

**PROPERTY TAX
Disabled veterans' homestead
market value exclusion
spousal benefit modified**

March 29, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4249 (Demuth) / S.F. 4021 (Howe) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Property Tax Refund Interactions	\$0	\$0	negligible	negligible

Effective beginning with assessment year 2022.

EXPLANATION OF THE BILL

Under current law, there is no time limit to a surviving spouse receiving the homestead market value exclusion for veterans with a disability. However, prior to taxes payable in 2020, the surviving spouse benefit was limited to no more than eight years.

The proposal would allow a surviving spouse to reapply for the exclusion if the exclusion expired prior to taxes payable in 2020.

REVENUE ANALYSIS DETAIL

- The exclusion has been in existence since taxes payable year 2009.
- For some homesteads, the surviving spouse benefit may have been in its eighth year as early as taxes payable year 2017 or 2018, resulting in the exclusion being removed for taxes payable in 2018 or 2019, respectively.
- Under the proposal, 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 fiscal year 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.
- The estimate is based on the 2022 February Forecast.

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>

hf4249(sf4021)_pt_1/jtb