DEPARTMENT OF REVENUE

PROPERTY TAX
Exclusion for Veterans with a Disability Increased and Eligibility Modified

March 10, 2025

Department of Revenue
Analysis of H.F. 1756 (Norris) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	F.Y. 2026	F.Y. 2027	F.Y. 2028	F.Y. 2029
	(000's)			
PTR Interaction – Veteran Homesteads	$0	$0	$1,900	$2,240
PTR Interaction – Other Homesteads	$0	$0	($750)	($870)
General Fund Total	$0	$0	$1,150	$1,370

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Exclusion Amounts Modified

Under current law, the market value exclusion for the homestead of a veteran with a disability is:

- $150,000 for a veteran with a 70% or greater disability, and
- $300,000 for a veteran with a total (100%) and permanent disability.

Under the proposal, the exclusion amounts would be determined by first establishing a base amount that adjusts for inflation:

- For assessment year 2026, the base amount would be $200,000.
- For all subsequent years, the base amount would equal the prior year's base amount adjusted for inflation.
- The adjustment for inflation would equal the rate of increase, if any, in the implicit price deflator for state and local government consumption expenditures and gross investment for the 12-month period ending March 31 of the prior assessment year.

Under the proposal, the base amount would be applied as follows:

- For the homestead of a veteran with a 70% or greater disability (or the homestead of a surviving spouse), the exclusion would equal the base amount.
- For the homestead of a veteran with a total (100%) and permanent disability (or the homestead of a surviving spouse), the exclusion would equal the base amount times two.

Service Member Eligibility Modified

Under current law, a service member is eligible for the exemption if:

- they have a service-connected disability of 70 percent or more; and
- they have been honorably discharged from the United States armed forces.

Under the proposal, a service member who has not been discharged (but has a service-connected disability of 70 percent or more) would also be eligible for the exclusion.

Surviving Spouse First-Time Application Modified
Under current law, a surviving spouse must file a first-time application for the 100%-permanent-disability exclusion within two years of the death of an armed forces service member who died due to a service-connected cause while serving honorably in active service.

Under the proposal, a surviving spouse would be allowed to file a first-time application for the 100%-permanent-disability exclusion at any time after the death of an armed forces service member who died due to a service-connected cause while serving honorably in active service.

(Under the proposal, if a previous application was denied, a surviving spouse may reapply.)

In addition, the proposal would allow a surviving spouse to file a first-time application for the exclusion if the death of the service member occurred while both the service member and spouse were living outside of Minnesota.

Surviving Spouse Continued Eligibility Modified
Under current law:
- if a surviving spouse remarries, the surviving spouse is no longer eligible for the exclusion.
- a surviving spouse is allowed a one-time transfer of the exclusion to a different property if the estimated market value of the new property is less than or equal to the estimated market value of the property that first received the exclusion.

Under the proposal, a surviving spouse would be allowed:
- to continue receiving the exclusion after remarriage (if they continue to own and occupy the homestead receiving the exclusion); and
- to transfer the exclusion one time to a different property regardless of the estimated value of the new property.

REVENUE ANALYSIS DETAIL
The estimate is based on the February 2025 forecast.
Tax year impacts are allocated to the following fiscal year.

Exclusion Amounts Modified
- In assessment year 2024, approximately 26,000 homesteads received the exclusion.
- In assessment year 2026, an estimated 19,800 homesteads would benefit under the proposal.
- Beginning with assessment year 2027, the exclusion is adjusted for inflation.
- The proposal would result in a net savings to the state of $1.15 million in fiscal year 2028 due to a reduction in state-paid property tax refunds (PTR) to qualifying homesteads.
    - For taxes payable in 2027, the proposal would reduce PTR to qualifying homesteads by an estimated $1.9 million, resulting in a savings to the state general fund.
    - At the same time, the proposal would shift an estimated $12.8 million in property taxes onto other properties, including other homesteads, increasing PTR by $750,000. The overall savings to the state general fund is net of this cost.

Number of Taxpayers: Approximately 19,800 homesteads.

Service Member Eligibility Modified

- Under the proposed modifications to service member eligibility (regarding the honorable discharge requirement), it is assumed that fewer than ten homesteads would apply for the exclusion in assessment year 2026, resulting in a net savings to the state of less than $5,000 in fiscal year 2028.

Number of Taxpayers: Assumed to be fewer than ten.

Surviving Spouse First-Time Application Modified

- Under the proposed modifications to first-time applications from surviving spouses (regarding time limits for applying and/or residency in Minnesota at the time of the service member's death), it is assumed that fewer than ten homesteads would apply for the exclusion in assessment year 2026, resulting in a net savings to the state of less than $5,000 in fiscal year 2028.

Number of Taxpayers: Assumed to be fewer than ten.

Surviving Spouse Continued Eligibility Modified

- Under the proposed modifications to the surviving spouse benefit (regarding remarriage and/or transfer of the benefit to a different property), it is assumed that fewer than ten homesteads would continue receiving the exclusion in assessment year 2026, resulting in a net savings to the state of less than $5,000 in fiscal year 2028.

Number of Taxpayers: Assumed to be fewer than ten.

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

Transparency, Understandability, Simplicity & Accountability	Decrease	Determining the exclusion amount would become more complex.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	
Responsiveness to Economic Conditions	Increase	The exclusion amount would be adjusted for inflation.

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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