March 11, 2025

Dear Chair Davids, Lead Gomez, Chief Authors Knudsen and Norris, and Members of the House Tax Committee,

On behalf of the Association of Minnesota Counties (AMC) and the League of Minnesota Cities (LMC), we write to forward policy and property tax considerations regarding HF 194 and HF 1756. While each of our Associations have long supported the underlying premise that disabled veterans who have honorably and selflessly served our county deserve to live securely in their homes, we respectfully request the State's assistance with the cost of the benefit growth associated with the Disabled Veterans Exclusion.

Unlike other adjoining states—such as Wisconsin, Iowa, and North Dakota—the Minnesota benefit is not a structured as a property tax credit, but instead as an exclusion. As such, the benefit is entirely funded by the community's tax base—that is a transfer of tax obligation from one property taxpayer to others. As years have gone on, this benefit has grown in who is qualified as well as the benefit duration. In many cases, we worked closely with the Disabled American Veterans of Minnesota (DAV MN), including on the expansion of spousal benefits into perpetuity, the transfer of benefit to a home of equal or lesser value, and date changes that made the benefit more easily received. We also engaged on conversations surrounding what it might look like to change this benefit to a property tax credit.

In 2008, the disabled veterans market value exclusion totaled $1.138 billion worth of value excluded throughout the State. As of 2022, the benefit has grown almost threefold, resulting in $4.307 billion worth of value excluded from the tax base. Moreover, the exclusion affects communities that are proud home to higher proportions of disabled veterans and who may have smaller population bases. In these cases, these communities shoulder a disproportionate burden that negatively affects the community's tax rate for other members which may *include* veterans and disabled veterans with lower disability ratings. **As such, we strongly support the State reconsidering how this benefit is funded, *not* the benefit itself, which again, we support.**

A state-credit based system or even a property tax base reimbursement may be worthwhile considerations as the Legislature will undoubtedly see continued proposals to expand this type of benefit. We would welcome a statewide study on alternative approaches that preserve community tax bases and maintain the ease of benefit access to the disabled veteran and family member.

In general, our Associations are concerned about proposals to expand property tax exclusions, new property tax exemptions, and class rate reductions that erode property tax bases. The effects of erosion of tax base over time are quite impactful. While HF 194 and HF 1756 are not culprit of historic tax base insufficiencies, they are important reminders as we continue to think creatively about proposed benefits in a way that does not shift taxes or diminish already receding tax bases.

We appreciate your thoughtful considerations of these bills and stand ready to work with authors and interested members in finding creative ways to deliver an array of deserving individual benefits while building more stability into future tax bases.

Sincerely,

Matt Hilgart
Association of Minnesota Counties

Beth Johnston
League of Minnesota Cities