

**PROPERTY TAX  
Homestead Market Value  
Exclusion Modified**

March 10, 2026

Department of Revenue  
Analysis of H.F. 3608 (Myers) as introduced

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

**Fund Impact**

	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>	<b>F.Y. 2028</b>	<b>F.Y. 2029</b>
	(000's)			
General Fund	\$0	\$0	\$0	negligible

Effective beginning with assessment year 2027.

**EXPLANATION OF THE BILL**

Under current law, the homestead market value exclusion reduces the taxable market value for all homesteads valued below \$517,200. The exclusion is 40% of the first \$95,000 of market value, yielding a maximum exclusion of \$38,000. For homestead value between \$95,000 and \$517,200, the exclusion is \$38,000 minus 9% of the value over \$95,000. Homesteads valued at \$517,200 or more do not receive the exclusion.

The proposal would exclude the value of an accessory dwelling unit on the same property as a principal homestead when calculating the homestead market value exclusion. An accessory dwelling unit is defined as a secondary dwelling unit to a principal homestead dwelling that is within or attached to the principal homestead dwelling or in a detached accessory building on the same parcel.

**REVENUE ANALYSIS DETAIL**

- As understood, the proposal would remove an accessory dwelling unit’s market value from the homestead market value exclusion calculation if the accessory dwelling unit is part of the primary homestead and not its own homestead.
- For most homesteads, the proposal lowers the market value for the homestead market value exclusion calculation for affected homesteads. By lowering the value eligible for the exclusion, the exclusion amount would increase and the taxable value would decrease.
  - In some cases where the taxable market value under the proposal is below \$95,000, the exclusion amount would decrease and the taxable value would increase.
  - For homesteads whose value remains above the \$517,2000 exclusion maximum under the proposal, there would be no change.
- It is assumed a small number of homestead properties statewide with accessory dwelling units would be impacted by the proposal. It is assumed the statewide total taxable value of these properties would decrease.
- Because the total taxable value of affected homesteads would decrease, property taxes would shift away from these homesteads and onto other properties, including other homesteads.

- As a result of property taxes shifting away from homesteads with accessory dwelling units, property tax refunds paid by the state would decrease by less than \$5,000 beginning in fiscal year 2029.
- As a result of property taxes shifting onto other homesteads, property tax refunds paid by the state would increase by less than \$5,000 beginning in fiscal year 2029.
- The net impact of the proposal would be a decrease in property tax refunds paid by the state by less than \$5,000 beginning in fiscal year 2029.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Decreases simplicity by changing the exclusion calculation for certain properties.
<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>

hf3608 Exclude ADUs from HMVE\_pt\_1/wms