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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2506

03/02/2023 Authored by Vang and Huot 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; property; establishing the affordable housing tax capacity
1.3 reduction program; amending Minnesota Statutes 2022, section 276.04, subdivision
1.4 2; proposing coding for new law in Minnesota Statutes, chapter 273.

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

1.6 Section 1. 273.129 AFFORDABLE HOUSING TAX CAPACITY REDUCTION
1.7 PROGRAM; ESTABLISHMENT.

1.8 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.9 the meanings given, unless otherwise indicated.

1.10 (b) "Governing body" means, with respect to a city, a city council, with respect to a
1.11 town, a town board, and with respect to an unorganized territory, a county board acting on
1.12 behalf of the unorganized territory.

1.13 (c) "Municipality" means a statutory or home rule charter city, a township, or an
1.14 unorganized territory.

1.15 (d) "Property" means a residential rental housing property classified as class 4a under
1.16 section 273.13, subdivision 25, a portion of which is occupied by residents meeting the
1.17 income requirement under subdivision 4.

1.18 Subd. 2. Establishment. An affordable housing tax capacity reduction program is
1.19 established to promote the development of affordable rental properties in the state. Eligible
1.20 properties located in participating municipalities are eligible to receive a tax capacity
1.21 reduction of 50 percent.

2.1 Subd. 3. **Approval.** (a) A governing body may, upon approval by a majority vote of its
2.2 members, adopt a resolution agreeing to participate in the tax capacity reduction program.
2.3 Prior to approval, the governing body must publish notice of its intent to discuss the
2.4 resolution at a regularly scheduled meeting, in a newspaper with general circulation in the
2.5 city or on the municipality's website, no less than 30 days prior to the meeting. The notice
2.6 must include the date, time, and location of the meeting at which the program will be
2.7 discussed and public input allowed.

2.8 (b) After a governing body has adopted a resolution agreeing to participate in the program,
2.9 the governing body must adopt a separate resolution, subject to the same voting, notice, and
2.10 public hearing requirements under paragraph (a), for each property the governing body
2.11 approves to receive the affordable housing tax capacity reduction. The resolution must state
2.12 the property qualifies for a tax capacity reduction of 50 percent, and the reduction must
2.13 remain the same each year, subject to the duration limit under subdivision 6.

2.14 (c) Before adoption of the resolution as required under paragraph (b), the municipality
2.15 must make a finding that:

2.16 (1) construction of the rental property would not reasonably be expected to occur solely
2.17 through private investment within the reasonably foreseeable future; and

2.18 (2) the property's net tax capacity, even after application of the tax capacity reduction
2.19 under this section, is reasonably expected to be greater than the net tax capacity of the
2.20 property had the property not been developed.

2.21 (d) After a governing body has adopted the property-specific resolution as required under
2.22 paragraph (b), the governing body, other than the county board acting on behalf of an
2.23 unorganized territory, must provide the county board with a copy of the resolution for each
2.24 property the local government approved to receive the affordable housing tax capacity
2.25 reduction, along with information relating to the fiscal implications resulting from the
2.26 approved reduction. The county board may request additional information from the local
2.27 government that the board deems necessary. The county board must approve, by a majority
2.28 vote of its members, the affordable housing tax capacity reduction for each property within
2.29 60 days of receipt. If a county board fails to approve the reduction within 60 days of receipt,
2.30 or if the county board affirmatively denies approval of the reduction, the property shall not
2.31 receive the affordable housing tax capacity reduction.

2.32 Subd. 4. **Eligibility.** (a) A property located in a participating municipality is eligible for
2.33 the affordable housing tax capacity reduction if:

3.1 (1) the property is not classified in whole or in part as class 4d under section 273.13,
3.2 subdivision 25;

3.3 (2) construction of the property began on or after January 1, 2024; and

3.4 (3) the Minnesota Housing Finance Agency certifies to the county or local assessor that:

3.5 (i) at least 20 percent of the units in the property are available for residents whose
3.6 household income at the time of initial occupancy does not exceed 60 percent of area median
3.7 income, adjusted for family size, as determined by the United States Department of Housing
3.8 and Urban Development;

3.9 (ii) at least 80 percent of the units in clause (i) are occupied by residents meeting the
3.10 income requirement; and

3.11 (iii) any unoccupied available units are being actively marketed toward persons meeting
3.12 the income requirements, as attested by the property owner.

3.13 (b) By February 1 each assessment year, an application for certification under this
3.14 subdivision must be filed by the property owner to the Minnesota Housing Finance Agency.
3.15 The property owner must provide a copy of the application to the county or city assessor.
3.16 The application must be filed on a form prescribed by the agency and must contain the
3.17 property tax identification number, evidence that the property meets the requirements of
3.18 paragraph (a), a copy of the property-specific approval by the county board if required, and
3.19 any other information necessary for the Minnesota Housing Finance Agency to determine
3.20 eligibility. The Minnesota Housing Finance Agency may charge an application fee
3.21 approximately equal to the costs of processing and reviewing the applications. If imposed,
3.22 the applicant must pay the application fee to the Minnesota Housing Finance Agency and
3.23 the fee must be deposited in the housing development fund.

