

Subject Housing Tax Credit

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Overview

H.F. 3253 establishes a fund at the Minnesota Housing Finance Agency (MHFA) to provide loans or grants for low- and moderate-income housing construction. Individuals and corporations receive a nonrefundable tax credit for their contributions to the fund.

The credit would equal the amount of their contributions, and would apply against the individual income tax, corporate income tax, and insurance premiums tax. A donation of at least \$100 but not more than \$5 million would qualify for the credit; the total amount of the credits would be limited to \$25 million per year. A donor could designate the housing project for which the contribution is to be used, including the donor's own project.

Summary

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1	Minnesota housing tax credit.
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Establishes a tax credit for contributions to the Minnesota housing tax credit contribution fund established in section 3.

Subd. 1. Definitions. Defines the following terms as indicated:

- "Agency" means the Minnesota Housing Finance Agency (MHFA).
- "Minnesota housing tax credit contribution fund" means the affordable housing fund established in section 3.
- "Qualified project" means a project qualifying for a loan or grant under section 3.
- "Taxpayer" means an individual or corporation subject to the individual income tax or corporate income tax, or required to pay the insurance premiums tax.

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Subd. 2. Credit allowed. Allows a 90-percent tax credit for contributions to the Minnesota housing tax credit contribution fund established in section 3. The credit is allowed against the individual income tax, the corporate income tax, and the insurance premiums tax.

The credit is allowed for contributions of at least \$100 but no more than \$5 million.

Taxpayers must meet the following conditions in order to receive the credit:

- MHFA must certify that the donation was made.
- Taxpayers must claim the credit on their income tax returns and include a copy of the certification from MHFA.
- The credit applies to the taxable year in which the donation to the fund is made.

Taxpayers whose credit amount exceeds their corporate or individual income tax liability may carry forward the excess credit to the succeeding ten taxable years.

Contributions used to claim the credit may not be used to calculate any other state income tax deduction or credit.

The credit is available to nonresidents and part year residents based on their percentage of Minnesota-source income.

Subd. 3. Allocation. Allows taxpayers to designate contributions for a specific project, subject to limitations in section 3.

Limits the aggregate amount of tax credits to \$25 million per year. Contributions that exceed the limit for a year must be timely returned to the donor.

Requires MHFA to send a contributing taxpayer a credit certificate statement within 30 days of a contribution, along with a copy to the Department of Revenue. The certificate must state the dollar amount of the contribution, the date of the contribution, and whether the contribution was designated for a specific project.

Subd. 4. Partnerships; multiple owners. Requires that credits granted to a pass-through entity are passed through pro rata to the company's partners, members, shareholders, or owners.

Subd. 5. Recapture. Specifies that credits are not subject to recapture. Specifies that canceled loans or grants through the program are returned to the tax credit contribution fund. Specifies that MHFA is not required to return contributions to

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taxpayers if the contributions were made towards a specific project that was canceled.

Subd. 6. Audit powers. Authorizes the commissioner of revenue to verify that a taxpayer is eligible for the credit and to assess any amount of improperly claimed credit.

Effective Date: For taxable years beginning after December 31, 2020.

2 **Minnesota housing tax credit.**

Allows an insurance company to claim a credit against the premiums tax. The amount of the credit equals the amount indicated on the credit certificate statement. Insurance companies whose credit exceeds their liability may carry forward the excess credit to the succeeding ten taxable years.

The credit does not affect the calculation of police and fire aid.

Effective Date: For taxable years beginning after December 31, 2020.

3 **Minnesota housing tax credit contribution fund.**

Establishes a revolving fund administered by MHFA to receive contributions for loans and grants for low- and moderate-income housing developments.

Subd. 1. Fund created. Establishes the fund. Appropriates amounts contributed to the MHFA commissioner. Permits the commissioner to use the fund to make grants or loans to eligible recipients.

Subd. 2. Use of funds; grant and loan program. Permits the commissioner to award grants or loans for multifamily and single family developments for persons and families with low- to moderate-incomes. Permits loan and grant dollars to be used for gap financing, new construction, acquisition, rehabilitation, demolition, construction financing, permanent financing, interest rate reduction, and refinancing.

Permits the commissioner to preferentially award grants and loans to proposals that include waivers or regulatory changes that result in identifiable cost avoidance or cost reduction.

Requires that, to the extent practicable, equal amounts of grants and loans be made for housing units in the Twin Cities metropolitan area and greater Minnesota.

Requires that until June 1 in any year, 35 percent of the financing must be set aside for housing projects for persons and families at or below 50 percent of the

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area median income, and 15 percent for those at or below 30 percent of the area median income. After June 1, each year, any remaining financing available may be awarded to any project.

Subd. 3. Eligible recipients. (a) to (e) Defines disqualified individuals and businesses. Prohibits grants to disqualified individuals and businesses. Requires disclosure.

(f) Permits the commissioner to make loans and grants to the following entities:

- A city
- A federally recognized American Indian tribe or subdivision located in Minnesota
- A tribal housing corporation
- A private developer
- A nonprofit organization
- A housing and redevelopment authority
- A public housing authority
- The owner of a housing project (excluding individuals who own the housing and use it as their domicile, which is a disqualification)

Except for the initial set-asides in subdivision 2, funds must be used for projects that serve households who meet the income limits established for the economic development and housing challenge program. To qualify, a homeownership project must serve households whose incomes were below 115 percent of the greater state or area median income. A rental project must serve households with incomes below 80 percent of the state or area median income.

Subd. 4. Recapture. Specifies that a loan or grant made through the program is subject to repayment or recapture. Recaptured funds are redeposited in the fund.

Subd. 5. Appropriation. Appropriates an unspecified amount annually from the general fund to MHFA to administer the program.

Subd. 6. Report. Requires a report to the legislative committees having jurisdiction over housing regarding the credits, grants, and loans issued by region.

Effective Date: For taxable years beginning after December 31, 2020.

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4	<p>Purpose statement; tax expenditures.</p> <p>Provides that the purpose of the tax credit is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.</p>
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