

Homestead & Property Tax Exemption for Veterans on Non-Service-Connected Pensions

Briefing Document

1. Issue Statement

The core issue is the disparity in property and homestead tax exemptions between veterans receiving service-connected disability compensation and those receiving non-service-connected pensions (NSP). Currently, exemptions are granted to veterans with service-connected disabilities, while veterans relying on NSP are excluded.

Quote: *"Whereas personal property and homestead tax exemption is provided for disabled veterans due to service-connected disabilities, it is not available for Veterans in receipt of Non-Service-Connected Pension (NSP)."*

2. Background

Existing Exemption: State laws provide homestead and personal property tax exemptions for disabled veterans who:

- Have been awarded special monthly compensation for loss or loss of use of limbs.
- Have total blindness in one or both eyes.
- Have a 100% total and permanent service-connected disability.

Quote: *"A disabled veteran who has been awarded special monthly compensation by the Department of Veterans Affairs for the loss of, or the loss of use of, one (1) or more limbs, for total blindness in one (1) or both eyes, or for service-connected one hundred percent (100% total and permanent disability shall be exempt from payment of all state taxes on the homestead and personal property owned by the disabled veteran."*

Exclusion of NSP Recipients: Veterans receiving Non-Service-Connected Pension benefits are excluded from these exemptions.

3. Argument for Inclusion of NSP Recipients

- **Socioeconomic Disparity:** The document argues that veterans receiving NSP are often in a lower socioeconomic position than those receiving service-connected compensation. More specifically:
 - Service-connected disability compensation can be substantial: The example cites monthly payments ranging from \$3,877.22 to \$4098 for a veteran with a spouse and one child.
 - NSP has a limited income cap: The maximum allowable pension rate is \$32,729 per year, reduced by other household income.
 - Many NSP recipients only income is Social Security and Non-Service-Connected Pension, which combined cannot exceed \$32,729.

- **Need-Based Argument:** Many NSP recipients served during wartime. Often, their limited income makes property tax payments a significant financial burden.
- **Income Irrelevance in Service-Connected Cases:** It's explicitly noted that income *is not* a factor for service-connected disability compensation recipients, highlighting an imbalance in consideration.

Quote: *"While this is a wonderful benefit for service-connected veterans, it would be more beneficial for members receiving NSP. For instance, veteran or survivors of this benefit are in a higher socioeconomic status than one receiving NSP. ...Many of these individuals served during a wartime period, and their only means of income is social security and non-service-connected pension, which cannot exceed \$32,729 combined."*

4. Proposed Solution

The document proposes amending existing laws to include veterans and their survivors receiving Non-Service-Connected Pension in the homestead and property tax exemption.

Quote: *"Amend the Personal Property and Homestead Tax Exemption laws to include veterans and survivors in receipt of Non-Service-Connected Pension."*

5. Key Takeaways & Implications

- **Equity Issue:** The document highlights a potential inequity in how veteran benefits are applied, where those with service-connected disabilities benefit from exemptions, while those relying on non-service-connected pensions, who are often in greater financial need, are excluded.
- **Targeted Relief:** The proposed change would provide targeted financial relief for veterans with non-service-connected pensions, many of whom have low income.
- **Policy Shift:** Implementation would require a policy shift regarding how veteran tax exemptions are granted.
- **Further Research:** To strengthen the argument further research and data collection should look at poverty rates for both groups, other states/counties who have implemented such policies, and the projected financial impact to the state/local government.

Conclusion:

The primary argument is that veterans on NSP are equally deserving of tax exemption, particularly given their lower socioeconomic status and often limited incomes. Extending the tax exemption to this group would promote fairness and provide necessary financial relief to vulnerable veterans. This is a compelling issue that warrants further consideration by policymakers.