Minnesota Tax Expenditure Evaluation of the State Housing Tax Credit

Prepared for the Tax Expenditure Review Commission

By the Legislative Budget Office

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Prepared by the Legislative Budget Office (LBO) on behalf of the Tax Expenditure Review Commission.

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For comments, questions, or concerns regarding this review please contact the Legislative Budget Office:

658 Cedar St. Centennial Building, 1st floor, St. Paul, MN 55155

E-mail: lbo@lbo.mn.gov

Phone: 651-297-7146

Evaluation Team:

Vlad Fleurimond

Carlos Güereca

Annie Lemieux

Zac Reeves

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Executive Summary

The Tax Expenditure Review Commission (TERC) is responsible for reviewing the effectiveness and efficiency of Minnesota's tax expenditure policies. The TERC has elected to review and evaluate the Housing Contribution Credit, otherwise referred to as the State Housing Tax Credit (SHTC) by the Minnesota Housing Finance Agency (Minnesota Housing).

The SHTC is entirely funded through private taxpayer contributions. Taxpayers can designate their contribution to a specific project or to the General Contribution Pool. Contributions must be between $1,000 and $2,000,000 and result in a credit equal to 85% of the contribution.[1] The credit can be used to reduce contributors' Minnesota state tax liability. The credit was enacted in 2021, and the program is effective in tax years (TY) 2023 through 2028. Although the program has a limited period of operation, available data was used to conduct an evaluation.

The evaluation, conducted by the Legislative Budget Office on behalf of the TERC, includes an analysis of descriptive statistics of program participation; an analysis of survey responses from contributors to the Housing Contribution Fund and housing developers who received financial support from the Housing Contribution Fund; and an analysis of tax claims data.

From tax years 2023 to 2025, a total of over $30 million was contributed to the program, resulting in nearly $20.3 million in loans for designated housing projects and $2.2 million in awarded funds from the General Contribution Pool. These funds supplemented the financing for a total of 1,275 rental units and 74 homeownership units across Minnesota.

According to survey results, taxpayers contribute to the Housing Contribution fund due to either the location of the housing project, their ability to add value to housing projects, or their ability to benefit from the state housing tax. Further, in the absence of the SHTC, 58% of survey respondents reported they would not have contributed to multifamily and single-family housing construction projects in Minnesota. The SHTC is credited with increasing awareness about investments in housing opportunities, and 63% of contributors reported they are more likely to contribute or invest in housing projects in Minnesota due to their participation in the SHTC.

[1] Minnesota Housing. *Annual State Housing Tax Credit Program and Contribution Fund Report (2026).* St. Paul: Minnesota Housing, 2026. Accessed August 31, 2026. https://www.lrl.mn.gov/docs/2026/mandated/260125.pdf.

Introduction

Access to affordable housing continues to be a challenge for many Americans. To address housing affordability, the federal government and US states have generally implemented two types of housing policies. First, demand-side housing policies seek to subsidize homebuyers and renters to make housing more affordable. Second, a set of supply-side housing policies seek to incentivize housing construction, leading to an increase in the housing stock or the number of housing units available. In this vein, in 2021, the Minnesota legislature enacted the State Housing Tax Credit (SHTC) to help finance affordable housing for low-to-moderate-income Minnesotans – with the program becoming active in tax year (TY) 2023.[2] From TY2023 to TY2025, taxpayers contributed approximately $30 million to the SHTC. These contributions helped finance a total of 1,201 rental housing units in the 7-County Metro and 74 rental housing units in Greater Minnesota. Further, 7 homeownership units in the 7-County Metro were supported with SHTC funds and 67 in Greater Minnesota.

The Tax Expenditure Review Commission (TERC) directed the LBO to evaluate the extent to which the SHTC achieved its intended objective of increasing affordable housing to persons and families with low and moderate incomes in Minnesota. Unfortunately, the SHTC has not been in place long enough to allow a rigorous analysis of trends in affordable housing units over time due to use of the SHTC. Further, SHTC accounts for a total of $30 million in taxpayer contributions from TY2023 to TY2025, and this amount is significantly less than appropriations for other state and federal housing programs administered by Minnesota Housing. Therefore, it remains a challenge to isolate the contribution of SHTC from other housing policies impacting affordable housing in Minnesota.

Due to these data challenges, the LBO relies on descriptive statistics of SHTC claims by tax types, taxpayer contributions by geographic area and housing types, and number of rental and ownership housing units financed through the SHTC. Additionally, to better understand the program's impact, the LBO utilized a contributor survey and a developer survey administered in collaboration with Minnesota Housing to shed light on the rationale as to why taxpayers contribute to SHTC and to understand the range of options that would be available to housing developers if SHTC did not exist.

Taxpayers who contribute to the SHTC program are eligible for a credit against their individual income tax, insurance premium tax, and corporate franchise tax liabilities.[3] SHTC has exhausted the available annual cap of $9.9 million in all years except TY2023, the first year the program was in operation. From TY2023 to TY2025, greater than 60% of contributions originated from the 7-County Metro, and less than 40%

[2] For the purposes of this evaluation the tax incentive referred to as the Housing Contribution Credit in the Department of Revenue 2024 Tax Expenditure Budget is referred to as the State Housing Tax Credit; otherwise referenced as the Minnesota Housing Tax Credit under Minnesota Statutes, section 290.0683.
[3] The credit is worth 85% of the value of their contribution to the SHTC program. For example, a contribution of $100,000 will result in a credit worth $85,000.

originated from Greater Minnesota. Similarly, over the same period, most of the SHTC contributions help finance affordable housing in the 7-County Metro compared to Greater Minnesota. This can be explained partly by the fact that over 90% of contributions are earmarked to specific housing projects as opposed to the General Contribution pool, which would otherwise allow Minnesota Housing to distribute available funds. Further, based on a developer survey, taxpayers contribute to SHTC for varied reasons, ranging from their ability to add value to housing projects to their ability to benefit from the state housing tax credit. Survey responses suggest that if SHTC did not exist, 25% of contributors would not have contributed funds to any housing opportunities in Minnesota, and some developers would have abandoned their housing projects while others would have sought alternative sources of financing.

Background on the State Housing Tax Credit

The SHTC was enacted into law in 2021 and became effective in 2023.[4] While the program structure has largely stayed the same since inception, specific set-asides within the General Contribution Pool for single family housing, small cities and townships outside the metro area, and low-income households were repealed during the 2024 legislative session.[5] Unlike other housing-related tax credits such as the Low-Income Housing Tax Credit, the SHTC is entirely funded through eligible taxpayer contributions and does not receive any federal funding. Contributions to the SHTC program are held within the Housing Contribution Fund, which is part of the larger housing development fund in the state treasury.[6] For developers, SHTC awards are generally provided as 0% interest loans with terms up to 30-years.[7]

Taxpayers must designate their contribution to a specific project or to the General Contribution Pool. Contributions must be between $1,000 and $2,000,000 and result in a credit equal to 85% of the contribution.[8] Eligible taxpayers must submit the online SHTC Contribution application. The application for the 2026 contribution cycle went live on February 17, 2026. Submitting the online application reserves tax credits while Minnesota Housing reviews the application, which typically occurs within 10 business days. After an application is accepted, the contributor must return signed documentation and full payment to secure the tax credits.[9] The required documentation for claiming the

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[4] Laws of Minnesota 2021, 1st Spec. Sess. chapter 14, article 1, section 13.
[5] Minnesota Housing Partnership. "2024 Legislative Session Summary." Accessed August 31, 2026. https://mhponline.org/publications/2024-legislative-session-summary/.; Set-asides included 25% for single family housing, 10% for cities or townships outside the metro area with 2,500 people or fewer, and 35% for household earning less than 50% of area median income.
[6] The housing contribution fund was created alongside the SHTC program in 2021.
[7] Minnesota Housing. *State Housing Tax Credit Program and Contribution Fund Guide*. Updated September 26, 2024. Accessed August 31, 2026. https://www.mnhousing.gov/documents/46243/state_housing_tax_credit_program_and_contribution_fund_guide/view
[8] Minnesota Housing. *Annual State Housing Tax Credit Program and Contribution Fund Report (2026).* St. Paul: Minnesota Housing, 2026. Accessed August 31, 2026. https://www.lrl.mn.gov/docs/2026/mandated/260125.pdf.
[9] Minnesota Housing. "*SHTC Contribution Fund*." Accessed October 6, 2026. https://www.mnhousing.gov/home/shtc-contribution-fund.

credit varies for individuals, corporations, and insurance companies.[10] The credit can be used against Minnesota state tax liability. If the amount of the credit exceeds the taxpayer's tax liability, the remaining amount can be carried forward for up to ten years. Total tax credits distributed to contributors cannot exceed $9.9M annually. This means that taxpayers can collectively contribute approximately $11,647,000 each year.[11] The program did not reach the maximum contribution amount in TY2023, but reached the maximum in all subsequent years. The program reached its cap in November of TY2024, March of TY2025, and after only two hours in TY2026.[12]

Eligibility

In order for contributions to homeownership projects to qualify for tax credits, residents of housing being developed with SHTC funds must not have incomes that exceed 115% of the greater state or area median income at the time of initial occupancy. The income threshold is lower for rental projects – residents' income must not exceed 80% of the greater of state or area median income at the time of initial occupancy. Additional requirements may apply if SHTC funds are awarded through a Request for Proposals (RFP) other than the SHTC Contribution Program RFP.[13]

Eligible recipients of contributions include cities, federally recognized Native American Indian Tribes or subdivisions, tribal housing corporations, private developers, nonprofit organizations, housing and redevelopment authorities, public housing authorities or agencies, and property owners. Eligible uses of contributions include gap financing (as defined in Minnesota Statutes 2025, section 462A.33, subdivision 1), new construction, acquisition, rehabilitation, demolition, construction financing, permanent financing, interest rate reduction, and refinancing.[14]

Individuals disqualified from receiving housing loans from the Housing Contribution Fund include those who made, or whose family member made, a contribution to the fund in the current or prior taxable year and received a credit certificate. Individuals who own or control more than 20% of the securities of a business that made a contribution to

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[10] Minnesota Department of Revenue. "*State Housing Tax Credit*." Accessed October 6, 2026. https://www.revenue.state.mn.us/state-housing-tax-credit-0.
[11] $11.647M multiplied by 85% (the value of the tax credit) equals $9.9M which is the annual program cap.
[12] More information regarding preliminary data on the TY2026 SHTC contributions is located in Appendix F; Minnesota Housing. *Annual State Housing Tax Credit Program and Contribution Fund Report (2025).* St. Paul: Minnesota Housing, 2025. Accessed September 22, 2026. https://www.lrl.mn.gov/docs/2025/mandated/250159.pdf; Minnesota Housing. *Annual State Housing Tax Credit Program and Contribution Fund Report (2026).* St. Paul: Minnesota Housing, 2026. Accessed August 31, 2026. https://www.lrl.mn.gov/docs/2026/mandated/260125.pdf.; Ryan Baumtrog, Email message to Annie Lemieux, September 25, 2026.
[13] Minnesota Housing, *State Housing Tax Credit Program and Contribution Fund Guide,* August 31,2026, 6, https://www.mnhousing.gov/document/state-housing-tax-credit-program-and-contribution-fund-guide
[14] Minnesota Housing. *Annual State Housing Tax Credit Program and Contribution Fund Report (2026).* St. Paul: Minnesota Housing, 2026. Accessed August 31, 2026. https://www.lrl.mn.gov/docs/2026/mandated/260125.pdf.; Gap financing as Minnesota Statute 2025, section 462A.33 is either:
(1) the difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale; or
(2) the difference between the cost of the property and the amount the targeted household can afford for housing, based on industry standards and practices.

the fund in the current or previous taxable year and received a credit certificate are also ineligible. Similarly, disqualified business entities include those that made contributions to the fund in the current or prior taxable year and received a credit certificate; those that have an officer or principal who made a contribution to the fund in the current or previous taxable year and received a credit certificate; and those that are owned or controlled by an individual with 20% or more securities that made a contribution to the fund in the current or previous taxable year. The disqualification criteria prohibits certain individuals or businesses from receiving both a tax credit for a contribution to the program and a loan or grant for a qualifying housing project. Minnesota Housing relies on an attestation form signed by the recipient that they are eligible to receive the funds.

General Contribution Pool

A total of approximately $3M was contributed to the General Contribution Pool between TY2023 and TY2025. Contributions to the General Contribution Pool are distributed to developers through a competitive Request for Proposal (RFP) process. Minnesota Housing can distribute funds from the General Contribution Pool through the SHTC Contribution Program RFP and other Minnesota Housing RFPs. After proposals are submitted, Minnesota Housing scores proposals based on specific RFP standards and requirements and verifies project feasibility. Scores are based on criteria such as organizational capacity, demonstrated success on similar projects, previous award history, community need, innovation and sustainable design, efficiency, and whether the development addresses specific priorities.[15] Then, Minnesota Housing presents their findings and recommendations to a selection committee and requests approval from their board of directors.

The first round of General Contribution Pool distributions occurred in TY2024, with approximately $1,400,000 and $478,000 distributed through the SHTC Contribution Program RFP and the Community Initiatives Impact Fund RFP for homeownership projects, respectively. In 2025, funds were only distributed through the Community Initiatives Impact Fund RFP for homeownership projects due to the low amount of contributions in the General Contribution Pool.[16] At the start of 2026, there was about $826,000 remaining in the General Contribution Pool, and Minnesota Housing received

[15] Minnesota Housing. *Single Family Request for Proposals (RFP) Application Instructions*. Revised April 20, 2026. Accessed August 31, 2026. https://www.mnhousing.gov/documents/52007/if_sf_rfp_application_instructions_Minnesota Housing_1020029/view.; Minnesota Housing Finance Agency. *Scoring Guide: 2025 Multifamily Consolidated Request for Proposals, 2026 Housing Tax Credit Funding Rounds*. Last updated April 2025. Accessed August 31, 2026.; Minnesota Housing Finance Agency. *Single Family Request for Proposals (RFP) Application Instructions*. Accessed September 28, 2026. https://www.mnhousing.gov/documents/52007/if_sf_rfp_application_instructions_mhfa_1020029/view.https://www.mnhousing.gov/documents/48821/guide_scoring_25-26/view.

[16] Minnesota Housing, Annual State Housing Tax Credit Program and Contribution Fund Report (2026).

an additional $290,198 of General Contribution Pool contributions during the 2026 cycle.[17]

The amount contributed to the General Contribution Pool decreased between TY2023 and TY2025, suggesting that contributors may prefer designating their contributions to specific projects.[18]

Figure 1. General Contribution Pool Recipients by Location, Type of Housing, and Year

Variable	Metro	Greater MN
Number of Projects 2025	0	5
Total Value 2025	$0	$275,000
Housing Type 2025	N/A	Single family
Number of Projects 2024	1	3
Total Value 2024	$205,000	$1,229,646
Housing Type 2024	Multifamily	Multifamily

Data Source: 2024 Annual State Housing Tax Credit Program and Contribution Fund Report; 2025 Annual State Housing Tax Credit Program and Contribution Fund Report.

Designated Projects

The vast majority (or 90%) of SHTC contributions are for Designated Projects. From TY2023 through TY2025, a total of over $27,000,000 was contributed to Designated Projects. Notably, the quantity and value of contributions to Designated Projects increased every year from TY2023 through TY2025.

The recipient of designated funds must submit documentation showing that both the project and recipient themselves are eligible given SHTC program eligibility guidelines. Minnesota Housing will hold designated contributions for up to 24 months to allow the recipient to secure any remaining financing and scheduling considerations. Though it is not required in statute, Minnesota Housing requires projects to have complete financing prior to closing SHTC loans. If contributions to Designated Projects are not used, or are unable to be used, then the funds will be allocated to the General Contribution Pool. In total, designated contributions funded 42 projects across the entire state in TY2025.

[17] Minnesota Housing, Annual State Housing Tax Credit Program and Contribution Fund Report (2026); Ryan Baumtrog, Email message to Annie Lemieux, September 25, 2026.
More information regarding preliminary data on the TY2026 SHTC contributions is located in Appendix F.
[18] General Pool contributions were $1,789,441 in 2023, $987,213 in 2024, and $227,000 in 2025.

Figure 2. Contributions to the General Pool and Designated Projects by Year, TY2023-TY2025

Contribution Summary Statistics	General Pool	Designated Projects
Number of Contributions 2025	59	189
Total Value 2025	$227,000	$11,420,058
Average Value 2025	$3,847	$60,424
Number of Contributions 2024	213	319
Total Value 2024	$987,213	$10,659,845
Average Value 2024	$4,635	$33,416
Number of Contributions 2023	220	162
Total Value 2023	$1,789,441	$5,129,940
Average Value 2023	$8,134	$31,666

Data Source: 2023 Annual State Housing Tax Credit Program and Contribution Fund Report; 2024 Annual State Housing Tax Credit Program and Contribution Fund Report; 2025 Annual State Housing Tax Credit Program and Contribution Fund Report.

Contributions to Designated Projects in the 7-County Metro area exceeded the value of those in Greater Minnesota, but Greater Minnesota received a higher quantity of designated contributions.[19] As shown in Figures 3 and 4, there were more contributions in Greater Minnesota for homeownership projects in TY2025, whereas there were more contributions for rental projects in the 7-County Metro Area.

Figure 3. Designated Homeownership Contributions to Metro and Greater Minnesota (MN), 2025

Measures	Metro	Greater MN
# Contributions	4	25
Total Value	$410,000	$974,500
Average Value	$102,500	$38,980

Data Source: 2025 Annual State Housing Tax Credit Program and Contribution Fund Report.

Figure 4. Designated Rental Contributions to Metro and Greater MN, 2025

Measures	Metro	Greater MN
# Contributions	10	3
Total Value	$7,097,911	$2,937,647
Average Value	$709,791	$979,216

Data Source: 2025 Annual State Housing Tax Credit Program and Contribution Fund Report.

