



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

February 28, 2020

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2601 (Schultz), As Proposed to be Amended (H2601DE1)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
		(000's)		
General Fund	\$0	(\$42,700)	\$0	(\$2,400)

Effective July 1, 2020.

EXPLANATION OF THE BILL

Current Law: During the 2016 legislative session, a Workforce and Affordable Homeownership Development Program was established. 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 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 Housing Finance Agency.

In order to fund the program, by September 1, 2020, and each year thereafter through 2030, the Commissioner of Revenue is directed to determine the amount to be appropriated from the General Fund to the workforce and affordable homeownership development account. The Commissioner must deposit the amount into the account by September 15. The amount of the appropriation for FY 2021 is equal to the excess of the sum of the mortgage registry tax plus the deed transfer tax proceeds for FY 2020 over the collections for FY 2019. The amount of the appropriation for FY 2022 is equal to the excess of the sum of the mortgage registry tax plus the deed transfer tax proceeds for FY 2021 over the collections for FY 2020.

EXPLANATION OF THE BILL (Continued)

The amounts of the appropriations for subsequent fiscal years are calculated in similar fashion as the excess of the collections for the previous year. The appropriations must not be less than zero.

The amount appropriated must supplement traditional sources of funding.

REVENUE ANALYSIS DETAIL

- The amount of mortgage registry tax and deed transfer tax collected during FY 2019 was \$248,886,000.
- Using the February 2020 forecast for the mortgage registry tax and deed transfer tax, the appropriation amount for FY 2021 was determined by subtracting the FY 2019 collections from the forecast amount for FY 2020. The appropriation amount for FY 2022 was determined by subtracting the forecast amount for FY 2020 from the forecast amount for FY 2021. For the FY 2023 appropriation, the calculation was done in a similar fashion. Differences of less than zero were set to zero.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx