

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 404

(SENATE AUTHORS: NELSON, Johnson, Anderson, P., Frentz and Dziedzic)
DATE 01/24/2019 D-PG OFFICIAL STATUS
Introduction and first reading
Referred to Taxes

1.1 A bill for an act
1.2 relating to taxation; income; insurance; establishing a Minnesota housing tax credit
1.3 contribution fund; providing a tax credit for certain contributions; requiring a
1.4 report; appropriating money; amending Minnesota Statutes 2018, section 297I.20,
1.5 by adding a subdivision; proposing coding for new law in Minnesota Statutes,
1.6 chapters 290; 462A.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. **[290.0683] MINNESOTA HOUSING TAX CREDIT.**

1.9 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
1.10 the meanings given.

1.11 (b) "Agency" means the Minnesota Housing Finance Agency.

1.12 (c) "Minnesota housing tax credit contribution fund" means the fund established in
1.13 section 462A.40.

1.14 (d) "Qualified project" means a project that qualifies for a grant or loan under section
1.15 462A.40.

1.16 (e) "Taxpayer" means a taxpayer as defined in section 290.01, subdivision 6, or a taxpayer
1.17 as defined in section 297I.01, subdivision 16.

1.18 Subd. 2. **Credit allowed.** (a) A taxpayer is allowed a credit against the tax imposed
1.19 under this chapter and the premiums tax under chapter 297I for contributions of no less than
1.20 \$100 and no more than \$5,000,000 to the Minnesota housing tax credit contribution fund
1.21 under section 462A.40. The credit equals the amount the taxpayer contributed to the fund
1.22 during the taxable year.

2.1 (b) The credit may be claimed only after certification by the agency as provided in
2.2 subdivision 3.

2.3 (c) To receive the credit, a taxpayer must claim the credit on the taxpayer's state income
2.4 tax return in the manner prescribed by the commissioner and file with the return a copy of
2.5 the credit certificate issued by the agency under subdivision 3, paragraph (b).

2.6 (d) The taxpayer must claim the credit for the taxable year in which the contribution is
2.7 made.

2.8 (e) If the amount of the credit under this section exceeds the taxpayer's liability for tax
2.9 under this chapter, the excess is a credit carryover to each of the ten succeeding taxable
2.10 years. The entire amount of the excess unused credit for the taxable year must be carried
2.11 first to the earliest of the taxable years to which the credit may be carried and then to each
2.12 successive year to which the credit may be carried.

2.13 (f) The contribution amount used to calculate the credit under this section may not be
2.14 used to calculate any other state income tax deduction or credit allowed by law.

2.15 (g) For nonresidents and part-year residents, the credit must be allocated based on the
2.16 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

2.17 Subd. 3. **Allocation.** (a) To qualify for the credit, a taxpayer must contribute to the
2.18 Minnesota housing tax credit contribution fund. A taxpayer may indicate that a contribution
2.19 is intended for a specific qualified project. If a taxpayer is also an eligible recipient of a
2.20 grant or loan under section 462A.40, the taxpayer may indicate that a contribution is intended
2.21 for the taxpayer's project, but may not do so for more than \$..... of total contributions each
2.22 taxable year.

2.23 (b) Within 30 days after a taxpayer contributes to the fund, the agency must file with
2.24 the contributing taxpayer a credit certificate statement. The agency must send a copy of the
2.25 credit certificate to the commissioner of revenue. If there are insufficient credits to match
2.26 the contribution, the agency must return contributions to taxpayers within a timely manner.

2.27 (c) The credit certificate must state the dollar amount of the contribution made by the
2.28 taxpayer, the date the payment was received by the fund, and indicate if the contribution
2.29 was intended for a specific qualified project.

2.30 (d) The aggregate amount of tax credits allowed to all eligible contributors is limited to
2.31 \$25,000,000 annually.

2.32 Subd. 4. **Partnerships; multiple owners.** Credits granted to a partnership, a limited
2.33 liability company taxed as a partnership, S corporation, or multiple owners of property are

3.1 passed through to the partners, members, shareholders, or owners, respectively, pro rata to
3.2 each partner, member, shareholder, or owner based on their share of the entity's assets or
3.3 as specially allocated in their organizational documents or any other executed, as of the last
3.4 day of the taxable year.

3.5 Subd. 5. **Recapture.** (a) Credits claimed under this section are not subject to recapture.

3.6 (b) If a grant or loan made under section 462A.40 is canceled or recaptured, the grant
3.7 or loan is returned to the housing tax credit contribution fund. The agency is not required
3.8 to return contributions to taxpayers who indicated that a contribution was intended for a
3.9 project for which the loan or grant is recaptured or canceled.

3.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.11 31, 2019.

