.

What about my property tax refunds?

When you apply for property tax refunds, you will not receive the refunds as cash payments. They will be applied to your deferred property tax total, which is the loan amount from the state.

Your Minnesota income tax refunds, political contribution refunds, or lottery winnings of any type will also be applied to your deferred property tax.

What if my income changes?

If your income goes above \$60,000 in a calendar year, you must notify the Department of Revenue in writing.

You will not be allowed to defer any further taxes until your income is \$60,000 or less. If this happens, you are responsible for submitting a new application for the program.

If you fail to notify the state of an increase in income, penalties will apply.

Please note that stopping deferral because of excess income is not the same thing as being terminated from the program.

Who may be eligible?

In order to qualify for this program, **all** of the following conditions must be met:

1. The property must be owned and homesteaded by a person 65 years of age or older. (In the case of a married couple, one spouse must be at least 65, and the other spouse must be at least 62.)
2. Your total household income cannot be more than \$60,000 for the calendar year before the year of your initial application.
3. One of the homeowners must have owned and lived in the home for at least 15 years before the year that you submit your first application.
4. There can be no state or federal tax liens or judgment liens on the property.
5. The total of unpaid debts secured by mortgages and other liens against the property cannot be more than 75% of the assessors estimated market value of the property.

How do I apply?

Applications are available at your County Auditor's office.

Applications are due on or before July 1 to defer a portion of the taxes you owe for the next year. You can apply the year you turn 65 years old, but you will not receive a deferral until the following year. Once you are enrolled in the program and continue to meet requirements (annual income is \$60,000 or less), you do not need to reapply.

What else should I know?

If you meet the requirements of this program, the state will file a notice of lien with your county. If there are fees associated with this filing, they will be added to your deferred tax.

When does my enrollment end?

Deferral of taxes will terminate when **any one** of the following occurs:

1. The property is sold or transferred.
2. All qualifying homeowners die.
3. The homeowner notifies the Commissioner of Revenue in writing that he/she wishes to discontinue the program.
4. The property no longer qualifies as a homestead.

When terminated, the deferred property taxes, any special assessments that may have been deferred, penalties, plus any recording or filing fees will become due and you will need to pay this to the state.

If the property is sold or the homeowner dies, payment is due within 90 days of termination.

If the homeowner voluntarily leaves the program or the property ceases to qualify as a homestead, the total deferred amount will become due within 1 year of termination.

No additional interest will be due if you pay the state on time. If the deferral is not paid on time, penalty, interest, lien, forfeiture, and other rules for the collection of property taxes will apply.

What if I have questions?

This is only a summary of the Senior Citizens' Property Tax Deferral program. For more information, or for answers to specific questions, call the Tax Operations Division of the Minnesota Department of Revenue at: (651) 556-4803.

Property Tax Deferral for Senior Citizens

Important: Participation in this program is voluntary. If you participate, a tax lien will be placed on your property. This lien must be satisfied when your property is sold. In the event of your death, your heirs must satisfy the lien before they can acquire clear title. Read the instructions on the back carefully before completing this application.

Homeowners with a reverse mortgage do not qualify to participate in this program.

Print or type	Your name	Social Security number	Date of birth
	Spouse's name	Social Security number	Date of birth
	Mailing address		
	City	State	Zip code

Income/Property	Last year's total household income \$	Parcel ID number from tax statement	Year property was purchased
	Estimated market value (from Notice of Real Estate Value or tax statement) \$	Is property currently classified as homestead? <input type="checkbox"/> Yes <input type="checkbox"/> No	Year homestead was established
	Legal description of property (or you can attach a copy of your deed)		

Sign here	<i>The information on this application is correct to the best of my knowledge.</i>		
	Applicant's signature	Date	Daytime phone
	Spouse's signature	Date	Daytime phone

You must attach the following to this application:

1. A copy of this year's property tax statement.
2. A report detailing any mortgages, liens or judgments on the property.
 - For "Torrens" property, the report is a copy of the original certificate of title, which is available from your county recorder (sometimes referred to as a "condition of register"). The certificate must be dated within 30 days of your application.
 - For abstract property, the report is prepared by a licensed abstracter showing the last deed recorded and any unsatisfied liens or judgments (sometimes referred to as an "owners and encumbrances report"). The report must be dated within 30 days of your application.

