

**PROPERTY TAX
Exemption for Congressionally
Chartered Veterans Organizations**

April 19, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4760 (Swedzinski) / S.F. (Dahms) as introduced

	Fund Impact			
	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	\$0	\$0	\$0	(\$60)

Effective beginning with property taxes payable in 2025.

EXPLANATION OF THE BILL

Under current law, real property up to a maximum of three acres of land that is owned and used by a congressionally chartered veterans organization has a classification rate of one percent if:

- 1) the organization is also a nonprofit community service oriented organization,
- 2) the property is not used for residential purposes, and
- 3) (i) the property is not used by the organization for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or
(ii) the organization makes annual charitable contributions and donations at least equal to the previous year's property taxes, and the property is allowed to be used for public and community meetings or events for no charge.

Under the proposal, this property type would be exempt from property taxes and clause (ii) above would be modified as follows:

“...at least equal to two-thirds of the previous year's property taxes, or equal to the previous year's property taxes that would have been due on the property had it not been exempt...”

In addition, the exemption would apply to property that is leased by a congressionally chartered veterans organization that otherwise meets all of the same conditions for eligibility. In the case of a lease, “property taxes” means the property taxes attributable to the portion of the property leased or rented by the eligible veterans organization.

An application for exemption must be filed with the assessor by May 1 to receive the exemption for the current assessment year.

REVENUE ANALYSIS DETAIL

- It is assumed that no organizations would receive the exemption for assessment year 2024 because an initial application would need to be filed by May 1, 2024.
- Beginning with taxes payable in 2026, the proposal would shift property taxes away from the exempted parcels and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds.

- It is unknown how many veterans organization that lease property would be eligible for the exemption. The cost to the state general fund due to the tax shift resulting from eligibility based on a lease is assumed to be less than \$5,000 in fiscal year 2027.
- Approximately 360 parcels that are owned by an eligible veterans organization would become exempt under the proposal, which would shift property taxes onto other properties and increase state-paid homeowner property tax refunds by an estimated \$60,000 beginning in fiscal year 2027.
- For organizations currently classified as 4c(3)(ii) “donations”, the exemption from the state general tax would have no impact on state revenues in payable year 2026 and thereafter because the tax rate would be adjusted to yield the amount of revenue required by statute. The portion of the state general tax not paid by the exempted parcels would shift onto other properties subject to the seasonal residential recreational state general levy.
- Tax year impact is allocated to the following fiscal year.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Reduces the total number of tax classifications, but increases the total number of exemptions.
<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
<https://www.revenue.state.mn.us/revenue-analyses>

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