[19] Minnesota Housing, Annual State Housing Tax Credit Program and Contribution Fund Report (2026).

Review of Other States

North Dakota

North Dakota has operated a similar housing contribution fund connected to a tax credit. North Dakota enacted the North Dakota Housing Investment Fund Tax Credit in 2011 to help finance housing projects across the state. In 2015 the program was restructured to receive direct appropriations from the state general fund and the tax credit program was allowed to expire at the end of the 2016 tax year.[20] Private individuals or organizations could make contributions to fund specific projects or to a General Pool. Contributions were eligible for a tax credit equal to the full contribution amount. However, only 20% of the credit amount could be claimed per year. A qualifying taxpayer was allowed up to ten years to claim the full amount of the credit with any amount beyond the taxpayer's tax liability rolling over to the next year. The tax credit was available to individuals subject to the state's income tax and eligible to be claimed by pass-through entities. The tax credit was not transferable.[21] Contributions were initially capped at $4 million per year, then raised to $20 million, and raised again to $30 million for tax years 2015 and 2016.

Three main reasons for the change from a tax credit to a direct appropriation included administrative feasibility, cash flow delays, and economic speculation.[22] The legislature opted for a more streamlined administrative option in funding the Housing Incentive Fund through a direct appropriation from the state's general fund. The tax credit program required collecting contributions from individuals, issuing certificates, and administering credits. All these steps were removed through the direct appropriation. A drawback of the tax credit program was the time lag between when funds were available to the agency and when they could be made available to projects. The direct appropriation allowed for more consistency in the level and timing of available funding. The two main industries contributing to the Housing Investment Fund were banking and oil. Speculation of the dependability of oil prices led the legislature to opt for a revenue source with more certainty. Therefore, a general fund appropriation was preferred by the state.

The North Dakota Housing Incentive Fund still continues through direct appropriations and can be drawn from to provide assistance to a variety of project types, including multi-family housing, single-family housing, and homelessness prevention projections. Each project type has eligible uses that range from new construction, rehabilitation, cost gap assistance, retiring debt, rental assistance, emergency assistance, housing barrier mitigation, or services designated to address homelessness. Typically, awards from the

[20] 2015 Laws of North Dakota, Chapter 14, section 20.
[21] North Dakota Century Code section 54-17-40; 2011 Laws of North Dakota Chapter 398, section 2; Senate Bill 2210. Sixty-second Legislative Assembly of North Dakota. Regular Session. 2011.
[22] Jennifer Henderson. 504 Coordinator, North Dakota Housing Finance Agency. In telephone conversation with Carlos Guereca. September 3, 2026.

Housing Incentive Fund are used in tandem with other housing programs administered by the North Dakota Housing Finance Agency, such as the federal Low-Income Housing Tax Credit Program.[23]

Missouri

Missouri has two similar housing contribution funds financed through a tax credit. Enacted in 1990, the Affordable Housing Assistance Program (AHAP) seeks to incentivize business and individuals to donate to non-profit organizations for the construction of affordable housing for low-income families in Missouri. The Missouri Housing Development Commission (MHDC) administers the tax credit. Eligible taxpayers may donate cash, professional services, real or personal property. The credit may be applied to the following tax types: state income tax, corporate franchise tax, bank tax, insurance premium tax, other financial institutions tax, and express company tax. Further, 55% of the credit amount could be claimed per year. As set by statute, AHAP has an annual cap of $11 million. Like Minnesota, the credit can be carried forward up to 10 years; unlike Minnesota, the credit is sellable or transferable. During FY2019 through FY2022, MHDC issued a total of 839 tax credit certificates to contributors, and 210 low-income housing projects were financed through AHAP.

Evaluation

Methodology

The aim of SHTC is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota. TERC directed the LBO to assess the extent to which the tax expenditure achieves this objective. Unfortunately, due to a host of factors, the LBO is unable to directly address the objective of SHTC, as this would require a rigorous causal analysis based on the availability of detailed data. This is not possible for a few reasons. One, the SHTC was enacted in 2021 and went into effect in 2023, therefore the period since the program went live was not long enough to perform a meaningful trends analysis of available affordable housing over time due to the tax credit. Second, there are many other housing programs administered by Minnesota Housing that are collectively and individually bigger than the SHTC, so isolating the specific contribution of SHTC to an increase in available affordable housing units would be challenging. Finally, there is a vast multitude of exogenous factors influencing the development and availability of affordable housing (economic conditions, local government policy, etc.). Given these challenges, instead of attempting to make causal claims about the impact of the SHTC on available affordable housing units, this evaluation will focus on descriptive statistics

[23] North Dakota Housing Finance Agency. 2025 Housing Incentive Fund Allocation Plan. Page 3. Available at https://www.ndhousing.nd.gov/sites/www/files/documents/Plans/2025HIFAllocationPlan.pdf.

of the SHTC and provide survey evidence on the rationale as to why Minnesotans contribute to the SHTC program.

Descriptive Statistics

Figure 5 presents data on the number of SHTC contributors and the amounts of contributions for TY2023-TY2025. In the first year of operation, TY2023, the total amount of contributions was $6.9 million. That number nearly doubled in TY2024 and TY2025 to reach the maximum total contribution amount of $11.6 million. Further, in both TY2025 and TY2026, there were more contributors than the program could accommodate due to the annual program credit cap limit of $9.9 million. The number of contributors varies from 382 in 2023, increasing to 532 in 2024, and then decreasing to 248 in 2025. Overall, though more than 50% of contributors had a contribution amount of less than $2,500, those small amount contributors represented less than 5% of total contribution amounts in their respective contribution years. For example, in TY2023, 64.4% of contributors gave on average less than $2,500 for a total contribution amount of $302,541. Similar contributions patterns can be observed for the other tax years.

Appendix A and Appendix B, respectively, present the breakdown of contributions by contribution type and by geography. In TY2023, 74% of contributions were earmarked as Designated Contributions for specific projects. That number jumped to 92% in TY2024 and 98% in TY2025. From TY2023 through TY2025, more than 61% of contributions originated from the 7-County Metro and slightly less than 40% originated from Greater Minnesota. The largest share of contributions from outside of Minnesota came in TY2023, reaching 29% of total contributions. Please see Appendix A and Appendix B for further contribution breakdown of the SHTC.

Figure 5. State Housing Tax Credit Contributions, Tax Years 2023-2025

Contribution Size	Number of Donors TY23	Total Amounts TY23	Number of Donors TY24	Total Amounts TY24	Number of Donors TY25	Total Amounts TY25
0-$2,500	246	$302,541	321	$419,274	123	$158,500
$2,501-$5,000	44	$189,400	90	$386,200	41	$186,000
$5,001-$10,000	42	$387,382	50	$457,713	21	$193,500
$10,001-$20,000	23	$396,000	27	$482,400	35	$644,500
$20,001-$50,000	11	$390,000	24	$848,000	12	$434,000
$50,001-$100,000	7	$617,058	7	$627,000	1	$100,000
$100,001-$500,000	6	$1,537,000	9	$3,000,000	8	$1,980,558
$500,001-$1,000,000	2	$1,600,000	2	$1,900,000	4	$3,250,000
$1,000,001-$1,500,000	1	$1,500,000	0	0	2	$2,700,000
$1,500,001-$2,000,000	0	$0	2	$3,526,471	1	$2,000,000
Total	382	$6,919,381	532	$11,647,058	248	$11,647,058

Data Source: Minnesota Housing Finance Agency, 2025.

Figure 6 and Figure 7 present claims data for the three different applicable tax types, individual income tax, insurance premium tax, and corporate franchise tax, for TY2023 and TY2024. The individual income tax claims data is provided by income deciles. For the individual income tax in Figure 6, there were a total of 344 claims for TY2023 and 505 claims for TY2024. The tenth income decile had the highest credit amounts claimed in both tax years, representing 33% of all claimed credit amounts in TY2023 and 61% in TY2024. Total claim amounts increased from TY2023 to TY2024 across all income deciles, except the first income decile.

As seen in Figure 7, claim amounts for the insurance premium tax are flat in both tax years at $850,000, with fewer than 10 claims in each year. The total claim amounts for the corporate franchise tax were $2.4 million in TY2023 and $306,000 in TY2024 (partial data for TY2024), with fewer than 10 claims in each year. Overall, both the number of claims and the total claim amounts were higher for the individual income tax compared to the claims from the corporate franchise tax and the insurance premium tax.

