A bill for an act

relating to taxation; providing a tax credit advance loan program; establishing a first-time homebuyer tax credit advance loan account; amending Minnesota Statutes 2008, section 462A.21, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 462A.

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

Section 1. **[462A.2094] TAX CREDIT ADVANCE LOAN PROGRAM FOR FIRST-TIME HOMEBUYERS.**

(a) The agency may develop the tax credit advance loan program for first-time homebuyers, up to the limits of available appropriations and transfers. The program provides loans to first-time homebuyers who are eligible for the federal first-time homebuyer credit. The maximum tax credit advance loan is the lesser of (i) 8.5 percent of the purchase price of the home, or (ii) $6,750. The agency may charge a reasonable fee for the costs associated with making and servicing tax credit advance loans. The agency shall require the first-time homebuyer to execute a promissory note secured by a second mortgage on the property being purchased to secure repayment of the loan as referenced in paragraph (e). The agency may use amounts in the first-time homebuyer tax credit advance loan account to fund the tax credit advance loan program.

(b) For purposes of this section, "federal first-time homebuyer credit" means the credit allowed under section 36 of the Internal Revenue Code, and "first-time homebuyer" has the meaning given in section 36 of the Internal Revenue Code.

(c) To be eligible for a tax credit advance loan, a first-time homebuyer must:

(i) meet the eligibility requirements for the federal first-time homebuyer credit;

(ii) have an annual gross income that does not exceed (A) 115 percent of the greater of the state or area median income, as determined by the U.S. Department of Housing and

Urban Development, or (B) the federal first-time homebuyers tax credit income limits, whichever is less.

(iii) use the tax credit advance loan in conjunction with a home mortgage loan at a 30-year fixed rate; and

(iv) agree to apply for the federal first-time homebuyer credit and use the credit refund to repay the tax credit advance loan.

(d) The tax credit advance loan agreement between the agency and the homebuyer must require repayment of the tax credit advance loan on or before June 15 of the calendar year following the year in which the tax credit advance loan is received.

(e) The agency may submit claims for debts owed due to failure to repay tax credit advance loans as provided under the revenue recapture act in chapter 270A. Repayments of tax credit advance loans are deposited in the housing development fund and credited to the first-time homebuyer taxpayer advance loan account.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2008, section 462A.21, is amended by adding a subdivision to read:

Subd. 2a. **First-time homebuyer tax credit advance loan account.** The agency may establish a first-time homebuyer tax credit advance loan account as a separate account within the housing development fund for the purposes of section 462A.2094, and may pay costs and expenses necessary and incidental to the development and operation of the tax credit advance loan program from the account.

Sec. 3. **TRANSFERS.**

(a) $....... is transferred in fiscal year 2009 from the real estate education, research and recovery fund in the state treasury established in Minnesota Statutes section 82.43 to the first-time homebuyer tax credit advance loan account in the housing development fund established in Minnesota Statutes section 462A.21, subdivision 2a.

(b) $....... is transferred in fiscal year 2009 from the contractor recovery fund in the state treasury established in Minnesota Statutes section 326B.89 to the first-time homebuyer tax credit advance loan account in the housing development fund established in Minnesota Statutes section 462A.21, subdivision 2a.

(c) At the end of fiscal year 2010 and each following fiscal year, a share of the balance in the first-time homebuyer tax credit advance loan account established in Minnesota Statutes section 462A.21, subdivision 2a is transferred to the real estate education, research and recovery fund established in Minnesota Statutes section 82.43.

The share equals the amount in the first-time homebuyer tax credit advance loan account multiplied by the ratio of the amount transferred in paragraph (a) to the sum of the amounts transferred in paragraphs (a) and (b). Transfers under this paragraph continue until the amount transferred from the real estate education, research and recovery fund to the first-time homebuyer tax credit advance loan account under paragraph (a) is fully repaid or for ten years, whichever is sooner. The Minnesota Housing Finance Agency and the commissioner of commerce may agree to a different transfer schedule.

(d) At the end of fiscal year 2010 and each following fiscal year, a share of the balance in the first-time homebuyer tax credit advance loan account established in Minnesota Statutes section 462A.21, subdivision 2a is transferred to the contractor recovery fund established in Minnesota Statutes section 326B.89. The share equals the amount in the first-time homebuyer tax credit advance loan account multiplied by the ratio of the amount transferred in paragraph (b) to the sum of the amounts transferred in paragraphs (a) and (b). Transfers under this paragraph continue until the amount transferred from the contractor recovery fund to the first-time homebuyer tax credit advance loan account under paragraph (b) is fully repaid or for ten years, whichever is sooner. The Minnesota Housing Finance Agency and the commissioner of labor and industry may agree to a different transfer schedule.