DEPARTMENT OF REVENUE

PROPERTY TAX
Property Tax Exclusion Established for Licensed In-Home Child Care Providers

March 3, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 633 (Nadeau) 1st Engrossment

	Fund Impact			
	F.Y. 2026	**F.Y. 2027**	**F.Y. 2028**	**F.Y. 2029**
	(000's)			
PTR Interaction - In-Home Child Care Providers	$0	$3,480	$3,650	$3,850
PTR Interaction - Other Homesteads	$0	($560)	($590)	($620)
General Fund Total	$0	$2,920	$3,060	$3,230

Effective beginning with taxes payable in 2026.

EXPLANATION OF THE BILL

The proposal would create a property tax market value exclusion for property classified as 1a residential homestead and 2a agricultural homestead (house, garage, and surrounding one acre of property only) used to operate a licensed family day care or group family day care program. The exclusion would be equal to 50 percent of the property's market value. Any property eligible for the proposed exclusion would not be eligible for the exclusion for veterans with a disability or the homestead market value exclusion.

REVENUE ANALYSIS DETAIL

- The estimate is based on the November 2024 forecast.
- Based on data from the Department of Human Services, it is estimated that there are approximately 5,400 licensed family day care or group family day care programs in the state where the license holder lives onsite.
- It is assumed that all 5,400 child-care programs would be located on qualifying homestead property.
- The proposed exclusion is estimated to be $908 million statewide in taxes payable 2026. The exclusion would reduce the taxable market value, referendum market value, and net tax capacity for eligible homesteads. The exclusion amount is expected to increase in future years as homestead market values grow.
- The proposal would reduce property taxes for eligible in-home child care providers by an estimated $9.8 million in the first year. The decrease in property taxes would reduce state-paid property tax refunds by $3.48 million in fiscal year 2027, resulting in a savings to the general fund. The tax and property tax refund decrease for eligible properties is expected to grow in future years.

- At the same time, property taxes would shift away from these homestead properties and onto all other properties, including other homesteads. The shift onto other homesteads would increase state-paid property tax refunds by $560,000 in fiscal year 2027. The tax and property tax refund increase for other homesteads is expected to grow in future years.
- The overall savings to the state general fund is net of these impacts.

Number of Taxpayers: Approximately 5,400 properties would qualify for the exclusion.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Decrease in simplicity due to the creation of a new property tax exclusion.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	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

sf0339(hf0633) In-Home Child Care Exclusion_pt_2/wms