Figure 6. Housing Contribution Credit Claims, Individual Income Tax, Tax Years 2023-2024

Income Decile	Number of Claims TY23	Average Claim Amounts TY23	Total Claim Amount TY23	Number of Claims TY24**	Average Claim Amounts TY24	Total Claim Amounts TY24
First	16	$2,819	$45,104	*	*	*
Second	12	$2,441	$29,295	18	$1,961	$35,301
Third	20	$1,145	$22,907	29	$1,246	$36,125
Fourth	50	$1,718	$85,916	60	$1,431	$85,873
Fifth	39	$2,206	$86,020	62	$11,850	$734,715
Sixth	55	$3,437	$189,012	83	$2,436	$202,176
Seventh	55	$2,995	$164,715	79	$3,361	$265,522
Eighth	48	$3,342	$160,395	68	$5,464	$371,554
Ninth	34	$20,271	$689,199	56	$17,468	$978,228
Tenth	15	$48,237	$723,550	47	$97,926	$4,602,521

Data Source: Minnesota Department of Revenue, 2025.

*Fewer than 10 claims. Data combined with an adjacent decile.

**Data is preliminary as of 2/4/26.

Figure 7. Housing Contribution Credit Claims under Corporate Franchise Tax and Insurance Premiums Tax, Tax Years 2023-2024

Tax Type	Number of Claims TY23	Average Claim Amounts TY23	Total Claim Amount TY23	Number of Claims TY24**	Average Claim Amounts TY24	Total Claim Amounts TY24
Corporate Franchise Tax**	*	*	$2,380,000	*	*	$306,000
Insurance Premium Tax	*	*	$850,000	*	*	$850,000

Data Source: Minnesota Department of Revenue, 2025.

*Fewer than 10 claims. Data is hidden for disclosure reasons.

**Corporate data is likely incomplete due to corporate tax filing schedules.

As mentioned, SHTC contributors can earmark their contributions to specific housing projects, or they can contribute to a General Contribution Pool that Minnesota Housing distributes through a separate RFP process. Figure 8 presents summary statistics for rental housing projects with closed loans funded through Designated Project funds from SHTC for years 2024-2026. Of the designated contributions for rental housing projects,

over 87% go to projects in the 7-County Metro compared to 13% in Greater Minnesota. The result is 1,189 rental housing units being supported in the 7-County Metro vs 32 in Greater Minnesota. The last column of Figure 8, *Forgone Revenue Per Unit*, captures the dollar amount the state gives up for each unit of housing supported by the tax credit. With respect to homeownership, as detailed in Figure 9, 94% of the homeownership projects are located in Greater Minnesota compared to 6% in the 7-County Metro. [24]

Figure 8. Closed Loans Funded by Designated Contributions – Rental Projects, 2024-2026

County	Total Units	SHTC Loan Amount	Total Development Costs (TDC)	Loan Share of TDC	Forgone Revenue Per Unit
7-County Metro	1,189	$16,145,072	$254,119,409	6.4%	$11,542
Greater Minnesota	32	$2,337,847	$17,161,737	13.6%	$62,099
Total	**1,221**	**$18,482,919**	**$271,281,146**	**6.8%**	**$12,867**

Data Source: Minnesota Housing Finance Agency, 2026.

Figure 9. Closed Loans Funded by Designated Contributions - Homeownership Projects, 2024-2026

County	Total Units	SHTC Loan Amount	Total Development Costs (TDC)	Loan Share of TDC	Forgone Revenue Per Unit
7-County Metro	2	$136,150	$1,472,639	9.2%	$57,864
Greater Minnesota	32	$1,637,365	$7,565,344	21.6%	$43,493
Total	**34**	**$1,773,515**	**$9,037,983**	**19.6%**	**$44,338**

Data Source: Minnesota Housing Finance Agency, 2026.

As referenced in Figures 10 and 11, for SHTC fundings to the General Contribution Pool, a total of 54 rental housing units were financed in part by SHTC funds while the equivalent number of housing units for homeownership was 40. Significantly fewer rental units are financed through SHTC funds under the General Contribution pool, while more homeowner projects are funded through the same pool than through Designated Projects contributions. Greater Minnesota benefits more than the 7-County Metro both in terms of the number of housing units financed and the total SHTC loan amount under the General Contribution Pool.

[24] For Figures 8 – 11, forgone revenue per unit is calculated by multiplying the SHTC loan amount by 85%, which is the value of the tax credit, then dividing by the number of units supported by those loans. Please note this estimate might differ from actual claims because contributors may carry the credit forward or not claim the credit at all.

Figure 10. Rental Projects Awarded Funds from the General Contribution Pool through an RFP, 2024-2025

County	Total Units	SHTC Loan Amount	Total Development Costs (TDC)	Loan Share of TDC	Forgone Revenue Per Unit
7-County Metro	12	$205,000	$2,218,000	9.2%	$14,521
Greater Minnesota	42	$1,229,646	$4,312,394	28.5%	$24,886
Total	**54**	**$1,434,646**	**$6,530,394**	**22.0%**	**$22,582**

Data Source: Minnesota Housing Finance Agency, 2026.

Figure 11. Homeownership Projects Awarded Funds from the General Contribution Pool through an RFP, 2024-2025

County	Total Units	SHTC Loan Amount	Total Development Costs (TDC)	Loan Share of TDC	Forgone Revenue Per Unit
7-County Metro	5	$60,897	$2,548,850	2.4%	$10,352
Greater Minnesota	35	$672,333	$17,137,516	3.9%	$16,328
Total	**40**	**$733,230**	**$19,686,366**	**3.7%**	**$15,581**

Data Source: Minnesota Housing Finance Agency, 2026.

Surveys

As mentioned, it is challenging to assess the objective of the SHTC, as the tax credit has not been in place long enough to examine trends in available affordable housing units independent of the influence of other housing programs administered by Minnesota Housing. To help improve its understanding of the SHTC, the LBO collaborated with Minnesota Housing to conduct two surveys, one of SHTC contributors and the other of developers. The survey did not use random sampling, so it is therefore impossible to extrapolate the findings from survey respondents to the general population of SHTC contributors and developers. Further, the surveys do not capture the views of taxpayers who did not contribute to the tax credit or developers who did not apply for funds. Nevertheless, though the surveys were not randomized and probably capture the views of a small subset of contributors and developers, the surveys do help to address the motivations behind contributing to the Housing Contribution Fund and provide insight into what contributors and developers would have done in the absence of the enactment of the SHTC. As noted, survey respondents are likely to have strong

views or interests in the tax credit, and interpretations of the findings should take that into consideration.

Survey of Contributors to the Housing Contribution Fund

The Contributor Survey was conducted using Qualtrics and resulted in a response rate of 298 out of over 1063 investors, or 28%. Minnesota Housing provided input on survey questions and sent the survey on behalf of the LBO directly to investors and business entities that contributed to SHTC from 2023 to 2026. Of the 298 total responses, 264 were individual taxpayers, 10 were business entities, and 7 were both. Fewer than 2% of respondents have received a state-level housing tax credit in a state other than Minnesota.

One key question about the SHTC is the extent to which taxpayers would have helped finance multifamily and single-family housing in Minnesota if the SHTC had not been enacted. The SHTC may simply crowd out investments in other housing projects or the SHTC may simply provide tax benefits to contributors for activities that would have occurred in the absence of the tax credit. Contributors were asked directly how they would have used the contributed funds if the SHTC did not exist. Figure 12 tabulates responses with 33% of survey participants saying they would have directed the contributed funds to other projects other than housing, while 25% would have made no contributions. Collectively, 58% of responding contributors would not have contributed to multifamily and single-family housing construction projects in Minnesota.

Figure 12. Alternative Use of Contributions if SHTC did not exist

If SHTC did not exist, how would the contributed funds be used?	Percent of Responses*
Contributions to other housing projects in Minnesota	10
Contributions to other housing projects outside of Minnesota	0
Contributions directed to other fields of interest, not housing related	33
Contributions to the same housing projects, but at a lesser amount	27
No contributions made	25
Other	6

Data Source: LBO SHTC Developer Survey, 2026.

*Percents do not add to 100% because of rounding.

A set of 3 related questions attempt to investigate the rationales as to why Minnesotans contribute to the SHTC. Figures 13, 14, and 15 present summary data on the many reasons taxpayers contribute. For the questions in Figures 13 and 15, a survey taker could select multiple choices. The raw numbers are presented below instead of percentages. In Figure 13, contributors were asked to choose from a list of the factors that are likely to influence their decisions to contribute to the SHTC. The answers were

well-balanced between four choices: quality of projects, location of housing projects, my ability to add value to housing projects, and my ability to benefit from the state housing tax credit. The choice of location of housing projects and ability to add value to housing projects are in line with the contributions data presented above, as most contributors chose a designated housing project instead of the General Contribution Pool. Interestingly, the size of the housing projects or the number of housing units factor less than the four choices previously mentioned. Further, contributors were asked how important reducing tax lability factors was in their decisions to contribute to SHTC. Sixty-six percent of responses indicate that reducing tax liability is either very important or extremely important, while 22% deemed reducing tax liabilities as moderately important – see Figure 14. In a separate question, reducing tax liabilities and non-financial reasons were the most chosen categories for a contributor's rationale for making a contribution – see Figure 15. Overall, these 3 sets of questions illustrate that contributors have varied reasons as to why they contribute to the SHTC, while perhaps a majority of contributors do so for reducing tax liabilities.

