

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1908

DATE: April 25, 2005

Version: As introduced

Authors: Vandever and others

Subject: Property taxation; creating a low-income apartment property class

Analyst: Karen Baker, 651-296-8959
Steve Hinze; 651-296-8956

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Recreates a low-income housing (4d) property classification for property participating in designated state or federal low-income housing programs. Provides for a class rate of 1.0 percent of market value. Effective for taxes payable in 2006 and thereafter.

Section

1 Certification of low-income rental property.

Subdivision 1. Requirement. Provides that low-income rental property is entitled to classification as class 4d property if at least 50 percent of the units are:

- (1) subject to a housing assistance payments contract under Section 8 of the U.S. Housing Act of 1937, as amended;
- (2) rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code;
- (3) financed by the Rural Housing Service of the U.S. Department of Agriculture and receive payments under the rental assistance program under Section 521(a) of the Housing Act of 1949; or

Section

- (4) subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by a federal, state, or local unit of government.

Further provides that the restrictions under clause (4) must require the assisted units to be occupied by residents whose household income, at the time of initial occupancy, do not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the U. S. Department of Housing and Urban Development. Provides that if the resident's income met the requirement when the resident first occupied the unit, the income of the resident continues to qualify. Also requires that the rents for the assisted units do not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development.

(Categories (1) to (3) of low-income apartment units are often referred to as "deemed" units. These units receive some form(s) of government financing, tax credits, section 8 vouchers, etc.)

Subd. 2. Application. (a) Requires an application for certification to be filed by March 31 of the levy year, or at a later date if the Housing Finance Agency (MHFA) deems practicable. Provides that the application be filed with MHFA, on a form prescribed by the agency. (b) Requires the application to contain the property identification number, evidence that the property qualifies under subdivision 1, and true and correct copy of the property's financial statement. (c) Allows the MHFA to charge an application fee approximately equal to its administrative costs, but not to exceed \$10 per unit. The revenue from the fees collected must be deposited in the housing development fund.

Subd. 3. Certification. Requires the MHFA to certify to the local assessors by June 1 of each levy year, the qualifying properties and the number of units in the buildings that qualify.

Effective for taxes payable in 2006 and thereafter.

- 2 Class 4d established.** Establishes a new class 4d property for qualifying low-income rental housing certified to the assessor by the MHFA under section 1, with a class rate of 1.0 percent of market value.

Provides that if only a portion of the units in the building qualify as low-income rental housing units, then only that proportion of qualifying units to the total number of units in the building qualify for class 4d. The same proportion determines the proportion of the land market value to be classified 4d. The remaining portion of the property is to be classified by the assessor based upon its use.

Provides that the market value determined by the assessor for class 4d property must be based on the normal approach to value using unrestricted rents, in the same manner as all

Section

other apartment property.

(The stricken language on pages 3-4 is obsolete.)

Effective for taxes payable in 2006 and thereafter.