

March 10, 2026

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

Department of Revenue

Analysis of S.F. 3896 (Pha), As Proposed to be Amended (SCS3896A-1)

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

Effective beginning with tax year 2026.

**EXPLANATION OF THE BILL**

**Proposed Law:** The bill would create two new refundable income and corporate tax credits for certain expenditures incurred during the conversion of “eligible property” to “qualified property” in Brooklyn Center. The credits would cover 20% of “qualified construction expenditures” and 30% of “qualified sustainable investment expenditures.”

“Eligible property” refers to property in one of six eligible Census tracts in Brooklyn Center, and is either:

- Exempt from property taxes;
- Classified as class 3a property in the most recent assessment year, and is determined in a city resolution to be either vacant or undeveloped; or,
- Classified as class 3a property, contains a building which is at least 15 years old, and either:
  - has maintained 50 percent or less tenancy during the previous three years; or,
  - qualifies as “structurally substandard,” as defined in statute, and as determined in a city resolution.

“Qualifying property” refers to property which either:

- Is reclassified as class 1a, 4a, or 4d(1); or
- Retains classification as class 3a, and either:
  - is determined by the city to be no longer vacant or undeveloped; or,
  - no longer contains a “structurally substandard” building.

Class 3a property includes industrial, commercial, and utility land uses. Class 1a includes homesteaded residential properties, class 4a includes residential properties with four or more units which are rented for periods of 30 days or more, and class 4d(1) property includes low-income rental properties as certified by the Housing Finance Agency.

To qualify for the credit, the taxpayer must apply to the commissioner of commerce for a credit certificate, which may only be issued after the eligible property has been converted to qualified property.

## **EXPLANATION OF THE BILL (Cont.)**

The credits may not be claimed until two taxable years after the taxable year in which the credit certificate is issued. No more than one credit may be issued for the same taxable year to the same taxpayer.

“Qualified construction expenditures” are expenses incurred in the conversion of “eligible property” to “qualified property,” other than “qualified sustainable investment expenditures.” “Qualified sustainable investment expenditures” are expenses for LEED certification, solar panels, geothermal systems, energy-efficient HVAC, and green retrofits. Both credits include expenses for “related facilities,” which means access roads, lighting, sidewalks, and utility components on or adjacent to qualified property necessary for safe access to and use of the property.

For part-year residents and nonresidents, the credits are apportioned based on the percentage of the taxpayer’s income that is attributable to Minnesota.

The credits would expire at the end of tax year 2035. Starting in 2031, the proposal would require biennial reports on the credits from the commissioner of revenue and the commissioner of commerce. These reports would be provided to ranking members on legislative committees with jurisdiction over taxes, economic development, and energy. Reports would continue until 2039.

## **REVENUE ANALYSIS DETAIL**

- Due to the timeframe required for construction, and because a credit under this proposal could only be claimed two taxable years after the year in which the credit certificate is issued, any revenue loss would likely fall outside the forecast window.
- Detailed data on pending redevelopment projects in Brooklyn Center is not available.
- Based on information provided by Brooklyn Center municipal staff, a pilot project potentially eligible for these tax credits would incur a state revenue loss of between \$9.1 million and \$9.4 million.

**Number of Taxpayers:** Unknown.

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