Figure 13. Which of the following factors do you consider to be important in affecting your decision about whether to invest in a housing project?

Response Options	Response Counts
Quality of housing projects	127
Size/number of units of a housing project	32
Location of housing project	118
Expected financial returns	19
My ability to add value to housing projects	185
My ability to benefit from the state housing tax	180

Data Source: LBO SHTC Contributor Survey, 2026.

Figure 14. How important would you rate your ability to reduce your tax liability in your decision to contribute?

Response Options	Response Counts
Not important	6
Slightly important	26
Moderately important	60
Very important	93
Extremely important	82

Data Source: LBO SHTC Contributor Survey, 2026.

Figure 15. Which of the following best describes your rationale for investing in SHTC?

Response Options	Response Counts
The quality of housing projects	94
Non-financial reasons	188
Investment benefits	12
Reduce tax liability	200
None of the above	7

Data Source: LBO SHTC Contributor Survey, 2026.

The SHTC may have other benefits beyond contributions to the program, specifically increasing the awareness of other housing programs and opportunities in Minnesota. To that end, two survey questions addressed how the SHTC increased awareness about investing in housing projects. As shown in Figure 16, 48% of contributors claimed that the SHTC increased their awareness of other Minnesota housing and investment opportunities, while 40% of contributors reported no change in their awareness of investment or other housing opportunities due to the SHTC, and 11% had no opinion. Sixty-three percent of contributors reported they are likely to contribute or invest in housing projects in Minnesota due to their participation in the SHTC, while 29% of contributors reported no change in their likelihood of investing, and 7% had no opinion – See Figure 17. Combined, these two survey questions suggest that participation in the SHTC may increase participation in other Minnesota housing projects.

Figure 16. How has your awareness of other Minnesota housing and investment opportunities changed due to your participation in SHTC?

Response Options	Percent of Responses*
Increase	48
Same/ no change	40
No opinion	11

Data Source: LBO SHTC Contributor Survey, 2026.

*Percents do not add to 100% because of rounding.

Figure 17. How likely are you to contribute or invest in housing projects in Minnesota due to your participation in SHTC?

Response Options	Percent of Responses*
More likely	63
Less likely	0
Same	29
No opinion	7

Data Source: LBO SHTC Contributor Survey, 2026.

*Percents do not add to 100% because of rounding.

The contributor survey included a written portion, allowing participants to comment on their experience about receiving the SHTC. Though only 21 respondents provided comments, the LBO summarizes some of the trends in the written comments for a more complete picture of survey responses. Most written comments expressed concern about the cap limiting their ability to participate in the SHTC due to high demand for the $9.9 million allowed tax credits. Further, for varied reasons, 9 of the 21 written comments expressed positive sentiment about the SHTC and hope to see the program continued. Next, three comments offered suggestions to improve the program. One of the comments suggested setting aside a portion of the $9.9 million available tax credits to small donors under $10,000 for the first six months. The second comment suggested giving relatively higher priority to housing projects in Greater Minnesota vs. the 7-County Metro. The last comment suggested placing some limit on how much one developer/housing project can receive in available SHTC funds.

Housing Developer Survey

A second survey was conducted in collaboration with Minnesota Housing using Qualtrics to capture the perspective of housing developers who applied for loans and grants through the SHTC. The survey was sent to 25 developers and 21 responses were received. The perspective from developers is important as it sheds further light on how the SHTC funds are being used, and it also helps understand the range of possibilities and opportunities available to developers if the SHTC did not exist. Six developers would have abandoned their housing projects if they did not receive funds from the SHTC, while others would have to pursue self-funding, private investment, and lending. It remains unknown how feasible these alternative financing paths would have been. Figure 18 tabulates developer responses to this specific question. Further, though most respondents report SHTC funding went toward the construction of new housing units, developers also use those funds for gap financing, acquisition, rehabilitation, construction financing and permanent financing. These other uses by developers are quantified in Figure 19.

Figure 18. Alternative Financing Sources if SHTC Did Not Exist

Self-Funding	Private Investments	Private Lending	Abandoned Projects	Other
3	1	3	6	7

Data Source: LBO SHTC Developer Survey, 2026.

Figure 19. How SHTC Contributions Supported Housing Projects*

Gap Financing	New Construction	Acquisition	Rehabilitation	Construction Financing	Permanent Financing
4	10	2	4	2	2

Data Source: LBO SHTC Developer Survey, 2026.

*Total number of responses is greater than 21 because respondents can select multiple choices.

Administrative Burden

Minnesota Housing administers the issuance of credit certificates, and the Department of Revenue (DOR) processes claims for the tax credit. Minnesota Housing primarily focuses on collecting applications for fund contributions, collecting actual contributions, communicating with project developers regarding program participation and requirements, closing on loans for housing projects, and continuous compliance of program participants. Many of the systems and resources that the program leverages to execute a housing loan program funded through the Housing Contribution Fund are pre-existing within Minnesota Housing, which the agency has relied on to administer other housing programs. This includes legal services, information technology resources, and accounting services, for example. With respect to education efforts taken to promote the program, there was an initial press conference announcing the program and an informational webinar mainly focused on information for developers. Since then, the program has been widely promoted through word of mouth by contributing entities and developers who hope to promote their projects and incentivize donor support through the tax credit. In the latest annual report to the legislature, the agency reports that it conducted over 20 technical assistance meetings with stakeholders and developers. Minnesota Housing receives an annual appropriation of $100,000 for program administration. Minnesota Housing carried forward the full initial appropriation from fiscal year (FY) 2023 into FY2024. They expended the full appropriation in FY2024, FY2025, and FY2026, including the carry forward balance. According to Minnesota Housing, in 2026, the $100,000 appropriation covered approximately 20% of their administrative costs, with the amount over $100,000 covered by agency resources. Further, early in FY2027, Minnesota Housing reported that it typically takes 3-4 months to expend the full appropriation.

The administrative burden at DOR is minimal, similar to other credits that are administered by other executive branch agencies. DOR is responsible for ensuring that information on credit certificates and claims match with data shared by the issuing agency. Otherwise, processing is a routine aspect of the department's duties.

Conclusion

Barriers to accessing affordable housing in Minnesota are well-documented. To facilitate the increase in development and availability of housing to persons and families of low and moderate income in the state, Minnesota enacted the State Housing Tax Credit in 2021, allowing a credit to taxpayers against their income tax, corporate tax, or insurance premium tax liabilities up to 85% of contributions made to the Housing Contribution Fund. Taxpayers are able to direct their contributions to specific housing projects approved by Minnesota Housing or to the General Contribution Pool administered by Minnesota Housing. Since the SHTC was enacted in 2021 and went into effect in 2023, 3 years of complete data is not enough to perform a meaningful trends analysis of available affordable housing over time due to the tax credit.

Most of the housing units supported by the tax credit were rental housing units from the 7-County Metro. For example, 1,201 of the 1,275 total rental housing units financed through the SHTC were in the 7-County Metro, while 67 of the total 74 homeownership units funded through the SHTC were in Greater Minnesota. As SHTC contributors can earmark their contributions to specific housing projects or to the General Contribution Pool, over 87% of SHTC contributions donated to designated rental housing projects were in the 7-County Metro compared to 13% in Greater Minnesota. Further, from TY2023 to TY2025, up to 90% of the total $30 million in contributions originated from the 7-County Metro.

Two non-scientific surveys administered by the LBO in collaboration with Minnesota Housing reveal that most taxpayers contribute to the SHTC due to either the location of the housing project, their ability to add value to housing projects, or their ability to benefit from the state housing tax credit. Further, in the absence of SHTC, 58% of survey respondents would not have contributed to multifamily and single-family housing construction projects in Minnesota. The SHTC is credited with increasing awareness about investments in housing opportunities, and 63% of contributors reported they are more likely to contribute or invest in housing projects in Minnesota due to their participation in the SHTC.

Appendix A: State Housing Tax Credit by Contribution Pool

Figure 20. State Housing Tax Credit Contribution Types, Tax Years 2023-2025

Contribution Type	Number of Donors TY 2023	Total Amounts TY 2023	Number of Donors TY 2024	Total Amounts TY 2024	Number of Donors TY 2025	Total Amounts TY 2025
General Contributions Pool	220	$1,789,441	213	$987,213	59	$227,000
Designated Contributions Pool	162	$5,129,940	319	$10,659,845	189	$11,420,058
Total	**382**	**$6,919,381**	**532**	**$11,647,058**	**248**	**$11,647,058**

Data Source: Minnesota Housing Finance Agency, 2026.

Appendix B. State Housing Tax Credit Contributions by Region

Figure 21. State Housing Tax Credit Contribution Region, Tax Years 2023-2025

Region	Number of Donors TY 2023	Total Amounts TY 2023	Number of Donors TY 2024	Total Amounts TY 2024	Number of Donors TY 2025	Total Amounts TY 2025
7-County Metro	352	$4,649,781	315	$7,617,693	119	$7,155,558
Greater Minnesota	27	$268,100	211	$3,016,365	129	$4,491,500
Out of State	3	$2,001,500	6	$1,013,000	0	$ 0
Total	382	**$6,919,381**	532	$11,647,058	248	**$11,647,058**

Data Source: Minnesota Housing Finance Agency, 2026.

