

**PROPERTY TAX
Property owned by Veterans of
Foreign Wars organizations
tax exemption**

March 8, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3196 (Rarick) as proposed to be amended by SCS3196A-1

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
PTR Interactions	\$0	\$0	\$0	(\$30)

Effective beginning with assessment year 2022.

EXPLANATION OF THE BILL

The bill would create a property tax exemption for property owned by Veterans of Foreign Wars (VFW) organizations that qualify for tax exemption under section 501(c)(19) of the Internal Revenue Code.

Under current law, these properties are classified as either 4c(3)(i) or 4c(3)(ii).

REVENUE ANALYSIS DETAIL

- The February 1 exemption application deadline has already passed for assessment year 2022, so qualifying properties will first be eligible for the exemption beginning with assessment year 2023.
- It is estimated that approximately 100 parcels, with a total market value of \$23.5 million, would qualify for the exemption.
- For taxes payable in 2024 and thereafter, the proposed exemption would reduce taxable market value, shifting property taxes away from the exempted VFW properties and onto all other properties, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by approximately \$30,000 beginning in fiscal year 2025.
- For parcels currently classified as 4c(3)(ii), exemption from the seasonal residential recreational state general tax would have no impact on state revenues in payable year 2024 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Tax year impact is allocated to the following fiscal year.
- Estimates are based on the 2022 February Forecast.

Number of Taxpayers: Approximately 100.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Additional type of exemption.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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