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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. **777**

February 8, 2007

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The bill was read for the first time and referred to the Committee on Finance

March 13, 2007

Committee Recommendation and Adoption of Report:

To Pass and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; property; providing a housing opportunity area tax abatement
1.3 program; proposing coding for new law in Minnesota Statutes, chapter 273.

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

1.5 Section 1. **[273.129] HOUSING OPPORTUNITY TAX ABATEMENT.**

1.6 Subdivision 1. Purpose. For the purpose of promoting economic diversity
1.7 throughout Minnesota and to alleviate the concentration of low-income households in high
1.8 poverty areas, a housing opportunity area tax abatement program is created.

1.9 Subd. 2. Definitions. (a) For purposes of this section, the following terms have
1.10 the meanings given them.

1.11 (b) "Housing authority" means either a housing authority created under the Housing
1.12 Authorities Act or other government agency that is authorized by the United States
1.13 government under the United States Housing Act of 1937 to administer a housing choice
1.14 voucher program, or the authorized agent of such a housing authority that is authorized
1.15 to act on that authority's behalf.

1.16 (c) "Housing choice voucher" means a tenant voucher issued by a housing authority
1.17 under section 8 of the United States Housing Act of 1937.

1.18 (d) "Housing opportunity area" means a census tract where less than ten percent of
1.19 the residents live below the poverty level, as defined by the United States government and
1.20 determined by the most recent United States census, that is located within a qualified city
1.21 or town.

1.22 (e) "Housing opportunity unit" means a dwelling unit located in residential property
1.23 that is located in a housing opportunity area, that is owned by the applicant, and that
1.24 is rented to and occupied by a tenant who is participating in a housing choice voucher

2.1 program administered by a housing authority as of January 1 of the taxes payable year for
2.2 which the application is made.

2.3 (f) "Qualified units" means the number of housing opportunity units located in
2.4 the property, with the limitation that no more than two units or 20 percent of the total
2.5 units contained within the property, whichever is greater, may be considered qualified
2.6 units. Further, no unit may be considered qualified unless the property in which it
2.7 is contained is in substantial compliance with local building codes, and no unit may
2.8 be considered qualified unless it meets the United States Department of Housing and
2.9 Urban Development's housing quality standards as of the most recent housing authority
2.10 inspection.

2.11 (g) "Qualified city or town" means a home rule charter or statutory city or town that
2.12 is (1) located within a county with 200,000 or more inhabitants, and (2) whose net tax
2.13 capacity per capita exceeds the average net tax capacity per capita of all cities or towns in
2.14 the county in which it is located.

2.15 (h) "Tax capacity per capita" means the adjusted net tax capacity of all taxable
2.16 real estate located within a city, town, or county divided by the total population of that
2.17 city, town, or county.

2.18 Subd. 3. **Application by owner; determination by housing authority.** The owner
2.19 of property located within a housing opportunity area who has a housing choice voucher
2.20 contract with a housing authority may apply for housing opportunity area tax abatement by
2.21 annually submitting an application to the housing authority that administers the housing
2.22 choice voucher contract. The application must include the number of housing opportunity
2.23 units as well as the total number of dwelling units contained within the property. The
2.24 housing authority shall annually determine the number of qualified units located within
2.25 each property for which an application is made. The housing authority shall establish rules
2.26 and procedures governing the application processes and may charge an application fee.

2.27 Subd. 4. **Housing opportunity areas.** The housing authority shall determine
2.28 housing opportunity areas within its service area and annually deliver to the county
2.29 auditor, in a manner determined by the county auditor, a list of all properties containing
2.30 qualified units within that service area by December 31 of the assessment year for which
2.31 the property is eligible for abatement. The list must include the number of qualified units
2.32 and the total number of dwelling units for each property.

2.33 Subd. 5. **County auditor; data.** The county auditor shall deliver annually to a
2.34 housing authority, upon the housing authority's request, the most recent available adjusted
2.35 net tax capacity for the county as a whole and for those cities and towns so specified by
2.36 the requesting housing authority.

3.1 Subd. 6. **Abatement.** The county auditor shall abate the tax attributable to the
3.2 portion of the property determined to be eligible for housing opportunity area abatement.
3.3 The amount of the abatement shall be determined by reducing the tax by a percentage
3.4 calculated using the following formula: 20 percent of the adjusted net tax capacity of the
3.5 property multiplied by a fraction in which the numerator is the number of qualified units
3.6 and the denominator is the total number of dwelling units located within the property. The
3.7 amount of abatement shall be shown as a credit on the property tax statement.

3.8 Subd. 7. **Exclusion by petition of municipality.** Any home rule charter or statutory
3.9 city or town may annually petition the county auditor to be excluded from a housing
3.10 opportunity area if more than two percent of the total residential units located within
3.11 that municipality are occupied by tenants under the housing choice voucher program.
3.12 Properties located within an excluded municipality are not eligible for the housing
3.13 opportunity area abatement for the tax year in which the petition is made.

3.14 **EFFECTIVE DATE.** This section is effective for taxes assessed in 2007, payable
3.15 in 2008, and thereafter.