An innovative new tool that encourages local businesses and neighbors to invest in their community by creating housing opportunities.

WHY
The private market is not supplying housing that is affordable to Minnesota’s workers. A public-private partnership is the best way to ensure an adequate supply of housing. The Minnesota Tax Credit Contribution Fund incentivizes private investment and promotes community and economic development.

WHAT
Since its inception in 2011, North Dakota’s Housing Incentive Fund (HIF) has leveraged roughly $5 for every $1 invested, creating more than 2,500 units across the state. Modeled after North Dakota’s HIF, the Minnesota Tax Credit Contribution Fund will encourage local businesses and neighbors to invest in their community by creating housing opportunities.

The program is capitalized by contributions from taxpayers that have state income, corporate, or insurance premium tax liabilities. In exchange for contributions to affordable housing, participating taxpayers receive credit against their state income tax liability equal to their contribution to a specific development or the general loan pool. The program relies on taxpayer support to provide low-cost financing to developers of affordable housing.
BENEFITS

**Flexibility:** This program allows for greater flexibility to support different types of projects that serve different needs. As a Minnesota tool, it is more flexible than existing federal resources that fund new development and preservation. Minnesota Housing Finance Agency will still prioritize the types of projects to be awarded during each annual application process. The state could use this tool in conjunction with other programs or award by itself to provide gap financing.

**Simplicity:** The credit does not require syndication, therefore, every dollar invested stays in Minnesota and goes directly to the project.

**Easy to participate:** Any taxpayer with state income, corporate, or insurance premium tax liabilities would be eligible to contribute and receive a credit. Those without state tax liability can still contribute to a development. A contribution does not give the contributor ownership interest in the housing project. The contributor only receives the tax credits in exchange for their contribution. This makes it easier for businesses in need of housing to participate.

**Leverage:** The program makes housing projects feasible by leveraging other private, state and federal resources.

**Good for Greater Minnesota:** The program will work better for Greater Minnesota than existing federal credits or other proposed state credits. Existing federal tax credit programs can be difficult to utilize outside of metropolitan communities.

**Boosts local businesses**

» Banks can receive CRA credit; a huge advantage for projects in Greater Minnesota. Banks support similar programs because this model allows them to donate to projects in areas where they would not purchase federal tax credits.

» A contribution to a project is potentially eligible for a federal tax deduction in addition to a state tax credit. Similar contributions have been treated as charitable donations.

» Businesses can use the tax credit to help build the affordable workforce housing needed throughout Minnesota.

» Investments in housing pay for themselves by building the economy and creating jobs.

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