

## **S.F. No. 1866 – Minnesota housing tax credit**

**Author:** Senator Carla J. Nelson  
**Prepared by:** Nora Pollock, Senate Counsel (651/297-8066)  
**Date:** March 22, 2021

---

### **Section 1. Minnesota housing tax credit.**

**Subd. 1. Definitions.** Defines the following terms:

**Agency** means the Minnesota Housing Finance Agency (MHFA).

**Minnesota housing tax credit contribution fund** means the fund established in section 3.

**Qualified project** means a project qualifying for a loan or grant under section 3.

**Taxpayer** means an individual or corporation subject to the individual income tax, corporate franchise tax, or insurance premiums tax.

**Subd. 2. Credit allowed.** Allows taxpayers to claim a credit for contributions of at least \$100 and up to \$5 million for contributions to the housing tax credit contribution fund. The credit equals 90 percent of the amount contributed in the taxable year. The credit is not refundable but may be carried forward for up to ten years. Excludes the contribution used to claim the credit from being used to claim any other subtraction or credit allowed under other sections of law. Requires the credit to be allocated according to provisions of current law for nonresidents and part-year residents.

**Subd. 3. Allocation.** Allocates \$25 million annually for the credit. Allows contributions to be designated for a specific project, but prohibits designations disallowed in section 3. Requires the MHFA to file a credit certificate statement with the taxpayer and send a copy to the commissioner of revenue. If there are insufficient amounts to match the contribution, the MHFA must return the contribution to the taxpayer.

**Subd. 4. Partnerships; multiple owners.** Requires distribution of the credit to partners, members, shareholders, or multiple owners of property on a pro-rata basis according to their share of the entity's assets or as required in organizational documents valid as of the last day of the taxable year.

**Subd. 5. Recapture.** Provides that credits claimed are not subject to recapture but that if grants or loans made under section 3 are canceled or recaptured, the grant or loan is returned to the housing tax credit contribution fund.

**Subd. 6. Audit powers.** Provides that the commissioner of revenue's audit and examination powers apply to credits claimed under this legislation.

Effective beginning in tax year 2022.

**Section 2. Minnesota housing tax credit.** Allows the credit under section 1 to be claimed against insurance premiums tax liabilities. The credit is not refundable but may be carried forward for up to ten years. Effective beginning in tax year 2022.

**Section 3. Minnesota housing tax credit contribution fund.**

**Subd. 1. Fund created.** Establishes the fund and appropriates amounts contributed to make grants or loans to eligible recipients.

**Subd. 2. Use of funds; grant and loan program.** Permits the commissioner to award grants or loans for multifamily and single family developments for persons and families with low- to moderate-incomes. Specifies the uses of loan and grant funds. Permits the commissioner to give preference to grants and loans to proposals that include waivers or regulatory changes that result in identifiable cost avoidance or cost reduction. Requires that, to the extent practicable, equal amounts of grants and loans be made for housing units in the Twin Cities metropolitan area and greater Minnesota. Requires that until June 1 in any year, 35 percent of the financing must be set aside for housing projects for persons and families at or below 50 percent of the area median income, and 15 percent for those at or below 30 percent of the area median income. After June 1, each year, any remaining financing available may be awarded to any project.

**Subd. 3. Eligible recipients; definitions; restrictions; use of funds.** Specifies disqualified individuals and businesses, prohibits grants to disqualified individuals and businesses, and requires grant or loan recipients to disclose that the disqualifications do not apply. Permits the commissioner to make loans and grants to the specified entities. Except for the initial set-asides in subdivision 2, funds must be used for projects that serve households who meet the income limits established for the economic development and housing challenge program. To qualify, a homeownership project must serve households whose incomes were below 115 percent of the greater state or area median income. A rental project must serve households with incomes below 80 percent of the state or area median income.

**Subd. 4. Recapture.** Provides that loans or grants made through the program are subject to repayment or recapture. Recaptured funds are redeposited in the fund and not returned to taxpayers who made contributions to the fund.

**Subd. 5. Appropriation.** Appropriates an unspecified amount to the MHFA to administer the program.

**Subd. 6. Report.** Requires a report to the legislative committees having jurisdiction over housing regarding the credits, grants, and loans issued by region.

Effective beginning in tax year 2022.

**Section 4. Purpose statement; tax expenditures.** States that the purpose of the tax credit is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.