



# State Housing Tax Credit Program and Contribution Fund Frequently Asked Questions

**Published: 2/12/2024**

The Minnesota Legislature created the Minnesota Housing Tax Credit and Contribution Account in 2022 in [Minnesota Statutes 462A.40](#) and [290.0683](#). Minnesota Housing named this program the State Housing Tax Credit (SHTC) Program and Contribution Fund.

The information in this Frequently Asked Questions (FAQ) document is supplementary to the [SHTC Program and Contribution Fund Guide](#) (Program Guide) and any loan documents between Minnesota Housing and a Recipient. Any capitalized terms which are not otherwise defined in this FAQ have the meaning assigned in the Program Guide. In the event of any conflicts between the information in this FAQ and the Program Guide and/or Loan Agreement, the information in the Program Guide and/or Loan Agreement will govern and control.

Updates to this FAQ will be identified and dated accordingly.

Minnesota Housing cannot give tax advice. Contributors, Designees, Recipients and Applicants are encouraged to consult with a knowledgeable tax professional.

## STATE HOUSING TAX CREDIT INFORMATION

### 1. When a taxpayer submits an application for a tax credit certificate (TCC), are the requested tax credits reserved for that taxpayer?

Tax credits are allocated on a first-come, first-served basis in 2024. When a taxpayer submits an application for a TCC, the tax credits, if available, are reserved pending review of the application and receipt of the signed documents and funds. The documents and funds must be received within the timeframe specified by Minnesota Housing in the payment instructions. If the documents or funds are not received within the specified timeframe, the tax credits may be allocated to other applicants.

### 2. Can a taxpayer make a Designated Contribution to a Qualified Project that isn't funded by Minnesota Housing?

Qualified Projects do not need other Minnesota Housing funding to receive Designated Contributions from the SHTC Program. The project and Recipient must meet all requirements in the Program Guide and submit all Due Diligence Checklist items to receive the Designated Contribution.

### 3. Who is eligible to make a contribution?

The term "taxpayer" means any person or corporation subject to a tax imposed by [Minnesota Statutes Chapter 290](#), and any insurance company, association, surplus lines broker, or insured, or any other person or entity required to pay any amount due under [Minnesota Statutes Chapter 297I](#).

### 4. What is the process to apply for a tax credit certificate?

The contribution process for 2024 is as follows;

- Eligible taxpayers complete the [online application](#)
- Minnesota Housing reviews the application
- Minnesota Housing sends the taxpayer payment instructions and a signature document via Docusign
- Taxpayer submits and Minnesota Housing receives signature document and contribution within the timeframe provided in the email
- Minnesota Housing issues TCC to the taxpayer within 30 days of receiving the signature document and funds

Minnesota Housing may, at its sole discretion, decline to issue a tax credit certificate and return any contribution, if applicable. Contributions may be declined for such reasons as:

- Failure to provide all required information on the tax credit certificate application and taxpayer certification;
- Data errors that cannot be resolved with the taxpayer and/or the DOR; or
- Insufficient credits to match the contribution.

Contributions made to the account are irrevocable.

**5. What information is required to submit an online application?**

A PDF version of the Tax Credit Certificate Application can be found on our [webpage](#). Note that this version is for reference purposes only; the application information must be submitted through the online [Cvent application tool](#).

**6. How much can a taxpayer contribute?**

A taxpayer may contribute a minimum of \$1,000 up to a maximum of \$2 million per taxable year.

**7. Can a taxpayer contribute more than once in a year?**

Yes. A taxpayer can make multiple contributions within the same calendar year, but the total may not exceed \$2 million per the taxpayer's taxable year.

**8. Will everyone who applies for a tax credit certificate receive one?**

Each calendar year, \$9.9 million in state housing tax credits are available. Tax credits are available on a first come, first served basis. If there are not sufficient credits available, Minnesota Housing cannot issue a tax credit certificate and must return any contribution (or portion of a contribution) for which credits are not available.

**9. If Minnesota Housing does not issue \$9,900,000 in tax credit certificates in a calendar year, can certificates for the remaining tax credits be issued in the following year?**

No. Unused tax credits do not carry into the next year.

