

HOUSE RESEARCH

Bill Summary

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Overview

This bill extends eligibility for a market value exclusion benefit for the surviving spouse or approved family caretaker of certain disabled veterans.

Current law provides a level of market value exclusion for property tax purposes for the homestead of a disabled veteran having a service-connected (S-C) disability of 70 percent or more. The exclusion is for \$150,000 of market value, if the U.S. Department of Veterans Affairs has rated the S-C disability at *70%-or-greater*, and \$300,000 of market value if the S-C disability is rated as being *100%-total-and-permanent*.

When a qualified veteran predeceases his spouse, this benefit carries over to the spouse for one additional assessment year or until such time as the spouse sells, transfers, or otherwise disposes of the property.

This bill would expand eligibility for this property tax benefit for disabled veterans in the following ways:

- 1) The veteran's home would no longer need to be *wholly-owned* by the veteran and the veteran's spouse to qualify for the benefit. Instead, the veteran need only be *an owner* by being named on the property deed, so long as the property is classified as the veteran's *homestead*.
- 2) Eligibility would be expanded to include the surviving spouse, if any, of a service member who dies of service-connected causes while serving honorably in active military service.
- 3) Under current law, eligibility for the benefit is limited to a single *assessment year* for the homestead of an eligible surviving spouse of a qualifying disabled or deceased veteran. Under the bill, that limit would be extended to five years, plus the current *taxes payable year*, for a qualifying surviving spouse.
- 4) Under certain circumstances, the market value exclusion would be directed instead to the homestead of a wounded veteran's *primary family caregiver*, if one exists. To explain, under a *new federal wounded warrior law* (cited in the bill), a service-member who is being medically discharged from the military due to service-connected injuries or illness may

qualify for assignment of a *primary family caregiver* to assist the veteran in convalescing. For such a veteran, the bill directs that the homestead of the *primary family caregiver* is authorized to receive the market value exclusion, provided that the veteran has no homestead of his or her own.

- 5) The bill also adds "remarrying" as a life event that would terminate the benefit for a surviving spouse.

Note A: Minnesota Statutes, section 3.192, enacted in 2010, requires all new tax expenditures enacted by the legislature to include "a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured." Since this bill creates a new tax expenditure, it is subject to this new purpose statement requirement, contained in section 1, paragraph (i).

Note B: Congress recently enacted the "*Caregivers and Veterans Omnibus Health Services Act of 2010*," establishing a comprehensive program of assistance to the approved family caregiver of a service member who is being medically discharged from the military, or a veteran, having a serious injury (including traumatic brain injury, psychological trauma, or other mental disorder) incurred or aggravated in the line of duty since 9/11/2001, if the VA determines that it is in the best interest of the veteran to do so.

The veteran must be in need of personal care services because of:

- (i) an inability to perform one or more activities of daily living;
- (ii) a need for supervision or protection based on symptoms or residuals of neurological or other impairment or injury; or
- (iii) such other matters as the secretary considers appropriate.

If an eligible veteran has more than one family caregiver, then the VA must designate one of them as the *primary provider of personal care services* for the veteran (i.e., the *primary family caregiver*).

Under this federal program, the eligible veteran and the veteran's primary provider of personal care services are eligible for an array of federally-provided medical, social, and rehabilitation services.

Note C: Since property taxes are administered and paid locally, this bill is expected to have negligible cost to the state. Instead, any benefit to qualifying disabled veterans, or to their surviving spouses or approved primary family caregivers, gets spread over all other property tax payers in the same local taxing jurisdictions.