Appendix C. Other Statutory Components of Review

Minnesota Statutes, section 3.8855, subdivision 5 outline components of review required when conducting a tax expenditure evaluation. Though the following components did not impact the overall findings of this evaluation, they are presented below for completeness.

Estimating the amount by which the tax rate for the relevant tax could be reduced if the revenue lost due to the tax expenditure were applied to a rate reduction

DOR estimates that if the tax expenditure were repealed, the change in the corporate franchise, insurance premium, and individual income tax rate would be negligible.

The incidence of the tax expenditure and the effect of the expenditure on the incidence of the state's tax system

The state housing tax credit included is not considered to be a significant tax expenditure as defined by DOR Tax Research and therefore excluded from the requirement for an incidence study as part of a tax expenditure evaluation per Minnesota Statutes, section 3.8855.

Other Affordable Housing Programs

There are numerous direct payment programs that target the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota. This review was limited to a subset of the programs administered at the state and federal level that have a focus on housing development.

- **The Minnesota Housing Workforce and Affordable Housing Development Program**: Grant program for workforce and affordable housing development projects. Projects must be used for new construction, rehabilitation, resale of single-family homes, and housing acquisition. Projects must also serve households with up to 115% of the median income for the area that the project is located. Minnesota Housing reported that through the 2025 Request for Proposal process, 14 projects were funded to create and preserve 123 units of housing totaling $11.4 million in funding.[25] The program is funded through general fund appropriations as well as a portion of funds from the Statewide Affordable

[25] Minnesota Housing, "Annual Workforce and Affordable Homeownership Development Program Report," *Minnesota Housing,* January 15, 2026, https://mnhousing.gov/documents/53923/2026-annual-workforce-and-affordable-homeownership-development-program-report/view; Minnesota Statute 2025, Chapter 462A, section 462A.38.

Housing Aid program and the Local Affordable Housing Aid program that are re-paid to Minnesota Housing[26].

- **The Community Homeownership Impact Fund**: Community initiatives program administered by Minnesota Housing. The program provides funding through an annual competitive request for proposal process to developers and administrators of either single-family or owner-occupied affordable and workforce housing whose projects meet household income requirements.[27] Cities, Tribal Nations, Housing and Redevelopment Authorities, private developers, nonprofit organizations, and school districts/cooperative units/charter schools are eligible to apply for funding. Funding within the impact fund comes from a variety of state appropriates, including the Economic Development and Housing Challenge Fund as well as Housing Infrastructure Bonds (HIBs). In 2025, a total of $166.4 million in funding was awarded for projects supporting the creation and rehabilitation of 1,424 homes and apartments.[28] Note that General Contribution Pool funds have been directed to this program in the past.
- **Minnesota Housing Homeownership Investment Grants Program**: One-time grant program authorized by the Minnesota Legislature in 2023 totaling $40 million of state general fund appropriations. The competitive request for proposal process was open to qualifying nonprofits for which one of the requirements was to provide affordable housing lending or financing programs.[29] Qualifying funding use includes housing development, financing programs for individuals involved in the construction of new owner-occupied homes, the acquisition, rehabilitation, and resale of single-family residential homes, and funding capital accounts for the purpose of financing affordable homeownership opportunities.[30]
- **Minnesota Housing Workforce Housing Development Program**: Request for proposal funding opportunities are available for small-medium sized cities, communities, or areas in Greater Minnesota for rental workforce housing needs. Funding must be used to increase the supply of residential rental properties at a market rate.[31] Funding is dispersed in the form of a 0% deferred loan forgiven after three years. Funds requested cannot exceed 50% of total development

[26] Minnesota Statutes 2025, section 477A.35
[27] Minnesota Housing, "Community Homeownership Impact Fund," *Minnesota Housing,* May 22, 2024, https://www.mnhousing.gov/documents/38481/Minnesota Housing_1012273/view
[28] "2025 Single-Family and Multifamily Consolidated RFP Selections," Project Selection, Minnesota Housing, https://www.mnhousing.gov/home/requests-proposals/project-selections
[29] Minnesota Housing, "Homeownership Investment Grants Program Guide," *Minnesota Housing,* December 19, 2024, https://acrobat.adobe.com/id/urn:aaid:sc:VA6C2:89950010-8b18-458b-a2f8-b4c51ad6a833?x_api_client_id=chrome_extension_viewer&x_api_client_location=share; Minnesota Laws 2023, chapter 37, article 1, section 2, subdivision 31, with eligibility provisions in Minnesota Laws 2023, chapter 37, article 2, section 11.
[30] Minnesota Housing, "Homeownership Investment Grants Program Guide," *Minnesota Housing,* December 19, 2024.
[31] "Workforce Housing Development Program," Minnesota Housing, September 2026 https://mnhousing.gov/home/rental-housing/housing-development-and-capital-programs/workforce-housing; Minnesota Statutes 2025, section 462A.39.

costs.[32] In 2024, $38.6 million in funding was awarded contributing to a total of 832 units to be served.[33] Funds for the program are appropriated from the general fund, and for every $2 of program funding, the project must secure $1 of matching funds.[34]

- **HOME Investment Partnerships and National Housing Trust Fund**: The HOME program has the goal of preserving or increasing the housing supply for low-income individuals and families through funding new construction, acquisition with rehabilitation, and rehabilitation without acquisition.[35] The National Housing Trust Fund provides funding with the goal of adding a supply of affordable housing to reduce homelessness and reduce the number of households spending a disproportionate percent of income on housing through financing new construction, acquisition with rehabilitation, rehabilitation without acquisition, and funding operating costs.[36] The two programs share a program guide as well as application process and are thus discussed in tandem. Both programs are federally funded by the U.S. Department of Housing and Urban Development (HUD) and administered at the state level by Minnesota Housing. The programs are included in the same request for proposal (RFP), and eligible applicants apply through the annual Multifamily Consolidated RFP. Minnesota Housing evaluates and scores applications and identifies the applicable funding sources based on program eligibility and available resources.[37] The Consolidated RFP is designed to align applicants with a variety of state and federal funding sources. Applicants apply for all funding sources included in the RFP, including sources outside the scope of this analysis, rather than applying separately for individual programs.
- **Statewide Affordable Housing Aid (SAHA)** is offered to eligible Tribal nations, counties, and cities.[38] Funds are distributed by the Department of Revenue and funded by state appropriations. Aid allocations across recipient groups are distributed based upon a variety of homeownership, project, and income criteria. All Tribal nations are eligible to receive SAHA but must apply by January 15th of the year they start receiving aid. All Minnesota Counties and cities that have a population over 10,000 and are not located in a metropolitan county are eligible

[32] Minnesota Housing, "Workforce Housing Development Program Term Sheet," March 2026, https://mnhousing.gov/documents/46358/whdp_term_sheet/view
[33] Minnesota Housing, "2024 Workforce Housing Development Program Awards," October 2024, https://mnhousing.gov/documents/47466/2024_whdp_awardspdf/view
[34] Minnesota Housing, "Workforce Housing Development Program," 01/25/2024, https://www.mnhousing.gov/documents/48813/whdp_program_guide_1042051/view
[35] "HOME Investment Partnerships (HOME) and National Housing Trust Fund (NHTF)," Minnesota Housing, https://www.mnhousing.gov/home/rental-housing/housing-development-and-capital-programs/home_national-housing-trust-fund
[36] "HOME Investment Partnerships (HOME) and National Housing Trust Fund (NHTF), Minnesota Housing.
[37] Minnesota Housing, "Multifamily Consolidated Request for Proposals and Housing Tax Credit Funding Rounds Selection Framework and Final Scores," December 18, 2025, https://www.mnhousing.gov/documents/53188/2025-mfconsrfp_2026-htcr1_selection-framework-and-scores/view
[38] Minnesota Statutes 2025, section 477A.36

to receive aid. Annual appropriations from the general fund include $6.8 million for payments to counties, $2 million for payments to Tier 1 Cities as defined in Minnesota Statutes, section 473.121, subdivision 4, and $1.2 million for payments to Tribal Nations.

