

**PROPERTY TAX**

**Property tax exemption for elderly living facilities**

March 19, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Cost/Savings</b>		X

Department of Revenue

H.F. 0552 (Schultz) as proposed to be amended by H0552DE1

**Fund Impact**

<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
(000's)			

Property Tax Refund Interaction	\$0 (negligible) (negligible) (negligible)
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Effective beginning with property taxes payable in 2020.

**EXPLANATION OF THE BILL**

The bill would allow an elderly living facility to defer its property taxes if:

- the facility is located in a first class city with a population less than 110,000;
- the facility is owned and operated by a 501(c)(3) nonprofit organization;
- construction of the facility was completed between January 1, 1963 and January 1, 1964;
- the facility has a chapter 144D housing with services license, and a chapter 144A comprehensive home care license;
- residents are at least 62 years of age or disabled;
- and at least 30 percent of the units are occupied by persons whose annual income does not exceed 50 percent of the median family income for the area.

The qualifying facility would be treated as exempt property. However, the value of the property would be assessed every year and property taxes would be calculated and recorded. If the benefiting facility is sold, transferred, or no longer qualifies for the deferral, then the calculated taxes for the current payable year and the four previous years would become due.

To receive exempt treatment and a property tax deferral, an application must be filed by December 1 of the assessment year.

**REVENUE ANALYSIS DETAIL**

- Saint Ann's Seniors' Residence in the city of Duluth would be eligible for the property tax deferral and would be treated as exempt property.
- For taxes payable in 2020 and thereafter, a property tax exemption would reduce the amount of taxable market value, shifting property taxes away from the exempted elderly living facility and onto all other property, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by less than \$5,000 beginning in fiscal year 2021.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Additional type of exemption.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	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](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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