



Testimony — House Tax Committee  
May 3, 2005  
Nan Madden  
Director, Minnesota Budget Project  
(651) 642-1904 x230

The Minnesota Budget Project is an initiative of the Minnesota Council of Nonprofits. We provide independent research, analysis, and advocacy on budget and tax issues, with particular attention to the impact that fiscal decisions have on low- and moderate-income Minnesotans. I would like to testify today in strong opposition to the deep cuts in the Renters' Credit proposed in this bill, which violate basic notions of fairness valued by all Minnesotans.

The Renters' Credit is an important source of property tax relief and housing assistance for nearly 275,000 low- and moderate-income Minnesota households whose rents are high in relation to their income. Seniors and persons with severe disabilities make up 29% of all Renters' Credit recipients, and in 17 counties in Greater Minnesota, at least one-half of the recipients are seniors and/or persons with disabilities. The average amount of credit for 2004 is \$554.

This proposal would cut the Renters' Credit by 44%, or \$66.4 million in FY 2007, making it one of the largest revenue raisers in this bill. This translates to an average cut of \$241. I would note that this bill contains a provision that would extend Limited Market Value, thereby protecting homeowners, regardless of their income level, from dramatic increases in property taxes from one year to the next. Yet this bill asks low- and moderate-income renters to shoulder a 44% cut in the Renters' Credit.

The Minnesota Department of Revenue's recent *Tax Incidence Study* shows that low- and middle-income Minnesotans contribute a larger share of their income in total state and local taxes than higher-income Minnesotans do. It further shows that the regressivity of the property tax for renters, even after taking the Renters' Credit into account, is projected to increase dramatically from 2002 to 2007 under current law. This trend will only get worse under the proposed cuts to the Renters' Credit.

How much of the cost of balancing the budget must Minnesota's low- and moderate-income renters bear? In addition to the reduction in the Renters' Credit, these families are facing cuts to MinnesotaCare and child care assistance, tuition hikes, and other changes throughout the budget.

We have supported a balanced approach to the budget that includes fair tax increases based on ability to pay. We ask you consider a fairer way to raise revenues, and remove the Renters' Credit provision from this bill.

I would like to end my testimony by thanking you for including in the bill continued funding for taxpayer assistance grants. These grants help low-income taxpayers across the state, including many for whom English is a second language, in preparing and

filing their tax returns. This small investment brings many positive benefits to the state, including greater participation in e-filing and higher accuracy of tax returns. We thank the committee for your ongoing support.