

PROPERTY TAX
Class 4d(1) Low-Income Rental
Housing Eligibility Clarified

January 21, 2025

Department of Revenue
 Analysis of S.F. 33 (Rest) as introduced

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective beginning with assessment year 2026.

EXPLANATION OF THE BILL

Under current law, in order for a property to qualify for class 4d(1) low-income rental housing classification, at least 20% of the units in the property must meet one or more of the following criteria:

1. Project-Based Section 8,
2. Low Income Housing Tax Credits,
3. Rental Assistance units financed through Rural Housing Service of USDA,
4. Rent and income restrictions placed on units by state, federal, or local unit of government as evidenced by a document recorded against the property.

The proposal clarifies that the rent and income restrictions specified in this subdivision only apply to properties eligible for class 4d(1) under the last criterion.

REVENUE ANALYSIS DETAIL

- The proposed clarifying changes would not impact the state general fund.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

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>