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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1488

02/08/2023 Authored by Youakim; Olson, L.; Davids; Stephenson; Her and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; corporate franchise; modifying the credit
1.3 for historic structure rehabilitation; amending Minnesota Statutes 2022, section
1.4 290.0681, subdivisions 2, 3, 4; repealing Minnesota Statutes 2022, section
1.5 290.0681, subdivision 10.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2022, section 290.0681, subdivision 2, is amended to read:

1.8 Subd. 2. Credit or grant allowed; certified historic structure. (a) A credit is allowed
1.9 against the tax imposed under this chapter equal to not more than 100 percent of the credit
1.10 allowed under section 47(a) of the Internal Revenue Code for a project. The credit is payable
1.11 in five equal yearly installments beginning with the year the project is placed in service. To
1.12 qualify for the credit:

1.13 (1) the project must receive Part 3 certification and be placed in service during the taxable
1.14 year; and

1.15 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for
1.16 the taxable year as provided in subdivision 4.

1.17 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant
1.18 equals 90 percent of the credit that would be allowed for the project. The grant is payable
1.19 in five equal yearly installments beginning with the year the project is placed in service.

1.20 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit
1.21 against the insurance premiums tax imposed under chapter 297I.

2.1 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
2.2 submitted after June 30, 2023.

2.3 Sec. 2. Minnesota Statutes 2022, section 290.0681, subdivision 3, is amended to read:

2.4 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,
2.5 the developer of a project must apply to the office before the rehabilitation begins. The
2.6 application must contain the information and be in the form prescribed by the office. The
2.7 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation
2.8 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to
2.9 offset costs associated with personnel and administrative expenses related to administering
2.10 the credit and preparing the economic impact report in subdivision 9. Application fees are
2.11 deposited in the account. The application must indicate if the application is for a credit or
2.12 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying
2.13 for the credit or the recipient of the grant.

2.14 (b) Upon approving an application for credit, the office shall issue allocation certificates
2.15 that:

2.16 (1) verify eligibility for the credit or grant;

2.17 (2) state the amount of credit or grant anticipated with the project, with the credit amount
2.18 equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated
2.19 in the application;

2.20 (3) state that the credit or grant allowed may increase or decrease if the federal credit
2.21 the project receives at the time it is placed in service is different than the amount anticipated
2.22 at the time the allocation certificate is issued; and

2.23 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or
2.24 grant recipient is entitled to receive ~~one-fifth~~ of the total amount of either the credit or the
2.25 grant at the time the project is placed in service, provided that date is within three calendar
2.26 years following the issuance of the allocation certificate.

2.27 (c) The office, in consultation with the commissioner, shall determine if the project is
2.28 eligible for a credit or a grant under this section and must notify the developer in writing
2.29 of its determination. Eligibility for the credit is subject to review and audit by the
2.30 commissioner.

2.31 (d) The federal credit recapture and repayment requirements under section 50 of the
2.32 Internal Revenue Code do not apply to the credit allowed under this section.

3.1 (e) Any decision of the office under paragraph (c) may be challenged as a contested case
3.2 under chapter 14. The contested case proceeding must be initiated within 45 days of the
3.3 date of written notification by the office.

3.4 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
3.5 submitted after June 30, 2023.

3.6 Sec. 3. Minnesota Statutes 2022, section 290.0681, subdivision 4, is amended to read:

3.7 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the
3.8 office has issued an allocation certificate must notify the office when the project is placed
3.9 in service. Upon verifying that the project has been placed in service, and was allowed a
3.10 federal credit, the office must issue a credit certificate to the taxpayer designated in the
3.11 application or must issue a grant to the recipient designated in the application. The credit
3.12 certificate must state the amount of the credit.

3.13 (2) The credit amount equals the federal credit allowed for the project.

3.14 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

3.15 (b) The recipient of a credit certificate may assign the certificate to another taxpayer
3.16 before the ~~first one-fifth~~ payment is claimed, which is then allowed the credit under this
3.17 section or section 297I.20, subdivision 3. Before the payment is claimed, the first assignee
3.18 may subsequently assign the credit certificate in whole, but not in part, to a second assignee.
3.19 A second assignment may only be assigned to a financial institution. An assignment is not
3.20 valid unless the assignee notifies the commissioner within 30 days of the date that the
3.21 assignment is made. The commissioner shall prescribe the forms necessary for notifying
3.22 the commissioner of the assignment of a credit certificate and for claiming a credit by
3.23 assignment. The original credit certificate recipient, and each assignee, must file a return
3.24 with the commissioner for the taxable year that the project is placed in service.

3.25 (c) Credits passed through to partners, members, shareholders, or owners pursuant to
3.26 subdivision 5 are not an assignment of a credit certificate under this subdivision.

3.27 (d) A grant agreement between the office and the recipient of a grant may allow the
3.28 grant to be issued to another individual or entity.

3.29 **EFFECTIVE DATE.** (a) Except as provided in paragraph (b), this section is effective
3.30 for projects placed in service after June 30, 2023.

3.31 (b) The striking of language in paragraph (b) is effective for applications for allocation
3.32 certificates submitted after June 30, 2023.

4.1 Sec. 4. **REPEAL OF EXPIRATION AND REVIVAL OF EXPIRED PROVISIONS.**

4.2 (a) Minnesota Statutes 2022, section 290.0681, subdivision 10, is repealed.

4.3 (b) The expired provisions of Minnesota Statutes, section 290.0681, subdivisions 1 to
4.4 9, as amended by sections 1 to 3, are revived and reenacted.

4.5 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

4.6 Paragraph (b) is effective for applications for allocation certificates submitted after June
4.7 30, 2023.

APPENDIX
Repealed Minnesota Statutes: 23-02580

290.0681 CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

Subd. 10. **Sunset.** This section expires after fiscal year 2022, except that the office's authority to issue credit certificates under subdivision 4 based on allocation certificates that were issued before fiscal year 2023 remains in effect through 2025, and the reporting requirements in subdivision 9 remain in effect through the year following the year in which all allocation certificates have either been canceled or resulted in issuance of credit certificates, or 2026, whichever is earlier.