

**PROPERTY TAX
Disabled veterans' homestead
market value exclusion for
qualifying spouses extension**

February 8, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 2681 (Lang) / H.F. 2865 (Dettmer) as introduced

Fund Impact

	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
PTR Interactions	\$0	\$0	negligible	negligible

Effective beginning with assessment year 2022.

EXPLANATION OF THE BILL

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

- 1) a member of the United States armed forces dies due to a service-connected cause while serving honorably in active service, or
- 2) a veteran with a 100% and permanent disability dies before receiving the exclusion, then the surviving spouse may submit a first-time application for the exclusion within two years of the death of the veteran or active service member.

Under the proposal, a surviving spouse would be allowed to submit a first-time application:

- 1) within two years of the veteran's or active service member's death, or
 - 2) within two years of the United States Department of Veterans Affairs Dependency and Indemnity Compensation determination, if applicable, or
 - 3) by December 31, 2023,
- whichever is later. The proposal would also allow a spouse whose application had been denied previously to reapply by December 31, 2023.

REVENUE ANALYSIS DETAIL

- It is assumed that fewer than ten homesteads would become newly eligible for the exclusion, resulting in a net savings to the state of less than \$5,000 in FY 2024.
- The savings is due to a reduction in property tax refunds paid to veteran homesteads.
- The proposal would also shift some property taxes onto other properties, including other homesteads, potentially increasing some homeowner property tax refunds. The overall savings to the state is net of these costs.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: Assumed to be fewer than ten.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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
<https://www.revenue.state.mn.us/revenue-analyses>

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