## HOUSE RESEARCH

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**Version:** As introduced, with authors amendment H3860A1

**Authors:** Simpson and others

**Subject:** Modifying the eligibility for class 4d property classification

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## Overview

Modifies eligibility requirements for low income rental property to allow more property to qualify for the class 4d property classification by (i) decreasing the building threshold from 75 to 20 percent of the property's units needed to qualify, and (ii) allowing the units to qualify if they receive financing from a local unit of government. Effective for taxes levied in 2006, payable in 2007 and thereafter.

#### **Section**

- Requirements; class 4d. Makes two changes to the eligibility requirements for property to qualify for the class 4d, low-income rental classification (LIRC). The class rate for regular apartments is 1.25 percent; whereas the 4d class rate is 0.75 percent.
  - 1. Reduces the requirement for the minimum number of units in a rental housing property that must meet the eligibility criteria for 4d classification from 75 to 20 percent. This is the initial threshold for the rental housing property that must be met before any of the units in the building receive the reduced classification. Since only the qualifying units that meet one of the criteria receive the reduced class rate, this is, in effect, a double threshold that disqualified many applications where the project did not meet this 75 percent threshold. It should be noted that only the proportion of the qualifying units that meet one of the four criteria receive the lower class rate, and not the entire property.

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### **Section**

• 2. Allows units/properties to qualify if the property's financial assistance is provided by a local unit of government. Currently, one of the criteria requires that the units be subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota. This section allows the financing to also be provided by a local unit of government.

Effective for taxes levied in 2006, payable in 2007 and thereafter.