



**INDIVIDUAL INCOME TAX
CORPORATE FRANCHISE TAX
GROSS PREMIUMS TAX
Housing Contribution Credit**

March 22, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1971 (Howard) / S.F. 1866 (Nelson)

	Fund Impact			
	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>
			(000's)	
Housing Contribution Credit	\$0	\$0	(\$25,000)	(\$25,000)
Appropriation to HFA	<u>\$0</u>	<u>\$0</u>	<u>*</u>	<u>*</u>
General Fund	\$0	\$0	(\$25,000)	(\$25,000)

*The bill appropriates an unspecified amount each year to the Housing Finance Agency.

Effective beginning with tax year 2022.

EXPLANATION OF THE BILL

The bill allows taxpayers to claim a nonrefundable credit against the individual income tax, corporate franchise tax, or gross premiums tax for contributions to a designated housing development fund. The credit is equal to 90% of contributions of at least \$100 but not more than \$5 million. Any unused credit may be carried over for up to 10 years. If a taxpayer is able to claim a credit and a carryover credit in the same tax year, the credit must be claimed first. Total statewide credits are limited to \$25 million per year.

To qualify for the credit, the taxpayer must contribute to the Minnesota Housing Tax Credit Contribution Fund, a revolving fund to be administered by the Housing Finance Agency (HFA). Within 30 days the HFA must provide a credit certificate to the taxpayer and send a copy to the Department of Revenue. If there are no remaining credits to match the contribution, the HFA must return the contribution to the taxpayer.

The Fund is to be used for grants and loans for low and moderate income housing developments. Grants and loans should approximately fund the metropolitan area and greater Minnesota equally. Eligible recipients must use the funds to serve households under the income limit for the Economic Development and Housing Challenge Program. A taxpayer contributing to the Fund may indicate that a contribution is intended for a specific project, but not the taxpayer's own project.

The bill appropriates an unspecified amount to the Commissioner of the HFA to administer the program. The Commissioner must report to the legislature by January 15 of each year on the tax credits and financing provided in the previous year, including a breakdown by region and planned financing for the current year.

REVENUE ANALYSIS DETAIL

- It is assumed that the maximum of \$25 million in credits will be allocated and claimed in each year.
- Tax year impacts are allocated to the following fiscal year.

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

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