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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1312**

February 22, 2007

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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; providing a tax credit for qualifying affordable housing
1.3 contributions; requiring a report; proposing coding for new law in Minnesota
1.4 Statutes, chapter 290.

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

1.6 Section 1. [290.0661] CREDIT FOR AFFORDABLE HOUSING
1.7 CONTRIBUTIONS.

1.8 Subdivision 1. Credit allowed. Subject to the limitations and conditions in this
1.9 section, a taxpayer is allowed a credit equal to 50 percent of the amount certified to the
1.10 commissioner of revenue by the commissioner of the agency as qualifying affordable
1.11 housing contributions made by the taxpayer during the taxable year. The credit applies to
1.12 the liability for tax, less nonrefundable credits, imposed by:

1.13 (1) sections 290.06, subdivision 1, and 290.0921 for corporations; and

1.14 (2) sections 290.06, subdivision 2c, and 290.091 for individuals.

1.15 Subd. 2. Definitions. (a) For purposes of this section, the following terms have
1.16 the meanings given.

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

1.18 (c) "Qualifying affordable housing contribution" means a donation made during
1.19 the taxable year for qualifying housing of:

1.20 (1) cash; or

1.21 (2)(i) the fair market value of land and improvements; (ii) marketable securities;

1.22 or (iii) construction materials and supplies to be used for qualifying housing, if the

1.23 aggregate amount or value donated by the taxpayer equals at least \$1,000. Fair market

1.24 value of land and improvements must be determined by a qualified appraisal prepared by

2.1 a qualified appraiser as those terms are defined in Code of Federal Regulations, title 26,
2.2 section 1.170A-13.

2.3 (d) "Qualifying housing" means housing located in Minnesota, affordable to
2.4 households with income equal to or less than the greater of 80 percent of area or statewide
2.5 median income as established for the area or state by the United States Department of
2.6 Housing and Urban Development, the development or improvement of which is financed
2.7 in whole or in part by the agency or allocated tax credits by the agency.

2.8 Subd. 3. **Credit allocation.** A taxpayer must apply each year to the commissioner
2.9 of the agency for an allocation of qualifying affordable housing contribution tax credits.
2.10 A credit need not be allocated for all of a taxpayer's qualifying contributions. The
2.11 commissioner of the agency shall notify the commissioner regarding the identity of each
2.12 taxpayer that has been allocated tax credits for the following calendar year by September
2.13 1 of each year.

2.14 Subd. 4. **Limitations; carryover.** (a) The credit allowed to any taxpayer under this
2.15 section may not exceed \$250,000 for any taxable year.

2.16 (b) The credit for the taxable year may not exceed the liability for tax, as defined in
2.17 subdivision 1, for the taxable year.

2.18 (c) If the amount of the credit determined under this section for any taxable year
2.19 exceeds the limitation under paragraph (b), the excess is a credit carryover to each of the
2.20 five succeeding taxable years. The entire amount of the excess unused credit for the
2.21 taxable year must be carried to the earliest of the taxable years to which the credit may be
2.22 carried and then to each successive year to which the credit may be carried. The amount of
2.23 the unused credit, which may be added under this paragraph, may not exceed the taxpayer's
2.24 liability for tax less any additional credit under this section for the current taxable year.

2.25 (d) The total credit allocation allowed for all taxpayers is limited to a total \$.....
2.26 allocated for all taxable years as follows:

2.27 (1) \$..... for the taxable year beginning during calendar year 2007;

2.28 (2) \$..... for the taxable year beginning during calendar year 2008; and

2.29 (3) \$..... for the taxable year beginning during calendar year 2009.

2.30 Unallocated credits carry over from one year to the next.

2.31 Subd. 5. **Report.** The commissioner of the agency shall report to the chairs of the
2.32 committees of the legislature with jurisdiction over taxes and housing policy by February
2.33 1, 2010, on the effectiveness of the credit under this section. The report must include,
2.34 at least, the estimated number of affordable housing units constructed or rehabilitated
2.35 as result of credit.

- 3.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
- 3.2 December 31, 2006, and before January 1, 2012.