- **Local Affordable Housing Aid (LAHA)**: funded by a sales and use tax imposed within metropolitan counties. Proceeds from the 0.25% metropolitan sales tax are then deposited into the Housing Assistance Fund where 25% is distributed to the metropolitan city aid account, 50% to the metropolitan county aid account, and 25% to the state rental assistance account.[39] LAHA is certified by the Department of Revenue and used to develop and preserve affordable housing. [40] In 2025, approximately $42.7 million was deposited into the Housing Assistance fund to be distributed to the metropolitan city aid account and approximately $85.4 million was deposited into the Housing Assistance Fund to be distributed to the metropolitan county aid account.[41] It is also important to note that there is the Greater Minnesota Small Cities Housing Aid Grant Program available for cities with fewer than 10,000 residents to develop and preserve affordable housing. In 2026, fifteen proposals were selected for a total of $1,125,000 in grant funding.[42]
- **The Federal Community Development Block Grant Program (CDBG)**: an annual formula-based grant program offered to cities, counties, and states that meet population eligibility requirements and whose funds are utilized for qualifying housing development activities.[43] An example of a qualifying CDBG project would be the rehabilitation of residential and non-residential structures located within a metropolitan city with a population of at least 50,000. While there are other grant activities that would qualify outside of affordable housing development, the following statistics are provided to get an understanding of the scale of the program. In 2024, there were 18 qualifying grantees in Minnesota receiving CDBG amounts ranging from $250,000 at the city level to $18.8 million at the overall state level.[44]

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[39] Minnesota Department of Revenue, "Summary of Local Affordable Housing Aid (LAHA) Preliminary Distributions Factors Certified for 2027," Minnesota Revenue, Property Tax Division, July 2026, https://www.revenue.state.mn.us/sites/default/files/2026-07/2027-laha-preliminary-distribution-factors-summary.pdf; Minnesota Statutes 2025, section 477A.35

[40] "Local Affordable Housing Aid," Minnesota Department of Revenue, https://www.revenue.state.mn.us/local-affordable-housing-aid

[41] Minnesota Revenue Property Tax Division, "Summary of Local Affordable Housing Aid (LAHA) Certified Aid Amounts for 2025," July 2025.

[42] "Local Government Housing Programs," Minnesota Housing

[43] "Community Development Block Grant Program," U.S. Department of Housing and Urban Development, September 6, 2024, https://www.hud.gov/hud-partners/community-cdbg; The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended 42 U.S.C. 5301

[44] "HUD Awards and Allocations," U.S. Department of Housing and Urban Development, https://www.hudexchange.info/grantees/allocations-awards/?params=%7B%22limit%22%3A20%2C%22COC%22%3Afalse%2C%22sort%22%3A%22%22%2C%22min%22%3A%22%22%2C%22years%22%3A%5B%5D%2C%22dir%22%3A%22%22%2C%22multiStateAwards%22%3A0%2C%22grantees%22%3A%5B%5D%2C%22state%22%3A%22MN%22%2C%22orgid%22%3A%22%22%2C%2

Cumulative Fiscal Impacts of Other State and Federal Programs

There are numerous other state and federal tax programs and expenditures providing benefits to taxpayers for the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota. This review was limited at the federal level to the low-income housing tax credit and at the state level to the government housing programs mortgage registry tax exemption, Housing Tax Increment Financing Districts, and the construction materials for low-income housing exemption. For each tax program, a description of the program is provided with relevant data where available. It is difficult to assess the overlapping impact of the discussed tax programs. Instead, data is provided to understand the scale of the program and impact within Minnesota where possible.

At the federal level, the low-income housing tax credit (LIHTC), facilitated by the US Department of Housing and Urban Development (HUD), gives state and local agencies the equivalent of approximately $11.4 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of low- and moderate-income affordable rental housing as of 2023.[45] There are two types of credits available. The 9% credit is typically awarded for new construction projects not utilizing other federal subsidies and available for 10 years for up to a 70% subsidy.[46] The 4% credit is typically awarded for rehabilitation and new construction projects utilizing other federal tax-exempt bond financing and is available for 10 years for a 30% subsidy.[47] Both the 9% and 4% credits are used for both new construction and preservation/rehabilitation.

Estimates are available for the number of qualifying LIHTC properties in Minnesota from 2013-2023. From 2013-2023 there were a total of 310 qualifying housing projects across Minnesota.[48] Of the 310 qualifying housing projects from 2013-2023, 197 were new construction projects, 90 were acquisitions or rehabilitations, and the rest of the projects were some combination of new construction, acquisitions or rehabilitations.[49] One study on the LIHTC within Minnesota utilized data from Minnesota Housing as well as financing workbooks for 67 projects spanning from 2002-2022. All else assumed equal, Minnesota Housing data indicated that the additional administrative burden for LIHTC projects increased total development costs $25,030 per unit on average.

2orgname%22%3A%22%22%2C%22programs%22%3A%5B2%5D%2C%22max%22%3A%22%22%7D&na=0&start=1#/poc.

[45] "What is the Low-Income Housing Tax Credit and how does it work?" Urban Institute and Brookings Institution Tax Policy Center, January 2024, https://taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work; Ed Gramlich, 2023. Low-Income Housing Tax Credits – 2023 Advocates Guide. Washington, D.C.: National Low Income Housing Coalition. The $11.4 billion in foregone tax revenues estimated for 2023 is based on the Joint Committee on Taxation forecast issued November 5, 2020.

[46] Mark Keightley, "An Introduction to the Low-Income Housing Tax Credit," Congressional Research Service, July 11, 2025, https://www.congress.gov/crs-product/RS22389

[47] Mark Keightley, "An Introduction to the Low-Income Housing Tax Credit," Congressional Research Service, July 11, 2025.

[48] "LIHTC Database," U.S Department of Housing and Urban Development, LIHTC dataset query.

[49] U.S Department of Housing and Urban Development, "LIHTC Database."

Additionally, LIHTC projects required on average 8.3 funding sources versus 5.7 funding sources for non-LIHTC projects.[50]

The Mortgage Registry Tax (MRT) is a tax on principal debt secured by a mortgage for real property within the state.[51] To lower overall housing purchase costs and promote affordable housing in Minnesota, the state enacted the Government Housing Programs exemption in 2001, exempting mortgage loans made under a low and moderate income or other affordable housing program if the mortgagee is a federal, state, or local government agency.[52] Unfortunately, due to data limitations, the LBO is unable to provide data determining the scope to which the government housing MRT impacts affordable housing in the state. The fiscal year 2027 estimated fiscal impact was $3.3 million.[53]

Housing Tax Increment Finance Districts (TIF) are permitted for housing for low-or moderate-income renters or homeowners for 25 years with no geographic restrictions. TIF districts use property taxes generated by the development of a district to pay for development costs in the qualifying TIF district.[54] According to the 2024 report to the legislature, approximately 36% of TIF districts were Housing TIF districts.[55] Statewide, Housing TIF Districts generated 21% of total tax increment revenue or approximately $56 million.[56]

The Construction Materials for Low-Income Housing Exemption is available to public housing agencies, housing and redevelopment authorities, political subdivisions, any entity exercising the powers of a housing and redevelopment authority, qualifying nonprofits, and owners of a qualifying entity under federal regulations. Projects must qualify under a state or federal low-income housing project, and the sales tax exemption is available for any materials, supplies, and equipment used in the construction or rehabilitation of low-income housing projects. The estimated fiscal impact for fiscal year 2027 is $4.8 million.[57]

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[50] Edward G. Goetz, Margaret Turvey, "The Relative Inefficiency of the Low-Income Housing Tax Credit in Minnesota," *Center for Urban and Regional Affairs University of Minnesota,* March 1, 2024.
[51] Minnesota Department of Revenue Tax Research Division, *Minnesota Tax Handbook*, (Minnesota Department of Revenue, 2025), 36.
[52] Minnesota Statutes 2025, section 287.04, subdivision 6.
[53] Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget.
[54] "How TIF Works: Basic Mechanics," Minnesota House of Representatives House Research Department, August 2024, https://www.house.mn.gov/hrd/issinfo/tif/mech.aspx.
[55] State of Minnesota Office of the State Auditor, "Tax Increment Financing Legislative Report," January 29, 2026, https://www.osa.state.mn.us/media/5byldbbp/tiflegislative_24_report.pdf.
[56] State of Minnesota Office of the State Auditor, "Tax Increment Financing Legislative Report," January 29, 2026.
[57] Minnesota Department of Revenue Tax Research, 2024 Tax Expenditure Budget.

Appendix D. Housing Landscape

National Homeownership Trends

The overall home ownership rate in the U.S. in 2026 is approximately 65%.[58] This is the proportion of households that are owner-occupied based on US Census data. The median sales price of new homes sold in the U.S. has increased from $317,100 in 2020 to $410,700 in 2026.[59] A housing affordability index value above 100 indicates that a median-income family has more than enough to qualify for a 20% down fixed mortgage loan.[60] In July 2026, the housing affordability index was 103.3, indicating that a median-income family has enough income to qualify for a median-priced home in the U.S.[61] In 2025, the median age of first-time homebuyers increased to 40 years, an all-time high; while the median age of repeat home buyers was 62 years.[62] The increase in sales price and age of first-time homebuyers indicate decreased affordability in the housing market.

