

HOUSE RESEARCH

Bill Summary

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Overview

Provides for \$42 million in nonrefundable Minnesota housing credits for developers of housing projects eligible for the federal low-income housing tax credit, with \$7 million per year for six tax years beginning with tax year 2017. Unused credit amounts may be carried over for 11 years. The credit is administered by the Minnesota housing finance agency (MHFA), which allocates eligibility certificates to credit recipients. Federal credit eligibility is tied to projects that are rent restricted and that provide a specified percentage of units to low-income tenants. The credit is allowed against the individual income, corporate franchise, and insurance premiums tax. The project owner may assign the credit to another taxpayer, but retains liability for credit repayment if the project fails to meet the requirements of the compliance agreement, which runs for 15 years.

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- 1 Minnesota housing credit.** Allows a credit against the individual income, corporate franchise, and insurance premiums tax equal to the amount allocated to the taxpayer by the commissioner of MHFA as provided in section 3. The credit may be claimed for six years – the year in which the agency allocates the credit and the five following tax years. Allows unused credit amounts to be carried over for 11 tax years, and allows credits to be assigned to other taxpayers.
- 2 Minnesota housing credit.** Provides conforming language in the insurance premiums tax chapter so that the credit may be claimed against the insurance premiums tax.

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3 Minnesota housing credit.

Subd. 1. Definitions. Defines terms used in administering the Minnesota housing tax credit, including:

- ▶ “Compliance agreement” is the agreement between MHFA or a suballocator and the property owner, including a recorded affordable housing restriction for the 15 year “compliance period.”
- ▶ “Eligibility statement” is the statement issued by MHFA that documents allocation of a credit.
- ▶ “Greater Minnesota” means the area outside of the seven-county metropolitan area.
- ▶ “Qualified Minnesota project” means a project in Minnesota that is eligible for the federal low income housing credit and is financed with tax exempt bonds, whether or not it received a federal credit.
- ▶ “Sub-allocator” means a local government unit that is authorized to allocate federal credits under the Minnesota credit allocation system.

Subd. 2. Credit allocation. Authorizes MHFA and sub-allocators to allocate \$7 million in credits in tax year 2017 to projects eligible for the federal low-income housing tax credit, and that the commissioner determines are not financially feasible without the credit. Credit amounts allocated in 2017 may be claimed annually for a total of six years. The Minnesota credit equals one-sixth of the federal credit, so that the total state credit allowed for a project over six years equals the total federal credit allowed over the ten-year federal credit period. Any portion of the \$7 million not allocated in 2017 may be allocated in 2018, as may any amounts recaptured in 2018 to 2022 from projects previously allocated credits. Half of Minnesota credits must be allocated to projects in Greater Minnesota.

Subd. 3. Credit allowed. Requires the commissioner to provide eligibility statements to project owners, which the owner will use to claim the credit over the six tax years allowed, or to assign the credit to another taxpayer.

Subd. 4. Credit duration. Allows a Minnesota housing credit to be allocated to any one project only one time, with the credit allowed in the year of allocation and the five following tax years.

Subd. 5. Recapture. Requires repayment of credits by the owner originally issued an eligibility statement if a project fails to meet the terms of the compliance agreement. Credits recaptured before 2022 are available for re-allocation; any subsequent credit amounts repaid go to the general fund.

Subd. 6. Report. Requires reporting in the year following credit allocations to the legislative committees with jurisdiction over housing and taxes. The report include information on:

- ▶ the number of projects receiving credits and the number of units developed;
- ▶ descriptive information about the projects receiving credits, including geographic location and demographics of residents; and

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- ▶ housing market and demographic information demonstrating how the projects allocated credits addressed needs for affordable housing.

4 **Purpose statement.** Provides that the purpose of the Minnesota housing tax credit is to increase development and availability of affordable housing, to be measured based on the number of new residential housing units available to low-income residents statewide and in high-shortage areas in both the metro and Greater Minnesota.