

April 8, 2026

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

Department of Revenue  
Analysis of S.F. 4394 (Port), 1<sup>st</sup> Engrossment, As Proposed to be Amended (SCS4394A-7)

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

The housing credit modification and lived-experience exemption would take effect the day following enactment. The changes to the aggregate bond limitation are effective January 1, 2027.

**EXPLANATION OF THE BILL**

**Current Law**

*Minnesota Housing Tax Credit.* A nonrefundable credit is allowed for contributions to a designated account in the Housing Development Fund administered by the Housing Finance Agency (HFA). The account is to be used for grants and loans for low- and moderate-income housing developments. Grant and loan recipients must use the funds to serve households that meet the income limits for the Economic Development and Housing Challenge program.

The credit is equal to 85% of contributions of at least \$1,000 but not more than \$2 million. Any unused credit may be carried over for up to 10 years. Total credits are limited to \$9.9 million in each year. The credit was enacted in 2021 and is effective for tax years 2023 through 2028.

*Aggregate Bond Limitation.* Real estate developers may apply to the state for tax-exempt private activity bonds to finance qualifying residential rental projects. If a certain percentage of the project is financed with tax-exempt bonds, it is eligible for the federal low-income housing tax credit (LIHTC). The total amount of credits available to each state is limited by federal law.

P.L. 119-21 (enacted July 4, 2025) increased the allocation of LIHTCs available to each state and lowered the tax-exempt financing requirement for the LIHTC. Projects placed in service after 2025 are eligible for the LIHTC if at least 25% rather than 50% of the project is financed with tax-exempt private activity bonds.

Under state law, the amount of tax-exempt private activity bonds that may be issued for a project is limited to 55% of the reasonably expected aggregate basis of the residential rental project and the land on which it is located.

**Proposed Law**

*Minnesota Housing Tax Credit.* Under the bill, projects receiving funding under the Workforce Housing Development program would be exempt from the requirement to serve households that meet the income limits of the Economic Development and Housing Challenge Program.

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

*Aggregate Bond Limitation.* The bill would reduce the aggregate bond limitation to the greater of:

- 1) 30% of the reasonably expected aggregate basis of a residential rental project and the land on which it is located; or
- 2) The maximum supportable permanent amortizing debt, up to 40% of the expected aggregate basis of the project and the land on which it is located.

*Lived-Experience Engagement Exemption.* The bill specifies that income received from lived-experience engagement is not considered income, assets, or personal property when determining eligibility for state public assistance, including child care assistance, general assistance, supplemental aid, food support, housing support, the Minnesota family investment program, and economic assistance. Lived experience engagement means the housing finance agency engaging with people with relevant experience to serve as community reviewers of proposals or gathering and sharing feedback on the impact of housing programs.

**REVENUE ANALYSIS DETAIL***Minnesota Housing Tax Credit*

- Since the maximum amount of housing tax credits is assumed to be claimed each year, the bill would not change the total amount of credits, although it could affect eligibility of certain projects.

*Aggregate Bond Limitation*

- The bill would have no direct impact on state or local tax revenue. It would limit the amount of bonds that could be issued for a given project, potentially freeing up bonds for additional projects.

*Lived-Experience Engagement Exemption*

- The bill exempts lived-experience engagement income for the purposes of determining eligibility for public assistance. The exemption would have no impact on income tax liability.

Minnesota Department of Revenue  
Tax Research Division  
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