

**PROPERTY TAX
Homestead-related tax deadlines
modification**

January 19, 2021

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 0027 (Howe) / H.F. 0195 (Dettmer) as introduced

	Fund Impact			
	FY2022	FY2023	FY2024	FY2025
	(000's)			
PTR Interactions - Homestead by Dec. 31	\$0	(\$70)	(negligible)	(negligible)
PTR Interactions - Veterans' Exclusion	\$0	\$30	negligible	negligible

Effective beginning with assessments in 2021.

EXPLANATION OF THE BILL

Homestead Established - Application Due by December 31:

Under current law, any property used as a homestead by December 1 will receive homestead classification for the current assessment year if an application is submitted by December 15 of the same year.

Under the proposal, any property used as a homestead by December 31 will receive homestead classification for the current assessment year if an application is submitted by December 31 of the same year.

Homestead Exclusion for Veterans with a Disability - Application Due by December 31:

Under current law, the homestead of a veteran with a disability becomes eligible for a valuation exclusion in the current assessment year if the application is received by December 15. For applications received after December 15, the exclusion becomes effective for the following assessment year.

Under the proposal, the due date for applications would be changed to December 31, and all approved applications filed by December 31 would receive the exclusion for the current assessment year.

REVENUE ANALYSIS DETAIL

- Due to property tax refund interactions, the proposal would shift general fund amounts from one fiscal year into the previous fiscal year.
 - Allowing homesteads to be established by December 31 would shift state costs.
 - The later deadline for the veterans' homestead exclusion would shift state savings.
 - The main impact occurs in the initial fiscal year. A portion of the state-paid property tax refund that under current law is saved or spent in one fiscal year would now be shifted into the previous fiscal year.

- The impact of shifts in subsequent years is the difference between forecasted refund savings or costs under current law and the effect of shifting those amounts into the previous fiscal year.
- The first year the state general fund would be impacted under the proposal would be for applications filed in 2021 for taxes payable in 2022 (property tax refunds in FY 2023).

Homestead Established - Application Due by December 31:

- For homestead property that is sold between December 2 and December 31, the proposal would have no impact on the local tax base or on state-paid property tax refunds.
- However, if a homestead is established on previously non-homestead property after December 1, the proposal would reduce taxable market value within local taxing jurisdictions and may increase state-paid property tax refunds.
 - It is estimated that approximately 330 homesteads would be established on previously non-homestead property between December 2, 2021 and December 31, 2021.
 - The reduced tax on the newly homesteaded property would shift property taxes (payable in 2022) onto all other property types, including other homesteads. This would increase state-paid homeowner refunds. This cost is included in the overall cost to the state.
- Some homesteads established after December 1 would be eligible for a property tax refund.
- It is assumed that approximately 120 homesteads established between December 2, 2021 and December 31, 2021 would apply for a refund.
 - Under the proposal, an estimated \$70,000 of homeowner refunds currently projected to be paid by the state in FY 2024 would shift into FY 2023.
 - For subsequent years (beginning in FY 2024) the net cost to the state general fund is estimated to be less than \$5,000.

Homestead Exclusion for Veterans with a Disability - Application Due by December 31:

- The proposal would allow veterans who move after December 15 to reapply for the exclusion in the same assessment year as the move occurred.
- In addition, the later application date would allow newly eligible veterans to apply after December 15 of the current year and receive the exclusion for the current assessment year, rather than the following assessment year (as under current law).
- It is assumed that approximately 50 applications will be received in calendar year 2021 between December 16 and December 31.
- The proposal would shift an estimated \$100,000 in property tax (payable in 2022) onto all other property types, including other homesteads. This would increase homeowner property tax refunds. The overall savings to the state is net of these costs.
- The later application deadline would result in a net savings to the state due to a reduction in property tax refunds paid to veteran homesteads.
- Under the proposal, an estimated \$30,000 of refund savings currently projected for FY 2024 would shift into FY 2023.
- For subsequent years (beginning in FY 2024) the net savings to the state general fund is estimated to be less than \$5,000.

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
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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