

# MINNESOTA • REVENUE

## PROPERTY TAX Disabled Veterans Homestead Property Valuation Exclusion

April 12, 2010

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 3507 (Severson) / S.F. 3141 (Hann)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2010</u></b>	<b><u>F.Y. 2011</u></b>	<b><u>F.Y. 2012</u></b>	<b><u>F.Y. 2013</u></b>
		(000's)		
General Fund	\$0	\$0	\$0	\$90

Effective for property taxes payable in 2011 and thereafter.

### EXPLANATION OF THE BILL

**Current Law:** A market value exclusion is available for homestead property owned by a disabled veteran who is at least 70% disabled as a result of a service-connected disability. The exclusion amount is a graduated scale based on the disability percentage: 70% to <100% disabled = \$150,000 valuation exclusion; and 100% disabled = \$300,000 valuation exclusion.

If upon the death of a 100% disabled veteran the spouse is the legal owner of the property, the exclusion carries over to the benefit of the veteran's spouse for one additional assessment year or until the spouse sells, transfers, or disposes of the property, whichever comes first.

**Proposed Law:** The proposal would extend the benefits to the surviving spouse of a 100% disabled veteran who received the homestead valuation exclusion. The exclusion would carry over until the spouse remarries, sells, transfers, or disposes of the property, whichever comes first.

### REVENUE ANALYSIS DETAIL

- For assessment year 2009, approximately 8,550 veterans in Minnesota with a disability rating of at least 70% received a homestead valuation exclusion, the second year it was available. Approximately 5,800 have a disability rating of 100%.
- Due to the passing of a qualifying disabled veteran, it is estimated that 3% of homesteads receiving the valuation exclusion would lose eligibility each year under current law. It is assumed that 25% of these homesteads would have no surviving spouse or the spouse would choose to transfer the property. The remaining 75% would be eligible to continue receiving the homestead valuation exclusion.

**REVENUE ANALYSIS DETAIL (continued)**

- A property qualifying for the disabled veteran valuation exclusion is not eligible to receive the market value homestead credit, resulting in a savings to the state general fund. The valuation exclusion also results in a net property tax refund savings to the state general fund. The average state savings per homestead is estimated to be approximately \$655. A 5% annual growth rate is assumed.
- The first assessment year impacted would be 2011, for taxes payable in 2012. The proposal would shift an estimated \$230,000 in property tax onto all other property types in the first year.
- Tax year impact is allocated to the following fiscal year.

**Number of Taxpayers:** In the first year, an estimated 130 widowed spouses of disabled veterans would continue receiving the homestead valuation exclusion.

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)