**10. Can nonresidents and part-year residents receive a tax credit certificate?**

Yes. The credit must be allocated based on the percentages calculated under [Minnesota Statute 290.06, subdivision 2c, \(e\)](#).

**11. If a pass-through entity makes a contribution, will tax credit certificates be issued to each of the partners, members, or shareholders showing the amount of tax credits allocated to them?**

No. Only one tax credit certificate will be issued. When that entity files its Minnesota tax return, the credit will be reported to the owners on the appropriate schedule. See Minnesota Statute 290.0683, subdivision 4.

**12. The program offers a tax credit against a taxpayers Minnesota tax liability equal to 85% of the amount contributed. Can the 15% of the contribution that does not receive a tax credit certificate be claimed as a deduction?**

Minnesota Housing is not aware of a specific Minnesota modification allowing the deduction to be claimed on a Minnesota state tax return. For federal rules and regulations, the taxpayer must consult with representatives from the Internal Revenue Service (IRS) or its tax advisor(s) for more information regarding federal law and the deductibility of contributions on federal tax filings. Minnesota Housing cannot provide tax advice and recommends consulting with a knowledgeable tax professional.

**13. When does the taxpayer claim the state tax credit on their Minnesota tax return?**

The tax credit must be claimed by the taxpayer for the taxable year that the contribution is received into the account. More information about the state tax credit can be found in [Minnesota Statute 290.0683](#).

**14. What if a taxpayer contributes more than their Minnesota state tax liability for the tax year?**

If the amount of the state tax credit exceeds the taxpayer's state tax liability, the excess is a credit carryover to each of the 10 succeeding taxable years. The entire amount of the excess unused state tax credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried, and then to each successive year to which the credit may be carried. The amount of the unused credit may not exceed the taxpayer's tax liability, less any credit for the current taxable year. For more information, refer to [Minnesota Statute 290.0683](#).

**15. Can a taxpayer request their contribution be used to fund a specific project?**

The taxpayer may select to designate their contribution to a specific Qualified Project when they submit their application for a tax credit certificate. This is called a Designated Contribution for a Qualified Project. Note that this is not a guarantee that the project qualifies for funding, or that all designated funds will go toward that project. When making a Designated Contribution, the taxpayer must provide the project name and developer/administrator contact information in the tax credit certificate application. See Section 2.01 of the Program Guide for more information.

**16. Does Minnesota Housing have a list of Qualified Projects that are approved to received Designated Contributions?**

No, Minnesota Housing does not pre-approve projects to receive State Housing Tax Credit program funds at the time of contribution.

**17. Will Designated Contributions be returned to the taxpayer if the project they designate is not built or is not funded?**

No. Contributions are irrevocable. The Designated Contribution funds will be added to the General Contribution Pool and used to fund eligible projects throughout Minnesota. Projects funded from the General Contribution Pool through a competitive application process will be selected at Minnesota Housing's sole discretion.

**18. Can a taxpayer designate their contributed funds to be used in a specific geographic area, or for a certain kind of project?**

No. Contributions can be designated for a specific Qualified Project or the General Contribution Pool only. Taxpayers cannot designate funds for a specific geographic area or specific use.

**19. Can a taxpayer decide what kind of funding their contribution provides to the recipient?**

No. The loan terms will depend on the type of project and other financing in the project and will be agreed upon between Minnesota Housing and the Recipient. See Section 4.02 of the Program Guide.

## **PROGRAM INFORMATION**

**20. Are there income limits for households that rent or purchase a unit that has funding from the SHTC program?**

Yes. The income limit for homeownership units is 115% of area median income (AMI) as determined by HUD, and 80% of AMI for rental units. Homeownership and rental units that are awarded funding from the set aside for households whose income is 50% or less of AMI must meet the lower income requirement. Please note that if SHTC Contribution Program funds are awarded through a Minnesota Housing RFP other than the SHTC Contribution Program RFP, additional restrictions may apply.

**21. What is a Qualified Project?**

A project that meets all requirements of the SHTC Contribution Program (including, but not limited to, threshold criteria, and supporting documentation submitted to the satisfaction of Minnesota Housing, and all laws applicable to said program), and is reasonably expected to close in the next 24 months.

