



**INDIVIDUAL INCOME TAX
CORPORATE FRANCHISE TAX
Manufactured Home Park Credit**

March 21, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2007 (Housley), 1st Engrossment

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$350)	(\$380)	(\$400)	(\$430)

Effective beginning tax year 2023.

Proposed Law: The bill creates a credit against the individual income tax and corporate franchise tax for sales of manufactured home parks to cooperatives. The credit is equal to 5% of the amount of the sale. The credit is nonrefundable but can be carried forward for up to five years.

To qualify, a taxpayer must sell qualified property to a manufactured home cooperative, a nonprofit organization intending to convert the park to a cooperative, or a representative of residents who intend to convert the park to a cooperative.

Qualified property includes a manufactured home park classified as 4c(5)(i) or 4c(5)(iii) property that qualifies as an Internal Revenue Code section 1250 property (in general, real property that is subject to depreciation, including residential and nonresidential real property).

For nonresidents and part-year residents, the credit is apportioned based on the percentage of income that is attributable to Minnesota.

REVENUE ANALYSIS DETAIL

- The estimated market value of manufactured home parks in 2023 is about \$931.9 million, based on Department of Revenue data.
- It is assumed that 1% of non-cooperative manufactured home parks, valued at about \$9.2 million, would be converted to co-ops each year.
- The seller would be eligible for a 5% credit. The estimate was reduced by 5% to account for nonresidents and part-year residents.
- The estimate was reduced by 20% since the credit is nonrefundable.
- Credits exceeding tax liability could be carried over for up to five years. It is assumed that 5% of carryovers will be claimed each year.

REVENUE ANALYSIS DETAIL (Cont.)

- Growth is based on projected growth in property values in the February 2023 forecast.
- Tax year impacts are allocated to the following fiscal year.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

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