

**PROPERTY TAX
Local affordable housing aid
program established, and
money appropriated**

March 14, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3982 (Howard) as proposed to be amended by H3982A1

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Affordable Housing Aid and Grant Appropriation	\$0	\$0	(\$100,000)	(\$100,000)
Property Tax Refund Interaction	\$0	\$0	\$2,360	\$2,360
Income Tax Interaction	\$0	\$0	\$920	\$920
General Fund Total	\$0	\$0	(\$96,720)	(\$96,720)

Effective beginning with aids payable in calendar year 2023.

EXPLANATION OF THE BILL

The bill would create a new state aid and grant program targeted at developing and preserving affordable housing.

The state aid would be paid to counties and cities (with populations of at least 10,000). Counties and cities receiving money from the aid program would need to spend this funding on qualifying projects.

The grant program would be administered by the Minnesota Housing Finance Agency (MHFA). Local governments not eligible for the state aid program would be eligible for grants of at least \$25,000 to be spent on qualifying projects. Grants would be prioritized to local governments that have a higher proportion of cost-burdened households.

The total annual appropriation for aid and grants would be \$100 million. The grant program would receive an annual appropriation equal to an amount that would set its account balance to \$10 million, which would come out of the county's portion of the state aid program. The appropriation to counties would be \$80 million minus the amount needed to set the grant program's account balance to \$10 million, and the city appropriation would be \$20 million.

Each county would receive a minimum \$15,000 plus their statewide share of cost-burdened households. Each eligible city would receive funding based on their statewide share of cost-burdened households.

Administrative appropriation amounts for the MHFA and the Revenue Department are blank.

REVENUE ANALYSIS DETAIL

- The state aid payments to local governments would first be made in calendar year 2023, increasing state general fund costs beginning in FY2024.
- It is assumed that local governments receiving an increase in aid would reduce property tax levies by a portion of the increase. Lower levies would reduce property taxes on all property.
 - Lower property taxes would result in lower homeowner property tax refunds, reducing costs to the state general fund.
 - Lower property taxes would result in lower income tax deductions, increasing revenues to the state general fund.
- It is assumed that local governments not eligible for aid but receiving one-time grants from MHFA would not reduce their annual property tax levies.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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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