# State Housing Tax Credit Evaluation Summary

## Objective

The objective of the State Housing Tax Credit (SHTC) is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.

## Background

The SHTC allows taxpayers to contribute between $1,000 and $2,000,000 to eligible housing projects and receive a tax credit equal to 85% of their contribution. The SHTC is entirely funded through eligible taxpayer contributions. Taxpayers can designate their contribution for a specific eligible project or the general contribution pool, which is distributed by the Minnesota Housing Finance Agency through a request for proposal process. The SHTC has a maximum annual cap of $9.9M in tax credits and therefore can receive up to $11.65M in contributions. Between Tax Years (TY) 2023 and 2025, the SHTC received approximately $30.2M worth of contributions towards rental and homeownership projects for low- and moderate-income Minnesotans, resulting in $25.7M worth of tax credits.

## Summary Information

| | |
|---|---|
| **Year Enacted** | 2021 |
| **Statute** | Minnesota Statutes 2025 section 290.0683; section 462A.40; and section 297I.20, subdivision 5 |
| **Tax Type** | Individual Income Tax; Corporate Franchise Tax; Insurance Premiums Tax |
| **Provision Type** | Credit |
| **Latest Fiscal Impact Estimate**[1] | $9,000,000 – FY2027 |
| **Latest Claims Estimate (TY2024)** | 505 individual income tax claims; less than 10 claims for insurance premium tax and corporate franchise tax |
| **Expiration Date** | December 31, 2028 |

## Key Findings

- Overall, SHTC contributions supported the development of 1,275 rental units and 74 homeownership units across Minnesota, the majority of which are in the 7-County Metro Area.
- Of the $30.2M in SHTC contributions from TY2023-TY2025, 90% went to designated projects. Designated projects in the 7-County Metro Area tend to be for rental projects (1,189 rental, 2 homeownership), whereas those in Greater Minnesota are split between rental and homeownership (32 rental, 32 homeownership).[2]
- Survey results indicate 58% of contributors would not have contributed to housing projects without the SHTC, and nearly 30% of developers would have abandoned the project without SHTC funds.
- The SHTC program reached its $9.9M annual cap within the final two months of TY2024, in March of TY2025, and after only two hours in TY2026.

[1] The latest estimate of fiscal impact was produced in 2024; however, the program reached the $9.9M program cap in TY2024, TY2025, and TY2026.
[2] This is the estimated number of closed loans for designated projects from 2024 – 2027.

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### Figure 1: Geography of SHTC Designated Contribution Projects, 2024-2026

| Measures | Metro Area: Rental | Metro Area: Homeownership | Greater MN: Rental | Greater MN: Homeownership |
|---|---|---|---|---|
| Number of Units | 1,189 | 2 | 32 | 32 |
| SHTC Loan Value | $16,145,072 | $136,150 | $2,337,847 | $1,637,365 |
| Total Development Costs (TDC) | $254,119,409 | $1,472,639 | $17,161,737 | $7,565,344 |
| Loan Share of TDC | 6.4% | 9.2% | 13.6% | 21.6% |
| Foregone Revenue Per Unit[3] | $11,542 | $57,864 | $62,099 | $43,493 |

Data Source: Minnesota Housing Finance Agency, 2026

### Figure 2: Geography of SHTC General Contribution Pool Projects, 2024-2025

| Measures | Metro Area: Rental | Metro Area: Homeownership | Greater MN: Rental | Greater MN: Homeownership |
|---|---|---|---|---|
| Number of Units | 12 | 5 | 42 | 35 |
| SHTC Loan Value | $205,000 | $60,897 | $1,229,646 | $672,333 |
| Total Development Costs (TDC) | $2,218,000 | $2,548,850 | $4,312,394 | $17,137,516 |
| Loan Share of TDC | 9.2% | 2.4% | 28.5% | 3.9% |
| Foregone Revenue Per Unit[4] | $14,521 | $10,352 | $24,886 | $16,328 |

Data Source: Minnesota Housing Finance Agency, 2026

### Survey Results

- Among respondents to the contributor survey, 67% stated reducing their tax liability best described their rationale for investing in SHTC. Additionally, 63% said they are more likely to invest in other housing projects due to their participation in SHTC.
- Among respondents to the developer survey, 50% stated they used SHTC contributions for new construction, 19% used it for rehabilitation and gap financing, and 10% used it for acquisition. Additionally, 19% stated they would have sought private investments or lending absent SHTC, and 14% reported they would have self-funded the project.

### Contact Information and Disclaimer

This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission. For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page. Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.

[3] For Figures 1 and 2, foregone revenue per unit is calculated by multiplying the SHTC loan value 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 for up to 10 years or not claim the credit at all.
[4] Ibid.