## **22. What is the General Contribution Pool?**

Contributions that are not designated for (or are not able to be used by) the specified Qualified Project will be added to the General Contribution Pool. Funds in the General Contribution Pool will be made available through one or more request for proposals (RFP) processes, beginning in 2024. See Chapters 4 and 5 in the Program Guide for more information about the General Contribution Pool.

## **23. How will the funds be used?**

Funds will be used to develop and preserve affordable housing throughout Minnesota. Contributions that are not designated for (or are not able to be used by) the specified Qualified Projects will be added to the General Contribution Pool. Funds in the General Contribution Pool are subject to the following statutory set-asides:

- At least 10% for housing units in a township or city with a population of 2,500 or less that is located outside of the Metropolitan area, as defined in [Minnesota Statutes 473.121, subdivision 2](#)
- At least 35% for households whose income is 50% or less of the area median income
- At least 25% for single-family housing

If no applicant requests funds that qualify for the set-asides, the funds may be awarded to other Qualified Projects. Funding from the General Contribution Pool may be used as a funding source in other Minnesota Housing request for proposals. Awarding of funds will be at Minnesota Housing's sole discretion.

## **24. Why is funding only offered as a loan and not a grant?**

Loans will help to extend affordability for a longer term, provide flexibility for projects with different financial structures and funding sources, simplify and streamline the development and application process, and reduce the complexity of post-selection due diligence and long-term compliance and monitoring requirements.

## **25. What are the loan terms?**

Minnesota Housing expects awards and distributions to be generally provided in the form of a 0% or low-interest loan with up to a 30-year term. The loan term and interest rate may be adjusted to allow these funds to be utilized with other sources of funding. Loans may be deferred or forgivable, at Minnesota Housing's discretion.

## **26. How does a Designee request funds that have been designated for their Qualified Project?**

Using the information submitted by the taxpayer that provided the Designated Contribution, Minnesota Housing will notify Designees when a Designated Contribution is made for their

project. The Designee must submit due diligence items outlined in the SHTC Contribution Program Due Diligence checklist. This includes collecting information to confirm that the project qualifies for funding under the program, confirmation that the Designee is eligible to receive the funds and is not a Disqualified Individual or a Disqualified Business, and any other necessary due diligence items required to close on the loan. The Designee must enter into a Loan Agreement within 24 months of Minnesota Housing's receipt of the Designated Contribution. Funds will be disbursed according to the process outlined in chapter 7 of the Program Guide.

## ELIGIBLE RECIPIENTS AND USES

### **27. Can a contributor have any ownership or control of a project that receives funds from the SHTC program?**

If one or more contributor(s) has **any** ownership, control, or the power to vote any of the outstanding securities of a prospective Recipient that requests funds from the SHTC program, the Recipient must provide an attorney opinion letter (in a form acceptable to Minnesota Housing) confirming that the Recipient is not a Disqualified Individual or Disqualified Business.

### **28. If construction financing for a project has closed, can a Designated Contribution be used to replace a portion of the construction financing or the permanent financing?**

A Designated Contribution made to a Qualified Project may be used to fund any of the eligible uses listed in Section 3.02 of the Program Guide. Designees will need to work with their assigned underwriter if the project has funding with Minnesota Housing and obtain any required modifications and approvals from all other lenders involved prior to the SHTC loan closing. The project must meet all requirements in the Program Guide and complete all due diligence items.

### **29. What is an eligible recipient?**

Minnesota Housing may award loans to:

- A city as defined in [Minnesota Statute 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 [Minnesota Statute 469.001 to 469.047](#);
- A public housing authority or agency authorized by law to exercise any of the powers granted by [Minnesota Statute 469.001 to 469.047](#); or
- The owner of the housing

### 30. Who cannot receive an award or Designated Contribution?

An award will not be provided to Disqualified Individuals or Disqualified Businesses. Before applying, all recipients must sign a disclosure that disqualifications do not apply.

