

What is the “This Old House” home improvement value exclusion?

The 1993 Minnesota State Legislature passed a law that exempts from the general property tax some or all of the increase in the assessor’s estimated market value due to certain improvements made to homestead property. This law was created to encourage owners of older property to make improvements without the fear of having to immediately pay the additional property tax associated with the improvements. This law was amended during the 1999 Legislative Session.

How do I know if I am eligible for this value exclusion?

In order to be eligible for this value exclusion, you must meet *all* of the following requirements at the time the improvement is made:

- The property *must* be homestead.
- The property *must* be at least 45 years old.
- The property *must* have a value equal to or less than \$400,000 before the improvement value is added.
- If a building permit is required for the improvement, it *must* be issued before work on the improvement begins.
- Improvements made in any one calendar year *must* add at least \$5,000 in assessor’s market value.
- Improvements to the property *must* be made on or before December 31, 2002.

Do I have to apply to be eligible for the value exclusion?

Yes. Improvements made without completing the required application for the home improvement exclusion are NOT eligible for the exclusion. An application **MUST** be filed within three years of the date the building permit was issued for the improvement. *Applications must be received on or before June 30 of any year* in order to be effective for taxes payable in the following year. If an application is filed after the first assessment date when the improvement could have been eligible for the exclusion, the 10-year period for the value exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. Applications are available from the Bloomington Assessor’s Office.

What kind of improvements can be excluded from my market value?

Most improvements you make that are a direct improvement to the house or garage are eligible. However, there are some exclusions. Call the assessor for additional details.

How much of the new improvement value will be excluded from my taxable value?

Answers to Your Questions About “This Old House” Value Exclusion

If the house is at least 70 years old, 100% of the value that qualifies for the exclusion may be excluded up to a maximum of \$50,000. If the house is at least 45 years old but less than 70 years old, 50% of the value that qualifies for the exclusion may be excluded up to a maximum of \$25,000.

How long can I expect to receive the value exclusion?

The value exclusion begins with the first assessment year following the year in which the improvement is made and lasts for 10 consecutive years, unless a late application is filed. (See the preceding question, “Do I have to apply to be eligible for the value exclusion”) After the 10th year, the value of the improvement is added back to your market value as follows:

- If the qualifying value is less than or equal to \$10,000, 50% of the qualifying value is added back to the market value during the next two consecutive assessment years.
- If the qualifying value is greater than \$10,000, 20% of the qualifying value is added back to the market value during the next five consecutive assessment years. However, the value exclusion will terminate immediately if the property is sold, or the property no longer qualifies for homestead, or the property is reclassified to a class that does not qualify for the exclusion.

How will I know if my application was approved?

The amount of your value exclusion will appear on the value notice that you receive each year in the Spring. If you have questions regarding the value exclusion, please call the Assessor’s Office for an explanation.

Complete written details regarding the home improvement value exclusion are available from the City of Bloomington Assessor’s Office or may be found in Minnesota Statute Section 273.11, Subd. 16.

Assessing personnel are available to help answer your questions Monday through Friday, from 8:00 a.m. to 4:30 p.m. Our phone numbers are listed below.

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