

MINNESOTA • REVENUE

PROPERTY TAX Homestead Property Tax Exemption for Veterans

March 21, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 169 (Rukavina) / S.F. 417 (Murphy) **Updated for Effective Date**

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$1,070	\$1,130

Assumed effective for taxes payable in 2007 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 a full exemption from property tax for homesteads of veterans who are 100% disabled as a result of a service-connected disability. The exemption extends to surviving spouses of these veterans. 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 Veterans Affairs, there are approximately 3,735 fully-disabled veterans in Minnesota. It was assumed that about 2,800 are homeowners and would qualify for the proposed homestead property tax exemption.
- The main impact of the exemption on the state general fund would be the elimination of property tax refunds for the disabled veterans.
- It was assumed that 75% of the veterans qualifying for the exemption are eligible for the property tax refund under current law and receive an average refund of \$500. With a full property tax exemption, these refunds would no longer be paid, resulting in a savings to the state general fund.
- The exemption would also result in some shift of property tax to other types of property, increasing state-paid homeowner property tax refunds. The general fund impact is net of this increase.
- A 5% annual growth rate is assumed.

Number of Taxpayers: An estimated 2,800 disabled veterans in Minnesota.

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