DEPARTMENT OF REVENUE

February 28, 2017

PROPERTY TAX
Disabled veteran's exclusion modified

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 0051 (Johnson, S.) / S.F. 0071 (Clausen) as introduced

	Fund Impact			
	FY2018	**FY2019**	**FY2020**	**FY2021**
	(000's)			
Property Tax Refund Interactions	$0	($40)	($40)	($40)

Effective beginning with taxes payable in 2018.

EXPLANATION OF THE BILL

Under current law, homestead property owned by a veteran with a 70 percent or greater service-connected disability is eligible for a market value exclusion of up to $150,000. However, for a total and permanent disability (100 percent), up to $300,000 of market value is excluded.

Under the proposal, the exclusion amount would equal $300,000 times the disability rating percentage.

REVENUE ANALYSIS DETAIL

- Under the proposal, the maximum allowable exclusion for veterans with a 100% disability would equal $300,000, as under current law. However, veterans with a 70% or greater disability would be eligible for a maximum exclusion of $210,000 (70% of $300,000), $240,000 (80% of $300,000), or $270,000 (90% of $300,000), depending on their individual disability rating.
- Disability ratings are rounded to the nearest 10%. It is unknown how many veterans receiving the $150,000 exclusion have a disability rating of 70%, 80%, or 90%. For the purposes of this estimate, it is assumed that the average rating is 80%.
- For taxes payable in 2017, approximately 14,500 parcels received a valuation exclusion. Approximately 5,500 of these parcels were owned by a veteran with a 70% or greater disability rating and received the $150,000 market value exclusion.
    - In FY 2019, the proposal would shift an estimated $2 million in property tax onto all other property types, including other homesteads. This would increase homeowner property tax refunds.
    - It is assumed that 10% of homesteads receiving an increased exclusion under the proposal also receive a property tax refund, but that no refund would be paid under the proposal. The overall cost to the state is net of these savings.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: It is estimated that approximately 3,300 taxpayers would receive a larger exclusion.

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

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral
Responsiveness to Economic Conditions	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
www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx

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