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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1204**

February 19, 2007

Authored by Davnie, Simpson, Lesch, Jaros, Brod and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; extending a sales tax exemption on construction materials
1.3 for low-income housing to limited partnerships in which the sole general partner
1.4 is a nonprofit corporation; amending Minnesota Statutes 2006, section 297A.71,
1.5 subdivision 23.

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

1.7 Section 1. Minnesota Statutes 2006, section 297A.71, subdivision 23, is amended to
1.8 read:

1.9 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)
1.10 Purchases of materials and supplies used or consumed in and equipment incorporated into
1.11 the construction, improvement, or expansion of qualified low-income housing projects are
1.12 exempt from the tax imposed under this chapter if the owner of the qualified low-income
1.13 housing project is:

1.14 (1) the public housing agency or housing and redevelopment authority of a political
1.15 subdivision;

1.16 (2) an entity exercising the powers of a housing and redevelopment authority within
1.17 a political subdivision;

1.18 (3) a limited partnership in which the sole general partner is an authority under
1.19 clause (1) or an entity under clause (2) or (4);

1.20 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying
1.21 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; or

1.22 (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,
1.23 for a qualified low-income housing project described in paragraph (b), clause (5).

1.24 This exemption applies regardless of whether the purchases are made by the owner
1.25 of the facility or a contractor.

2.1 (b) For purposes of this exemption, "qualified low-income housing project" means:

2.2 (1) a housing or mixed use project in which at least 20 percent of the residential units
2.3 are qualifying low-income rental housing units as defined in section 273.126;

2.4 (2) a federally assisted low-income housing project financed by a mortgage insured
2.5 or held by the United States Department of Housing and Urban Development under
2.6 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United
2.7 States Code, title 42, section 1437f; the Native American Housing Assistance and
2.8 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar
2.9 successor federal low-income housing program;

2.10 (3) a qualified low-income housing project as defined in United States Code, title
2.11 26, section 42(g), meeting all of the requirements for a low-income housing credit under
2.12 section 42 of the Internal Revenue Code regardless of whether the project actually applies
2.13 for or receives a low-income housing credit;

2.14 (4) a project that will be operated in compliance with Internal Revenue Service
2.15 revenue procedure 96-32; or

2.16 (5) a housing or mixed use project in which all or a portion of the residential units
2.17 are subject to the requirements of section 5 of the United States Housing Act of 1937.

2.18 (c) For a project, a portion of which is not used for low-income housing units,
2.19 the amount of purchases that are exempt under this subdivision must be determined by
2.20 multiplying the total purchases, as specified in paragraph (a), by the ratio of:

2.21 (1) the total gross square footage of units subject to the income limits under section
2.22 273.126, the financing for the project, the federal low-income housing tax credit, revenue
2.23 procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable
2.24 to the project; and

2.25 (2) the total gross square footage of all units in the project.

2.26 (d) The tax must be imposed and collected as if the rate under section 297A.62,
2.27 subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

2.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
2.29 June 30, 2007.