3.12 Sec. 2. Minnesota Statutes 2018, section 297I.20, is amended by adding a subdivision to
3.13 read:

3.14 Subd. 4. **Minnesota housing tax credit.** An insurance company may claim a credit
3.15 against the premiums tax imposed under this chapter equal to the amount indicated on the
3.16 credit certificate statement issued to the company under section 290.0683. If the amount of
3.17 the credit exceeds the liability for tax under this chapter, the excess is a credit carryover to
3.18 each of the ten succeeding taxable years. The entire amount of the excess unused credit for
3.19 the taxable year must be carried first to the earliest of the taxable years to which the credit
3.20 may be carried and then to each successive year to which the credit may be carried. This
3.21 credit does not affect the calculation of police and fire aid under section 69.021.

3.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.23 31, 2019.

3.24 Sec. 3. **[462A.40] MINNESOTA HOUSING TAX CREDIT CONTRIBUTION FUND.**

3.25 Subdivision 1. **Fund created.** The Minnesota housing tax credit contribution fund is
3.26 created to be a revolving fund at the agency and administered by the commissioner. Amounts
3.27 contributed to the fund are appropriated to the commissioner. The commissioner may use
3.28 the amounts appropriated to direct disbursements from the fund as loans or grants to eligible
3.29 recipients.

3.30 Subd. 2. **Use of funds; grant and loan program.** (a) The commissioner may award
3.31 grants and loans to be used for multifamily and single family developments for persons and
3.32 families of low and moderate income. Allowable use of the funds include: gap financing,

4.1 as defined in section 462A.33, subdivision 1, new construction, acquisition, rehabilitation,
4.2 demolition or removal of existing structures, construction financing, permanent financing,
4.3 interest rate reduction, and refinancing.

4.4 (b) The commissioner may give preference for grants and loans to comparable proposals
4.5 that include regulatory changes or waivers that result in identifiable cost avoidance or cost
4.6 reductions, including but not limited to increased density, flexibility in site development
4.7 standards, or zoning code requirements.

4.8 (c) To the extent practicable, grants and loans shall be made so that an approximately
4.9 equal number of housing units are financed in the metropolitan area, as defined in section
4.10 473.121, subdivision 2, and in greater Minnesota.

4.11 (d) The commissioner shall set aside 35 percent of the financing under this section for
4.12 single-family homes and 20 percent for cities with a population under 10,000. A project
4.13 that meets both set asides may count toward both requirements. If by June 1 each year, the
4.14 commissioner does not receive requests to use all of the financing set aside under this
4.15 paragraph, the commissioner may use any remaining financing for other projects eligible
4.16 under this section.

4.17 Subd. 3. **Eligible recipients.** (a) The commissioner may award grants or loans to a city,
4.18 a federally recognized American Indian tribe or subdivision located in Minnesota, a tribal
4.19 housing corporation, a private developer, a nonprofit organization, a housing and
4.20 redevelopment authority under sections 469.001 to 469.047, a public housing authority or
4.21 agency authorized by law to exercise any of the powers granted by sections 469.001 to
4.22 469.047, or the owner of the housing, excluding individuals who own the housing and are
4.23 using it as their domicile.

4.24 (b) Eligible recipients must use the funds to serve households that meet the income limits
4.25 as provided in section 462A.33, subdivision 5.

4.26 (c) For the purpose of this subdivision, "city" has the meaning given it in section 462A.03,
4.27 subdivision 21.

4.28 Subd. 4. **Recapture.** A loan or grant awarded under this section is subject to repayment
4.29 or recapture under the guidelines adopted by the commissioner. Any loan or grant that is
4.30 repaid or recaptured must be redeposited in the fund.

4.31 Subd. 5. **Appropriation.** \$..... each year is appropriated to the commissioner from the
4.32 general fund to administer the program in this section.

5.1 Subd. 6. **Report.** The commissioner shall report by January 15 each year to the chairs
5.2 and ranking minority members of the legislative policy and finance committees with
5.3 jurisdiction over housing on the tax credits and financing provided in the previous fiscal
5.4 year. The report shall provide a breakdown of the tax credits, grants, and loans by region
5.5 of the state. The report shall also include information on planned financing in the current
5.6 fiscal year.

5.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.8 31, 2019.

5.9 **Sec. 4. PURPOSE STATEMENT; TAX EXPENDITURES.**

5.10 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
5.11 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
5.12 expenditure must include a statement of intent that clearly provides the purpose for the tax
5.13 expenditure and a standard or goal against which its effectiveness may be measured.

5.14 Subd. 2. **Minnesota housing tax credit.** The provisions of sections 1 to 3 allowing a
5.15 Minnesota housing tax credit are intended to increase development and availability of
5.16 affordable housing to persons and families of low and moderate incomes in Minnesota.