Senior Citizen Property Tax Deferral

Property Tax Fact Sheet 3

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.

- It limits the maximum amount of property tax you pay to three percent of your total household income, and
- It provides predictability. The amount of tax you pay will not change for as long as you participate in this program.

What is it?

The Senior Citizens Property Tax Deferral program allows people 65 years of age or older, whose household incomes are $60,000 or less, to defer a portion of their property tax on their home.

How does it work?

This is not a tax forgiveness program – it is a low interest loan from the state. The deferred tax is paid by the state to your county. Interest will be charged on this loan. The interest rate will be adjusted annually, but will never exceed five percent. **A lien will attach to your property.**

The amount of tax you pay is determined the year you enter the program. Your annual income for the year preceding the year you enter the program serves as the basis for how much you will pay.

Example: Let's assume your household income was $15,000 the year before you entered the program; three percent of that amount is $450. The maximum annual property tax you would be responsible for paying would be $450 for each year you participated in the program. If your property tax for the year was $1,450, you would pay $450 and the $1,000 remaining would be deferred. If your total property tax ever fell below your maximum tax amount, you would pay the lesser amount.

As part of your initial application, you will need to provide – at your expense – one of the following reports 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:

If you have "Abstract" property, a licensed abstracter must prepare a report showing the last deed recorded and any unsatisfied liens or judgments. Such a report is also called an "Owners and Encumbrances" report. These reports cost approximately $50.

If you have "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. This certificate costs $10.

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

What about my refunds or rebates?

When you apply for property tax refunds or rebates based on the qualifying amount on your property tax statement, you will not receive the refunds or rebates as cash payments. They will be applied to your deferred property tax total.

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?

Once enrolled in the program you will not need to reapply. However, if your income goes above $60,000 in a calendar year, it is your responsibility to notify the Department of Revenue, in writing. You will not be allowed to defer any further taxes until your income again falls below $60,000. If this happens, it will be your responsibility to reapply for deferral. Stopping deferral because of excess income is not the same thing as being terminated from the program.

If you fail to notify the state of excess income, penalties will apply.

Who may be eligible?

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

- The property must be owned and occupied as a homestead 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, when the first deferral is granted. (The homestead can be classified as residential or agricultural, or it may be part of a multi-unit building.)
- The total household income may not exceed $60,000 for the calendar year preceding the year of initial application.
- The home must have been owned and occupied as the homestead of at least one of the homeowners for at least 15 years prior to the year of initial application.
- There can be no state or federal tax liens or judgment liens on the property.
- The total of unpaid debts secured by mortgages and other liens against the property cannot exceed 75 percent of the assessors estimated market value of the property.

How do I apply?

Applications are available in your county auditor's office. Applications must be made by July 1 to defer a portion of the following year's tax. You may apply in the year in which you become 65 years old, but no deferral will be allowed until the following year.

To apply, you will need Form CR-SCD. This document is in PDF file format. First time users will need the free Adobe Acrobat Reader to print the form.

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.

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

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

Upon termination of the deferral, the deferred property taxes, any special assessments that may have been deferred, penalties, plus any recording or filing fees will become due and payable 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 one year of termination. No additional interest will be due if timely paid. If the deferral is not timely paid, 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 Property Tax Division of the Minnesota Department of Revenue at: (651) 556-6088.

A printer-friendly version of this fact sheet is available. To apply, you will need Form CR-SCD. These documents are in PDF file format. First time users will need the free Adobe Acrobat Reader to print these documents.