

**PROPERTY TAX
Exclusion for veterans with a
disability increased**

February 1, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 236 (Freiberg) / S.F. 772 (Mitchell) as introduced

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
PTR Interaction – Veteran Homesteads	\$0	\$470	\$500	\$550
PTR Interaction – Other Homesteads	\$0	(\$180)	(\$190)	(\$210)
General Fund Total	\$0	\$290	\$310	\$340

Effective beginning with property taxes payable in 2024.

EXPLANATION OF THE BILL

The proposal would increase the maximum market value exclusion for homesteads of a veteran with a disability:

- from \$150,000 to \$165,000 for a veteran with a 70% or greater disability, and
- from \$300,000 to \$330,000 for a veteran with a total (100%) and permanent disability.

REVENUE ANALYSIS DETAIL

- There are approximately 21,000 homesteads currently receiving the exclusion.
- Under the proposal, approximately 14,000 homesteads would receive a larger exclusion for property taxes payable in 2024.
- The proposal would result in a net savings to the state of \$290,000 in fiscal year 2025 due to a reduction in state-paid homeowner property tax refunds (PTR) to qualifying homesteads.
- For taxes payable in 2024, the proposal would reduce state-paid homeowner refunds to qualifying homesteads by \$470,000, resulting in a savings to the state general fund.
- At the same time, the proposal would shift an estimated \$3.4 million in property taxes onto other properties, including other homesteads, increasing state-paid homeowner refunds by \$180,000. The overall savings to the state general fund is net of this cost.
- It is assumed that the number of homesteads that benefit under the proposal will increase by 5% annually; it is further assumed that the average refund will increase by 3% annually.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: Approximately 14,000 homesteads.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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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