If you don't know what kind of property you have, contact your county recorder.

Mail your completed application with the attachments listed above to:

Minnesota Revenue
Mail Station 4108
St. Paul, MN 55146-4108

From CR-SCD Instructions

About this program

This program allows people 65 or older to defer a portion of their homestead property taxes. The deferral begins with real estate taxes payable the year after you make the initial application.

Participation in this program is voluntary.

There are some important facts you should know before you apply.

- **This is a loan from the state to you.** The deferred tax is paid by the state to your county.
- Interest will be charged on the loan. The interest rate will be adjusted annually but will never exceed 5 percent.
- A lien will attach to the property.
- The county will send you a notice each year showing the current year's deferred taxes, the total cumulative deferred taxes and accrued interest. This information becomes public data.
- The amount of property tax you pay each year will be based on your income the year before you enter the program.

Who qualifies

To qualify, you must meet all of the following requirements:

1. You must be 65 or older and own and occupy the property as a homestead. If you're married, your spouse must be at least 62 when the first deferral is granted.
2. Your total household income cannot exceed \$60,000 in the calendar year prior to the year you apply.
3. At least one of the homeowners must have owned and occupied the property as their homestead for at least 15 years prior to the year of application.
4. There can be no state or federal tax liens or judgment liens on the property.
5. Total debts secured by mortgages and other liens against the property cannot exceed 75 percent of the property's estimated market value.

Homeowners with a reverse mortgage do not qualify to participate in this program.

When to apply

You must apply by July 1 in order for your taxes to be deferred the following year. You may apply in the year in which you turn 65. Once enrolled in the program, you don't need to reapply.

If your income changes or you want to stop deferral

If your income exceeds \$60,000 in a calendar year, you must notify us in writing by July 1 of the following year. You won't be able to defer additional taxes until your income drops to \$60,000 or less, at which time you'll need to send a written request to resume deferral. If you want to voluntarily stop deferral, you must also send us a written notice. Send notice to:

Minnesota Revenue
Mail Station 4108
St. Paul, MN 55146-4108

Paying back the tax

Your participation in the program will end when any one of the following occurs:

- The property is sold or transferred.
- All qualifying homeowners die.
- You notify the department in writing to stop deferral.
- The property no longer qualifies as a homestead.

When any of these happen, the deferred taxes plus interest must be paid back to the state. If the property is sold or the homeowner dies, payment is due within 90 days. If you voluntarily stop deferral or the property no longer qualifies as a homestead, you'll have one year to pay back the amount.

If you pay back the tax within the above time frames, you will not be charged additional interest. The county will record a notice of termination and send a copy to you. You must pay any recording or filing fees.

If you don't pay back the tax on time, penalty, interest, lien, forfeiture and other rules for collecting property taxes will apply.

How this program affects refunds and rebates

You can apply for property tax refunds or rebates based on the qualifying amount on your property tax statement.

You will not, however, receive property tax refunds or rebates as cash payments. You will also not receive Minnesota income tax refunds, political contribution refunds or lottery winnings of any type. Instead, these refunds will be applied to reduce your deferred property tax total.

We'll notify you whenever we use a refund to reduce the amount of deferred tax. If your refund exceeds the deferred amount, we'll send you a check for the difference.

How we use information

Some of the information on this application is private data. We use the information to determine your eligibility. To verify information, we may share it with the county assessor, the county attorney, and federal, state or local taxing authorities. You're not required to provide the information we ask for; however, if you don't, you won't be considered for the program.

Penalties

You'll be charged a penalty equal to 20 percent of the deferred tax if the information on your application, property certificate or abstract report is false; or if you don't notify us that your income exceeds program limits. If you intentionally give us false information on any of the above, the penalty increases to 50 percent of the deferred tax.

Questions?

If you need help completing this application, call (651) 556-4803.
TTY: Call 711 for Minnesota Relay.

We'll provide this information in other formats upon request to persons with disabilities.