

PROPERTY TAX

Property owned by congressionally-chartered veteran organization tax exemption provided

February 20, 2020

	Yes	No
DOR Administrative Cost/Savings		x

Department of Revenue

Analysis of H.F. 3049 (Dettmer) / S.F. 3091 (Anderson, B) as introduced

Fund Impact

	FY2020	FY2021	FY2022	FY2023
	(000's)			
General Fund	\$0	\$0	\$0	(\$40)

Effective beginning with property taxes payable in 2021.

EXPLANATION OF THE BILL

Under current law, property that meets the qualifications of section 273.13, subdivision 25, paragraph (d), clause (3), and is owned and operated by a congressionally chartered veterans organization, has a classification rate of one percent.

Under the proposal, this property type would be exempt from taxation.

REVENUE ANALYSIS DETAIL

- To receive the exemption, eligible organizations must file an initial application with the county assessor by February 1 of the assessment year.
- Since the deadline for assessment year 2020 has already passed, the proposal would have no impact on taxes payable in 2021.
- Beginning with taxes payable in 2022, the exemption would reduce taxable market value, shifting property taxes away from the qualifying parcels and onto all other property, including homesteads.
- The additional property tax burden on homesteads due to the exemption would increase state-paid property tax refunds by an estimated \$40,000 beginning in fiscal year 2023.
- The exemption from the state property tax levy would have no impact on state revenues in payable year 2022 and thereafter because the tax rate would be adjusted to yield the amount of revenue required by statute. The tax reduction for qualifying parcels would shift onto the other commercial and industrial properties subject to the state levy.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: Approximately 280 parcels would qualify for the exemption.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Reduces the total number of tax classifications, but increases the total number of exemptions.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & 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

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