

# **Minnesota Tax Expenditure Evaluation of Interest on Contributions to a First-Time Homebuyer Account**

Prepared for the Tax Expenditure Review Commission  
by the Legislative Budget Office

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Prepared by the Legislative Budget Office 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](mailto:lbo@lbo.mn.gov)

Phone: 651-297-7146

**Evaluation Team:**

Vlad Fleurimond

Carlos Güereca

Annie Lemieux

Jordan Peoples

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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 Minnesota's subtraction for Interest on Contributions to a First-Time Homebuyer Account. Under this tax expenditure, a subtraction from the federal adjusted gross income is allowed for interest or dividends gained on contributions to a first-time homebuyer savings account. This tax expenditure was evaluated against its objective, as approved by the TERC. The objective of the tax incentive for Interest on Contributions to a First-Time Homebuyer Account is to support and encourage first-time homebuyers to save for the purchase of a home.

The evaluation of this tax expenditure finds that the policy does very little to support saving for the purchase of a home, and the monetary benefits provided by this tax expenditure are not commensurate with the level of financial resources required to meaningfully reduce the financial barriers to homeownership. On average, 39 returns claim this subtraction annually despite over 68,000 closed sales on homes reported in 2025 for Minnesota. The average subtraction amount is \$552 (roughly \$44 in tax benefit), while the median home sales price was \$355,000 in Minnesota. Overall, from 2017 to 2024, only 4 claimants of this subtraction ended up buying a home.

This report provides an assessment of the subtraction with consideration to the first eight components of tax expenditure review as identified in Minnesota Statute 2025, section 3.8855, subdivision 5(a). The Tax Expenditure Review Commission may choose to consider these findings in preparing a recommendation to the legislature to continue, repeal, or modify the tax expenditures, as is required of the Commission under Laws of Minnesota 2025, 1st Special Session, chapter 13, article 8, section 5.

# Introduction

Housing affordability has been a pressing policy issue across the U.S. for the last few decades. Over the years, the federal government and numerous states have implemented a multitude of policies to address housing affordability. In this vein, in 2017, Minnesota enacted a subtraction from federal adjusted gross income tax for interest or dividends gained on contributions to a first-time homebuyer savings account. The subtraction aims to incentivize saving for the first-time purchase of a home. However, this subtraction seems largely overlooked and underutilized by Minnesotans. On average, from 2017 to 2024, approximately 39 Minnesotans per year utilized this tax preference, with an average annual subtraction amount of \$552 in assistance per recipient. The average subtraction amount translates into an average tax benefit of \$44 per year per recipient. Further, from 2017 to 2024, only four beneficiaries of the subtraction ended up buying a home.

The LBO concludes that the tax incentive does very little to support saving for the purchase of a home, as the benefits provided are not commensurate with the level of financial resources required to meaningfully reduce the financial barriers to homeownership. Therefore, the subtraction is unlikely to incentivize the first-time purchase of a home.

## Background on the Subtraction for Interest on Contributions to a First-Time Homebuyer Account

There are two parties to the first-time homebuyer savings account: the account holder and the qualified beneficiary. The account holder may designate someone other than themselves to be the qualified beneficiary. To receive a benefit from this subtraction, a taxpayer would need to have a Minnesota sourced income, but part-year and nonresidents are not precluded from taking the subtraction. The savings account that receives interest on contributions must be used to pay eligible costs related to the first-time purchase of a home. Eligible costs include down payments, closing costs, and the cost of constructing or financing a single-family residence. There is a maximum contribution of \$14,000 per year for individuals and \$28,000 per year for married joint filers towards the account. There is also a lifetime contribution limit of \$50,000 for individuals and \$100,000 for married joint filers. The maximum amount allowed in an account is \$150,000.<sup>1</sup>

The Minnesota Department of Revenue (DOR) administers this tax expenditure. An account holder may subtract the earned interest or dividends attributed to the first-time homebuyer savings account from their Minnesota taxable income. To utilize this

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<sup>1</sup> Minnesota Statute, section 290.0132, Subdivision 25. First-time home buyer savings account

incentive, eligible taxpayers must complete a Schedule M1HOME form.<sup>2</sup> The same form is used to designate a beneficiary and to formally register the account as a first-time homebuyer savings account.

## Relevance of Tax Expenditure

The subtraction to the first-time homebuyer account seeks to address highly relevant policy issues due to the increasing costs of owning a home. Thus, the following subsections briefly survey the housing affordability landscape in the U.S. and in Minnesota.

### National Housing Trends

Purchasing an affordable home in the U.S. has become more challenging over the past 30 years. This is especially true for first-time homebuyers. First-time homebuyers face numerous obstacles when entering the home-buying market including:

- lack of built-up equity;
- lack of access to affordable housing;
- poor or limited credit history;
- lack of knowledge or experience purchasing a home; and
- a highly competitive market.<sup>3</sup>

Added to this set of barriers, the notable increase in the average sales price of houses sold in the U.S. has outpaced the median household income.<sup>4</sup> From 1990 to 2023, U.S. median household income grew by 26%, while median sales price of homes sold grew by 246%.<sup>5</sup> With household income growing at a significantly slower pace than median sales price, purchasing a home has become more and more challenging.

