

MINNESOTA • REVENUE

PROPERTY TAX REFUND Exemption for Disabled Veterans

March 30, 2004

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2218 (Murphy) / H.F. 2311 (Rukavina)

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$1,200	\$1,200

Effective for taxes payable in 2005 and thereafter.

EXPLANATION OF THE BILL

Current Law: A veteran who has a permanent and total service-connected disability due to the loss, or loss of use, of both lower extremities and who has acquired a special housing unit to accommodate the disability, is entitled to have such a homestead classified under class 1b. This classification applies a class rate of 0.45% on the first \$32,000 of market value, instead of the 1.0% rate applied to homesteads without the 1b classification.

Proposed Law: The bill adds an exemption from property tax for homesteads of veterans who are 100% disabled as a result of a service-connected disability. The bill also deletes language in existing law that provides for a 1b disabled class for permanently and totally disabled veterans in specially adopted housing units.

REVENUE ANALYSIS DETAIL

- According to the Minnesota Department of Veteran Affairs, there are 3,280 disabled veterans in Minnesota who would qualify for the proposed property tax exemption.
- Although the exemption would result in some shift of property tax to other types of property, the main impact would be the elimination of property tax refunds for the disabled veterans.
- It was assumed that 75% of the veterans would be eligible for the property tax refund and that they would receive an average refund of \$500.

Number of Taxpayers: 3,280 disabled veterans in Minnesota.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy