



**MORTGAGE REGISTRY TAX
DEED TRANSFER TAX
Workforce and Affordable Housing
Appropriation**

March 20, 2023

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue

Analysis of H. F. 1635 (Norris) 1st Engrossment, As Proposed to be Amended (H1635A3)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)

Effective beginning July 1, 2023 for fiscal years 2024 through 2034.

EXPLANATION OF THE BILL

Current Law: A Workforce and Affordable Homeownership Development Program was established in 2016. The purpose of the program is to award homeownership grants to nonprofit organizations, certain cooperatives, and certain community land trusts in order to develop workforce and affordable homeownership projects. The goal is to increase the supply of workforce and affordable owner-occupied housing in Minnesota. Funds awarded under this program may be used for development costs, rehabilitation, land development, and residential housing. The households that are served must meet certain income limitations as provided in M.S. Section 462A.33, subdivision 5. For homeownership projects, the income limitation is 115% of the greater of the state or area medium income.

The Commissioner of the Minnesota Housing Finance Agency (HFA) is directed to develop procedures for the solicitation and review of grant applications. Preference in awarding grants must be given to proposals that include contributions from non-state resources for the greatest portion of the total development cost, and grants should be awarded approximately equally to proposals both within and outside the metropolitan area. The Commissioner must issue annual reports to the Legislature.

Proposed Law: The bill expands the program to include loans in addition to grants. It also establishes a workforce and affordable homeownership development account in the housing development fund. Money in the account is appropriated to the Commissioner of the HFA.

In order to fund the program, for each fiscal year from 2024 to 2034, \$15 million of the proceeds from the mortgage registry tax and deed tax is appropriated from the General Fund to the workforce and affordable homeownership development account. The appropriation must be made by September 15 of each year.

All loan repayments received under this proposal are deposited back to the account. Instead of repaying the loan, a borrower may spend the money on a qualifying project under the program.

The appropriations are set to expire September 16, 2033.

REVENUE ANALYSIS DETAIL

- It is assumed that each year the appropriation will be fully allocated.

Minnesota Department of Revenue
Tax Research Division

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