

**462A.40 MINNESOTA HOUSING TAX CREDIT CONTRIBUTION ACCOUNT.**

Subdivision 1. **Account created.** The Minnesota housing tax credit contribution account is created in the housing development fund in the state treasury. The account is administered by the Minnesota Housing Finance Agency. Amounts contributed to the account are appropriated to the agency. The agency may use the amounts appropriated to direct disbursements from the account as loans or grants to eligible recipients as provided in this section.

Subd. 2. **Use of funds; grant and loan program.** (a) The agency may award grants and loans to be used for multifamily and single family developments for persons and families of low and moderate income. Allowable use of the funds include: gap financing, as defined in section 462A.33, subdivision 1; new construction; acquisition; rehabilitation; demolition or removal of existing structures; construction financing; permanent financing; interest rate reduction; and refinancing.

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

(c) The agency shall separately set aside:

(1) at least ten percent of the financing under this section for housing units located in a township or city with a population of 2,500 or less that is located outside the metropolitan area, as defined in section 473.121, subdivision 2;

(2) at least 35 percent of the financing under this section for housing for persons and families whose income is 50 percent or less of the area median income for the applicable county or metropolitan area as published by the Department of Housing and Urban Development, as adjusted for household size; and

(3) at least 25 percent of the financing under this section for single-family housing.

(d) If by September 1 of each year the agency does not receive requests to use all of the amounts set aside under paragraph (c), the agency may use any remaining financing for other projects eligible under this section.

Subd. 3. **Eligible recipients; definitions; restrictions; use of funds.** (a) The agency may award a loan to any recipient that qualifies under subdivision 2. The agency must not award a grant to a disqualified individual or disqualified business.

(b) For the purposes of this subdivision disqualified individual means an individual who:

(1) made a contribution to the account in the current or prior taxable year and received a credit certificate;

(2) owns the housing for which the grant or loan will be used and is using that housing as their domicile;

(3) meets the following criteria:

(i) the individual is an officer or principal of a business entity; and

(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate; or

(4) meets the following criteria:

(i) the individual owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of a business entity; and

(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.

(c) For the purposes of this subdivision disqualified business means a business entity that:

(1) made a contribution to the account in the current or prior taxable year and received a credit certificate;

(2) has an officer or principal who is an individual who made a contribution to the account in the current or previous taxable year and received a credit certificate; or

(3) meets the following criteria:

(i) the business entity is owned, controlled, or is subject to the power to vote 20 percent or more of the outstanding securities by an individual or business entity; and

(ii) that controlling individual or business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.

(d) The disqualifications in paragraphs (b) and (c) apply if the taxpayer would be disqualified either individually or in combination with one or more members of the taxpayer's family, as defined in the Internal Revenue Code, section 267(c)(4). For a married couple filing a joint return, the limitations in this paragraph apply collectively to the taxpayer and spouse. For purposes of determining the ownership interest of a taxpayer under paragraph (a), clause (4), the rules under sections 267(c) and 267(e) of the Internal Revenue Code apply.

(e) Before applying for a grant or loan, all recipients must sign a disclosure that the disqualifications under this subdivision do not apply. The Minnesota Housing Finance Agency must prescribe the form of the disclosure.

(f) The agency may award grants or loans to a city as defined in section 462A.03, subdivision 21; a federally recognized American Indian tribe or subdivision located in Minnesota; a tribal housing corporation; a private developer; a nonprofit organization; a housing and redevelopment authority under sections 469.001 to 469.047; a public housing authority or agency authorized by law to exercise any of the powers granted by sections 469.001 to 469.047; or the owner of the housing. The provisions of subdivision 2, and paragraphs (a) to (e) and (g) of this subdivision, regarding the use of funds and eligible recipients apply to grants and loans awarded under this paragraph.

(g) Except for the set-aside provided in subdivision 2, paragraph (d), eligible recipients must use the funds to serve households that meet the income limits as provided in section 462A.33, subdivision 5.

**Subd. 4. Recapture.** A loan or grant awarded under this section is subject to repayment or recapture under rules adopted by the agency. Any amount of a loan or grant that is repaid or recaptured must be redeposited in the account and is not returned to the taxpayer who made the contribution.

**Subd. 5. Report.** The agency shall report by January 15 each year to the chairs and ranking minority members of the legislative policy and finance committees with jurisdiction over housing on the tax credits and financing provided in the previous fiscal year. The report shall provide a breakdown of the tax credits,

grants, and loans by region of the state. The report shall also include information on planned financing in the current fiscal year.

**History:** *1Sp2021 c 14 art 1 s 16*

**NOTE:** This section, as added by Laws 2021, First Special Session chapter 14, article 1, section 16, is effective for taxable years beginning after December 31, 2022. Laws 2021, First Special Session chapter 14, article 1, section 16, the effective date.