

**PROPERTY TAX  
Affordable housing market  
value exclusion established**

March 29, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue  
Analysis of S.F. 3200 (Bakk) as proposed to be amended by SCS3200A-2

**Fund Impact**

	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	\$0	(unknown)

Effective beginning with assessment year 2023.

**EXPLANATION OF THE BILL**

The proposal would create a market value exclusion program for affordable housing. The governing body of a city, township, or unorganized territory would need to adopt a resolution agreeing to participate in the affordable housing market value exclusion program. Then, in order to qualify for a market value exclusion, properties in participating municipalities would need to:

- Be classified in whole or in part as class 4d,
- Begin construction after January 1, 2022, and
- Certify to the assessor that:
  - At least 20 percent of units are available to residents whose household income does not exceed 60 percent of the greater of area or state median income, adjusted for family size, and
  - At least 80 percent of the available units are occupied by residents meeting the income requirement.

Municipalities may determine the duration of the exclusion for each eligible property. The exclusion must apply for at least ten but no more than 20 assessment years. The exclusion would equal 50 percent of the property’s market value.

**REVENUE ANALYSIS DETAIL**

- It is unknown how many municipalities would participate in the affordable housing market value exclusion program and how many properties may be eligible for the exclusion in those municipalities. However, the exclusion is likely to be limited within the forecast window and expand in future years.
- The proposal would shift property taxes away from properties receiving the affordable housing market value exclusion and onto all other properties, including homesteads.
- As a result of property taxes shifting onto homesteads, property tax refunds paid by the state would increase by an unknown amount beginning in fiscal year 2025.

**PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	Decreases simplicity by creating a new exclusion.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Increase	Provides another option to respond to potential housing needs.

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
 Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

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