

**PROPERTY TAX  
Veterans Exclusion Spousal  
Benefit Modified**

February 15, 2023

Department of Revenue  
Analysis of S.F. 138 (Howe) / H.F. 1060 (Demuth) as introduced

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

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
Refunds of Prior Years' Property Taxes	(\$120)	\$0	\$0	\$0
PTR Interaction	\$0	negligible	negligible	negligible

Effective retroactively beginning with assessment year 2019.

**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 legislation passed in 2019 for taxes payable in 2020, the surviving spouse benefit was limited to no more than eight years. Any surviving spouse that received the exclusion for taxes payable in 2019 was eligible for the extension to a lifetime benefit.

The proposal would allow a surviving spouse to reapply for the exclusion if the exclusion expired prior to assessment year 2019 (for taxes payable in 2020) due to the eight-year limit that was in effect at the time. In addition, eligible surviving spouses would be allowed a refund of property taxes paid in taxes payable years 2020 through 2023. Refunds of prior years' property taxes would be calculated by the county and paid for by the state. The amount necessary for these one-time refunds would be appropriated from the general fund in fiscal year 2024.

**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 reapply for the exclusion and receive a refund of property taxes paid in 2020 through 2023.
- State-paid refunds of property taxes paid in 2020 through 2023 would cost the state general fund an estimated \$120,000 in fiscal year 2024.
- Beginning in fiscal year 2025, the proposal would result in a net savings to the state of less than \$5,000. The savings are due to a reduction in "Homestead Credit" property tax refunds (PTR) paid to veteran homesteads.
- The proposal would also shift some property taxes onto other properties, including other homesteads, potentially increasing some "Homestead Credit" 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 &amp; Accountability</i>	Neutral
<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  
<https://www.revenue.state.mn.us/revenue-analyses>

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