DEPARTMENT OF REVENUE

PROPERTY TAX

Disabled and deceased veteran's homestead market value exclusion benefit for surviving spouse eligibility modification

February 27, 2019

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0113 (Lang) as proposed to be amended by SCS0113A-1

	Fund Impact			
	FY2020	**FY2021**	**FY2022**	**FY2023**
		(000's)		
Property Tax Refund Interactions	$0	$30	$70	$110

Effective beginning with assessment year 2019 for taxes payable in 2020.

EXPLANATION OF THE BILL

Under current law, the surviving spouse of a deceased veteran who had a 100% total and permanent disability is eligible to continue receiving the exclusion for eight additional years, or until the spouse remarries or ceases to own the property, whichever comes first.

Under the proposal, surviving spouses would continue receiving the benefit indefinitely, as long as they have not remarried and continue to own and occupy the homestead.

REVENUE ANALYSIS DETAIL

- For taxes payable in 2020, the proposal impacts homesteads where the veteran died in 2011.
    - Under current law, if the veteran died in 2011, then the final year of the exclusion for a surviving spouse is taxes payable in 2019.
    - For taxes payable in 2011, approximately 9,000 veteran homesteads received a valuation exclusion, and approximately 6,000 of these homesteads were owned by a veteran with a 100% disability rating.
- It is estimated that 3% of veteran homeowners die each year, and that 25% of these homesteads have no surviving spouse. In the remaining 75% of these homesteads, the spouse would be eligible to continue receiving the valuation exclusion. A 90% participation rate for surviving spouses is assumed.
- The extension of eligibility for the exclusion results in a net savings to the state due to a reduction in property tax refunds paid to veteran homesteads. The average savings per homestead is an estimated $560, assumed to grow annually at a 3% rate.
- In FY 2021, the proposal would shift an estimated $150,000 in property tax onto all other property types, including other homesteads. This would increase homeowner property tax refunds. The overall property tax refund savings to the state is net of these costs.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: It is estimated that approximately 60 surviving spouses would benefit in the first year.

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

Transparency, Understandability, Simplicity & Accountability	Neutral	
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Increase	For taxpayers, the exclusion would remain in place until ownership of the property is transferred.
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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