3.24 (c) By April 1 each assessment year, the Minnesota Housing Finance Agency must
3.25 certify to the appropriate county or city assessor:

3.26 (1) the specific properties, identified by parcel identification numbers, that are eligible
3.27 under this section to receive the tax capacity reduction for the current assessment year; and

3.28 (2) the specific properties, identified by parcel identification numbers, that received the
3.29 tax capacity reduction in the previous assessment year but no longer meet the requirements
3.30 under this section.

3.31 In making the certification, the Minnesota Housing Finance Agency must rely on the property
3.32 owner's application and any other supporting information that the agency deems necessary.

4.1 Subd. 5. Tax capacity reduction. A city or county assessor that receives certification
4.2 by the Minnesota Housing Finance Agency under subdivision 4 shall reduce the net tax
4.3 capacity for each certified property by 50 percent, subject to the duration limit as determined
4.4 under subdivision 6.

4.5 Subd. 6. Duration. The governing body of a participating municipality shall determine
4.6 the duration of the affordable housing tax capacity reduction for each eligible property,
4.7 provided that the reduction applies for at least ten but not more than 20 assessment years,
4.8 except that when a property no longer meets the requirements of subdivision 4, the reduction
4.9 shall be removed for the current assessment year.

4.10 Subd. 7. Expiration. This section expires on December 31, 2030. A property that has
4.11 not received the required approval under subdivision 3 by December 31, 2030, shall not
4.12 receive the tax capacity reduction.

4.13 EFFECTIVE DATE. This section is effective beginning with assessment year 2024.

4.14 Sec. 2. Minnesota Statutes 2022, section 276.04, subdivision 2, is amended to read:

4.15 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of
4.16 the tax statements. The commissioner of revenue shall prescribe the form of the property
4.17 tax statement and its contents. The tax statement must not state or imply that property tax
4.18 credits are paid by the state of Minnesota. The statement must contain a tabulated statement
4.19 of the dollar amount due to each taxing authority and the amount of the state tax from the
4.20 parcel of real property for which a particular tax statement is prepared. The dollar amounts
4.21 attributable to the county, the state tax, the voter approved school tax, the other local school
4.22 tax, the township or municipality, and the total of the metropolitan special taxing districts
4.23 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The
4.24 amounts due all other special taxing districts, if any, may be aggregated except that any
4.25 levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin,
4.26 Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly
4.27 under the appropriate county's levy. If the county levy under this paragraph includes an
4.28 amount for a lake improvement district as defined under sections 103B.501 to 103B.581,
4.29 the amount attributable for that purpose must be separately stated from the remaining county
4.30 levy amount. In the case of Ramsey County, if the county levy under this paragraph includes
4.31 an amount for public library service under section 134.07, the amount attributable for that
4.32 purpose may be separated from the remaining county levy amount. The amount of the tax
4.33 on homesteads qualifying under the senior citizens' property tax deferral program under
4.34 chapter 290B is the total amount of property tax before subtraction of the deferred property

5.1 tax amount. The amount of the tax on contamination value imposed under sections 270.91
5.2 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar
5.3 amount of any special assessments, may be rounded to the nearest even whole dollar. For
5.4 purposes of this section whole odd-numbered dollars may be adjusted to the next higher
5.5 even-numbered dollar. The amount of market value excluded under section 273.11,
5.6 subdivision 16, if any, must also be listed on the tax statement.

5.7 (b) The property tax statements for manufactured homes and sectional structures taxed
5.8 as personal property shall contain the same information that is required on the tax statements
5.9 for real property.

5.10 (c) Real and personal property tax statements must contain the following information
5.11 in the order given in this paragraph. The information must contain the current year tax
5.12 information in the right column with the corresponding information for the previous year
5.13 in a column on the left:

5.14 (1) the property's estimated market value under section 273.11, subdivision 1;

5.15 (2) the property's homestead market value exclusion under section 273.13, subdivision
5.16 35, or the affordable housing tax capacity reduction under section 273.129;

5.17 (3) the property's taxable market value under section 272.03, subdivision 15;

5.18 (4) the property's gross tax, before credits;

5.19 (5) for agricultural properties, the credits under sections 273.1384 and 273.1387;

5.20 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
5.21 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit
5.22 received under section 273.135 must be separately stated and identified as "taconite tax
5.23 relief"; and

5.24 (7) the net tax payable in the manner required in paragraph (a).

5.25 (d) If the county uses envelopes for mailing property tax statements and if the county
5.26 agrees, a taxing district may include a notice with the property tax statement notifying
5.27 taxpayers when the taxing district will begin its budget deliberations for the current year,
5.28 and encouraging taxpayers to attend the hearings. If the county allows notices to be included
5.29 in the envelope containing the property tax statement, and if more than one taxing district
5.30 relative to a given property decides to include a notice with the tax statement, the county
5.31 treasurer or auditor must coordinate the process and may combine the information on a
5.32 single announcement.

6.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2024.