Minnesota Homeownership Trends

Minnesota has an estimated 72% home ownership rate as of 2024.[63] In July 2026, the housing affordability index was 87, a 21-year low.[64] The median sales price of homes in Minnesota was $375,000, as of July 2026.[65] The types of loans initiated by prospective homeowners vary and provide insight into the types of housing Minnesotans are pursuing. Of the loans initiated in 2025, 58% were loans taken out for home purchases in Minnesota.[66] Further, 95% of loans for home purchases were taken out for site-built single-family (1-4 units) homes, with 4% of loans taken out for manufactured single-

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[58] "Homeownership Rate in the United States," *Federal Reserve Bank of St. Louis*, September 8, 2026, https://fred.stlouisfed.org/series/RSAHORUSQ156S.
[59] "Median Sales Price of Houses Sold for the United States," *Federal Reserve Bank of St. Louis*, April 23, 2025, https://fred.stlouisfed.org/series/MSPUS.
[60] The housing affordability index measures the degree to which a family with a median income can afford to qualify for a mortgage on a median-priced home in the U.S. The index is for the country as a whole and does not necessarily reflect the supply of homes for sale within specific regions, as variance in supply by region may impact the housing affordability index of a particular region.
[61] "Housing Affordability Index (Fixed)," *Federal Reserve Bank of St. Louis*, April 11, 2025, https://fred.stlouisfed.org/series/FIXHAI.
[62] "Highlights From the Profile of Home Buyers and Sellers." *National Association of Realtors*, https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers.
[63]"United States Census Bureau Quick Facts," United States Census, July 1, 2025. https://www.census.gov/quickfacts/fact/table/MN/HSG010225
[64] Minnesota Realtors. July 2026 Historical Market Report. Page 9. Accessed on September 08, 2026. https://higherlogicdownload.s3.amazonaws.com/MNREALTOR/488b06e6-56a7-4890-bb7a-ab79ba70337a/UploadedImages/Housing_Report/2026/07_July/MNR_HistoricalCharts_Monthly_YTD_2026-07.pdf.
[65] Minnesota Realtors. Minnesota Housing Market Reports. Accessed on September 08, 2026. https://www.mnrealtor.com/buyers-sellers/marketreports.
[66] Federal Financial Institutions Examination Council (FFIEC). "HMDA Dataset Filtering - Available Filters," accessed on September 08, 2026. https://ffiec.cfpb.gov/data-browser/maps/2025?geography=state&variable=actionTaken&value=1&filter=loanType&filtervalue=1&feature=27&mapCenter=-94.3063364564422,46.31792999751716.

family homes. Fewer than 1% of loans are taken out for multifamily manufactured and site-built homes.[67] Figure 22 portrays the percent of loans originated in 2025 by loan type.

Figure 22. Percent of Loans Originated in 2025 by Loan Type

Loan Type	2025 Percent Originated*
Conventional Loan	83
FHA Loan	11
VA Loan	6
USDA Loan	1

Data Source: FFIEC.

*Percents do not add to 100% because of rounding.

Homeownership Readiness

Renters comprise 28% of Minnesota households and have the potential to become homeowners.[68] A household is considered cost burdened when it spends more than 30% of its income on housing.[69] Renting price has increased in Minnesota by 7%, while renter income has increased by 3% over the past five years.[70] As of 2024,191,000 renter households were at a level of income readiness where they could consider purchasing a home.[71] While Minnesota Housing does not explicitly define "income readiness" as it relates to renter households, it is a generally accepted guideline that households can afford a home costing 2.5 times the household's total yearly income.[72] The Minnesota Housing Partnership gap report found as of 2026, there were 41 affordable, available homes for every 100 extremely low-income renters and 166,500 extremely low income renter households in Minnesota. [73]

[67] FFIEC. Accessed on September 08, 2026.
[68] Gabriela Norton, "State of the State's Housing 2024" *Minnesota Housing Partnership*, 2024. https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf.
[69] "2024 Program Assessment Report," *Minnesota Housing 2024 Program Assessment Report*, accessed May 5, 2025, https://www.lrl.mn.gov/docs/2025/mandated/250465.pdf.
[70] Gabriela Norton, "State of the State's Housing 2024" *Minnesota Housing Partnership, 2024*. https://mhponline.org/wp-content/uploads/FINAL_SOTS_2024.pdf.
[71] "2025 Program Assessment Report," *Minnesota Housing 2025 Program Assessment Report*, accessed May 5, 2025, https://www.lrl.mn.gov/docs/2025/mandated/260361.pdf.
[72] "State of the State's Housing 2024," *Minnesota Housing Partnership,* accessed May 5, 2025, https://mhponline.org/wp-content/uploads/FINAL_SOTS _2024.pdf.
[73] "The Gap Report 2026 Finds Shortage of Homes for Lowest-Income Renters," Minnesota Housing Partnership, https://mhponline.org/publications/the-gap-a-shortage-of-affordable-homes/.

Figure 23. Percent of Renting Population Cost Burdened by Income Level

Income Level	Percent of Population Cost Burdened
Up to 30% of area median income	83
31-50% of area median income	74
51-80% of area median income	36

Data Source: National Low Income Housing Coalition.

Affordable Housing Development in Minnesota

Housing affordability in Minnesota ranks close to the national average as the 29th most affordable out of the 50 states and the District of Columbia according to the 2023 "Regional Price Parities" (RPP) report produced by the U.S. Bureau of Economic Analysis. The national average RPP for housing is 100.7, with Minnesota scoring 90.6. For example, a $300,000 home at the national RPP of 100.7 would cost $300,000. All else being equal, this same home would cost roughly $196,624 in Iowa (RPP score = 66), $470,109 in California (RPP score = 157.8), and $269,911 in Minnesota. While Minnesota is slightly less expensive for housing affordability than the national average, it is more expensive than its neighbors (Wisconsin, North Dakota, Iowa, and South Dakota).[74] The following table summarizes this information.

Figure 24. Region Housing Price Parity Scores of Minnesota's Neighboring States

State	Regional Housing Price Parity Score	Cost of Home
National Average	100.7	$300,000
Iowa	66.0	$196,624
Minnesota	90.6	$269,911
North Dakota	69.4	$206,753
South Dakota	64.9	$193,347
Wisconsin	78.3	$233,267

Data Source: Regional Price Parity Report.

Minnesota Housing estimates that to meet the need for affordable housing rental units, 10,000 new rental units would need to be produced in the state per year. Of the 10,000 new rental units produced, 2,700 would need to be affordable, defined as 30% of area

[74] State Policy Reports, "2023 Regional Price Parities and Two Applications", Federal Funds Information for Sales. (2025): https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/030abea4-a60c-a22b-0845-0071687932ce/V43_2.pdf.

median income (AMI).[75] As for the development of affordable starter homes, Minnesota Housing estimates that there is a $100,000 affordability gap between starter home developments and what they consider affordable to the typical homebuyer. Approximately 4% of newly constructed homes in Minnesota were sold for less than $300,000 as of June 2024.[76]

[75] Minnesota Housing, *Key 2025 Housing Issues and Trends Chart Book*, (Minnesota Housing, 2025), 20-21, https://www.mnhousing.gov/documents/36581/mnh_chartbook_keyneeds_issues_fnl_optiona/view.
[76] Minnesota Housing, *Key 2025 Housing Issues and Trends Chart Book,* 20-21.

Appendix E. Distribution of Designated Contribution Funds to Rental Housing Projects

An assessment of SHTC loan amounts and awarded funds compared to the total development costs of associated projects indicates that SHTC financing is highly impactful for 6 out of 15 rental unit development projects financed with the Designated Contribution Pool. For example, Figure 25 shows that SHTC financing supported almost 100% of total development costs of 6 housing projects for a total of 605 rental units. In contrast, Figure 26 shows the SHTC loan amounts awarded to the other 9 rental development projects. SHTC financing supported, on average, only about 1.3% of total development costs of 616 rental units.

Figure 25. SHTC Financing Supported Close to 100% of Development Costs of 6 Rental Housing Projects

Individual Rental Housing Projects	Units	Average SHTC Loan Amount	Total Development Costs
Project One	136	$5,445,000	$5,445,000
Project Two	289	$4,621,000	$4,621,000
Project Three	61	$2,898,160	$2,898,160
Project Four	54	$1,400,000	$1,400,000
Project Five	45	$195,911	$195,911
Project Six	20	$522,311	$553,350
Total	**605**	**$15,082,382**	**$15,113,421**

Data Source: Minnesota Housing Finance Agency.

Figure 26. SHTC Financing Supported Only 1.3% of Development Costs of 9 Rental Housing Projects

All Other Housing Projects	Units	Average SHTC Loan Amount	Total Development Costs
9	616	$3,400,537	$256,167,725

Data Source: Minnesota Housing Finance Agency.

Appendix F. 2026 Preliminary SHTC Contribution Data

The following data was provided by Minnesota Housing as preliminary 2026 contribution data. While 2026 contribution data was not used within the context of the analysis included in this report, it is provided in this appendix to provide an overview of what is known about the 2026 contribution cycle at this point. Preliminary data from Minnesota Housing stated that before the application portal was shut down around the close of business on opening day, there were requests to contribute approximately $15.1 million.

Figure 27. Contribution Summary Statistics for TY2026 SHTC Cycle

Contribution Summary Statistics	General Pool	Designated Projects
Number of Contributions 2026	30	278
Total Value 2026	$230,198	$11,416,860
Average Value 2026	$7,673	$41,068

Data Source: Minnesota Housing Finance Agency.