

April 14, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 4234 (Rehrauer), As Proposed to be Amended (H4234A1)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective January 1, 2027.

EXPLANATION OF THE BILL

Current Law: Real estate developers may apply to the state for tax-exempt private activity bonds to finance qualifying residential rental projects. If a certain percentage of the project is financed with tax-exempt bonds, it is eligible for the federal low-income housing tax credit (LIHTC). The total amount of credits available to each state is limited by federal law.

P.L. 119-21 (enacted July 4, 2025) increased the allocation of LIHTCs available to each state and lowered the tax-exempt financing requirement for the LIHTC. Projects placed in service after 2025 are eligible for the LIHTC if at least 25%, rather than 50%, of the project is financed with tax-exempt private activity bonds.

Under state law, the amount of tax-exempt private activity bonds that may be issued for a project is limited to 55% of the reasonably expected aggregate basis of the residential rental project and the land on which it is located.

Proposed Law: The bill would reduce the aggregate bond limitation to the greater of:

- 1) 30% of the reasonably expected aggregate basis of a residential rental project and the land on which it is located; or
- 2) The maximum supportable permanent amortizing debt, up to 40% of the expected aggregate basis of the project and the land on which it is located.

REVENUE ANALYSIS DETAIL

- The bill would have no direct impact on state or local tax revenue. It would limit the amount of bonds that could be issued for a given project, potentially freeing up bonds for additional projects.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>