



Minnesota Affordable Housing Tax Credit (AHTC)

In 2021, the Minnesota Legislature established the AHTC (290.0683) and the Housing Tax Credit Contribution Account (HTCCA) (462A.40). The contribution account is a flexible fund that provides loans and grants to developers and is capitalized by contributions from taxpayers. Under the AHTC, in exchange for contributions to affordable housing, participating taxpayers receive a \$0.85 credit for every dollar contributed. The program relies on taxpayer support to provide low-cost financing to developers of affordable housing. Starting in 2023 and for the next six years, \$9.9 million in tax credits will be available each year. If the contribution account is fully capitalized, it will provide over \$11.6 million in loans and grants to eligible housing projects.

The AHTC provides loans and grants to:

- Support the development of projects that garner the financial support of the community
- Incentivize private-public partnerships
- Support development that is less competitive in the annual Super RFP

Eligible Uses

- Multifamily units for persons and families with incomes at or below the greater of 80% AMI or SMI
- Single-family homes for persons and families with incomes at or below the greater of 115% AMI or SMI
- Gap financing; new construction; acquisition; rehabilitation; demolition or removal of existing structure; construction financing; permanent financing; interest rate reduction; and refinancing

CONTACT US

libby.murphy@mhponline.org :: 651-649-1710 :: @followmhp
Learn more at mhponline.org :: MHP is an equal opportunity provider.



Eligible fund awardees

- City; federally recognized American Indian tribe or subdivision; Tribal housing corporation; private developer; non-profit organization; housing and redevelopment authority; public housing authority or agency; owner of the housing.

Set asides

Until September 1 in any year, at least:

- 35% of the funds support the development of housing for persons at or below 50%AMI
- 25% of the funds support the development of single-family homes
- 10% of the funds support housing units located in areas with a population of 2,500 or less that is located outside of the seven-county metro.

After September 1, each year, any remaining financing available may be awarded to any eligible project

How it works for project applicants

- Apply for a loan or grant with or without pre-committed donations
- Receive a conditional approval of a loan or grant
- Secure donations in the sum of the approved loan or grant
- If a project cannot secure enough in donations, Minnesota Housing can allocate funds from the general pool to that project
- If a project secures excess donations, donations in excess of the approved loan or grant fund the general contribution account and can support other projects.

Credit allowed

- A taxpayer is allowed a credit against their MN State income taxes for contributions to the contribution account
 - A contributor must make a minimum contribution of \$1,000. Contributors will not receive a tax credit on the portion of their contribution above \$2M
 - The credit equals 85% of the amount the taxpayer contributed to the account during the taxable year.
 - Excess credits can be carried over to each of the ten succeeding taxable years.
 - The aggregate amount of tax credits allowed to all eligible contributors is limited to \$9.9M annually
 - A contributor may indicate that a contribution is intended for a specific qualified project
 - Credits are not transferable
-

- If a project secures excess donations, Minnesota Housing is not obligated to return the donation. The contributor will still receive a credit certificate indicating the project for which the donation was intended. Excess donations will fund the contribution account.

How it works for contributors

- Contribute to the contribution account to support any approved project
- Contribute to an approved project
- Pre-commit contributions to a project applying for funds through the contribution account
- After contributing, receive a certificate from MHFA/DOR and submit with your taxes. The certificate will indicate if the contribution is intended for a specific project – this is important for banks using the program to receive CRA credits

Unknowns

In addition to authorizing language in statute, MH and DOR need to adopt further program guidelines and criteria before the program is operational. Here are some key questions to be resolved by the agencies:

- Projected timeline for a draft program, public engagement and comment period, and release of final program criteria
 - What criteria MH will prioritize among all applications and within each set-aside
 - How MH will score projects that apply with donations pre-committed
 - The date MH will begin accepting contributions to the general fund
 - Is there a program deadline for submitting applications or is it a rolling application
-