A Disqualified Individual is an individual who:

- Made a contribution to the account in the current or prior taxable year and received a tax credit certificate, or
- Owns the housing for which the loan will be used and is using that housing as their domicile, or
- Meets the following criteria:
  - The individual is an officer or principal of a business entity; and
  - That business entity made a contribution to the account in the current or previous taxable year and received a tax credit certificate; or
- Meets the following criteria:
  - The individual owns, controls, or holds the power to vote 20% or more of the outstanding securities of a business entity; and
  - That business entity made a contribution to the account in the current or previous taxable year and received a tax credit certificate

A Disqualified Business means a business entity that:

- Made a contribution to the account in the current or prior taxable year and received a tax credit certificate; or
- 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 tax credit certificate; or
- Meets the following criteria:
  - The business entity is owned, controlled, or is subject to the power to vote 20% or more of the outstanding securities by an individual or business entity; and
  - That controlling individual or business entity made a contribution to the account in the current or previous taxable year and received a tax credit certificate.

A taxpayer is considered a Disqualified Individual or Disqualified Business if the taxpayer would be disqualified either individually or in combination with one or more members of the taxpayer's family, as defined in [Internal Revenue Code, section 267\(c\)\(4\)](#). For a married couple filing a joint return, the limitations apply collectively to the taxpayer and spouse. For purposes of determining the ownership interest of a taxpayer in a business entity, the rules under section [267\(c\) and 267\(e\)](#) of the Internal Revenue Code apply.

Minnesota Housing cannot give tax advice. Contributors, Designees, and Applicants are encouraged to consult with a knowledgeable tax professional.



**31. If I or my business contribute to the fund and receive a tax credit certificate, am I or my business allowed to apply for funding through the program?**

An individual who made a contribution and received a tax credit certificate in the current or prior taxable year would be disqualified from applying for funding through the program.

A business entity that made a contribution and received a tax credit certificate in the current or prior taxable year would be disqualified from applying for funding through the program.

Both individual and business entity contributors should be aware that their contributions may also make other individuals and/or business entities disqualified individuals or business entities.

Disqualification depends on the ownership, control, or voting power held by these individuals and/or business entities, whether individually or in combination with certain family members. Refer to the definitions of Disqualified Individual and Disqualified Business discussed above for more information.

**32. What are eligible uses?**

Multifamily and single-family developments for households of low- and moderate-income are allowable uses of funds.

- Gap financing as defined in [Minnesota Statute 462A.33, subdivision 1](#)
  - Affordability Gap financing for Single Family projects
- New construction
- Acquisition
- Rehabilitation
- Demolition or removal of existing structures (in conjunction with new unit development or rehabilitation; not a standalone use)
- Construction financing
  - Interim financing for Single Family projects
- Permanent financing

Note that occupancy requirements and other restrictions apply. See Section 3.03 of the Program Guide.

## **CONTACT INFORMATION**

**33. Where should I direct questions regarding issuance of tax credit certificates and program questions?**

You can reach out via email to [statehtc.mhfa@state.mn.us](mailto:statehtc.mhfa@state.mn.us), or by phone at 651.297.3121. You can also send questions via mail to:

Minnesota Housing Finance Agency (Minnesota Housing)  
400 Wabasha St. N., Suite 400  
St. Paul, MN 55102

**34. Where should I direct questions related to claiming the state tax credit?**

You can reach out via email to [businessincome.tax@state.mn.us](mailto:businessincome.tax@state.mn.us), or by phone at 651.556.3075 with questions regarding claiming the state tax credit as it relates to **corporations, partnerships, and fiduciaries.**

You can reach out via email to [individual.incometax@state.mn.us](mailto:individual.incometax@state.mn.us), or by phone at 651.296.3781 or 1.800.652.9094 with questions regarding claiming the state tax credit as it relates to **individuals.**

You can reach out via email to [insurance.taxes@state.mn.us](mailto:insurance.taxes@state.mn.us), or by phone at 651.556.3024 with questions regarding claiming the state tax credit as it relates to **insurance taxes.**

All questions regarding claiming the state tax credit can be sent via mail to:

Minnesota Department of Revenue Mail Station 5510  
600 N. Robert St.  
St. Paul, MN 55146