In 2022, 82 million U.S. households (61%) were owner-occupied, and 52 million households (39%) were renter occupied. Among the renting households, about 16% (7.9 million), were considered “income mortgage-ready,” where a typical mortgage payment accounts for less than 30% of their total household income.<sup>6</sup> As of 2023,

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<sup>2</sup> Minnesota Department of Revenue, “[2024 Schedule M1HOME](#), First-Time Homebuyer Savings Account”

<sup>3</sup> Obstacles to Home Buying, “[Potential Homebuyers](#)”, National Association of Realtors (2022): <https://www.nar.realtor/sites/default/files/documents/2022-obstacles-to-home-buying-04-12-2022.pdf>

<sup>4</sup> U.S. Census Bureau, “[Real Median Household Income in the United States](#)”, Federal Reserve Bank of St. Louis. (2025): <https://fred.stlouisfed.org/series/MEHOINUSA672N>

<sup>5</sup> U.S. Census Bureau and U.S. Department of Housing and Urban Development, “[Median Sales Price of Houses Sold for the United States](#)”, Federal Reserve Bank of St. Louis. (2025): <https://fred.stlouisfed.org/series/MSPUS#>

<sup>6</sup> Income Mortgage-Ready, “[Some Renters may be “Mortgage ready” and not Know it. Here’s how to Tell](#)”, American Community Survey – U.S. Census Bureau, (2024): <https://www.cnbc.com/2024/07/18/how-renters-can-tell-if-their-finances-are-mortgage-ready.html#:~:text=In%202022%2C%2039%25%20of%20the,%2Dready%2C%22%20Zillow%20found.>

nearly half (49.7%) of all renters pay more than 30% of their household income on rent.<sup>7</sup> For renters who are considered income mortgage-ready, many decide to remain renters by choice or necessity (lack of down payment necessary to purchase a home). Renters who pay over 30% of their household income on rent are less likely to be in a financial position to afford the purchase of a home.

Since 2005, the homeownership rates in the U.S. have not changed substantially. In 2005, the homeownership rate was roughly 69%. From 2005 to 2018, the homeownership rate slowly decreased, reaching a low of 64% from 2015 to 2018, then slightly increased to 66% by 2024.<sup>8</sup>

Decreased access to homeownership has proven to affect low-income and communities of color the most (in Minnesota and across the United States).<sup>9</sup> Please see the U.S. and Minnesota Homeownership Rates in Appendix A for more information.

## Minnesota Housing Trends

Housing affordability in Minnesota ranks close to the national average as the 29<sup>th</sup> most affordable out of the 50 states and the District of Columbia. This is 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).<sup>10</sup>

Minnesota had 2.34 million households in 2023. Twenty-eight percent (656,737) of these households were renters, while 72% (1,687,695) were homeowners, indicating that the homeownership rate in Minnesota is higher than the U.S. homeownership rate. The average income for renters during this period was \$50,345, while the average income for homeowners was \$102,079. Forty-eight percent of renters were considered “cost burdened”, spending over 30% of their monthly household income on rent, as

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<sup>7</sup> U.S. Census Bureau, “[Nearly Half of Renter Households are Cost-Burdened, Proportions Differ by Race](https://www.census.gov/newsroom/press-releases/2024/renter-households-cost-burdened-race.html)”, News Press Release. (2024): <https://www.census.gov/newsroom/press-releases/2024/renter-households-cost-burdened-race.html>

<sup>8</sup> Homeownership Rate in the United States, “[Housing Vacancies and Homeownership](https://fred.stlouisfed.org/series/RHORUSQ156N)”, U.S Census Bureau, (2025): <https://fred.stlouisfed.org/series/RHORUSQ156N>

<sup>9</sup> Snapshot of Race and Home Buying in America, “[Homeownership Trends by Race](https://www.nar.realtor/sites/default/files/documents/2024-snapshot-of-race-and-home-buying-in-america-02-20-2024.pdf)”, National Association of Realtors. (2024): <https://www.nar.realtor/sites/default/files/documents/2024-snapshot-of-race-and-home-buying-in-america-02-20-2024.pdf>

<sup>10</sup> State Policy Reports, “[2023 Regional Price Parities and Two Applications](https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/030abea4-a60c-a22b-0845-0071687932ce/V43_2.pdf)”, Federal Funds Information for Sales. (2025): [https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/030abea4-a60c-a22b-0845-0071687932ce/V43\\_2.pdf](https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/030abea4-a60c-a22b-0845-0071687932ce/V43_2.pdf)

compared to homeowners with 21% considered cost-burdened. In sum, 642,455 households were cost-burdened in 2023, a 9% increase from the previous year.

Housing affordability challenges and disparities disproportionately affect communities of color, seniors, and low-income residents. Disparities in homeownership by racial makeup have remained consistent over the past decade.<sup>11</sup> Minnesota has the 9<sup>th</sup> highest homeownership rate in the country (72% overall). However, the homeownership rate looks much different across different racial categories. Please see Appendix A for more information.

## First-Time Home Buying

Owning a home is a tangible way to build one's net worth. In the U.S., the median net worth of homeowners is \$255,000, while the median net worth for renters is \$6,300.<sup>12</sup> This illustrates the importance of owning a home to build long-term wealth. A significant barrier to purchasing a home is the initial down payment. In the first three months of 2024, the median sales price of a home in the U.S. was \$335,500, and the median down payment was \$26,700 (roughly 8% of the total cost).<sup>13</sup> Many first-time homebuyers come from the renting market, where they face expensive living costs that make it difficult to save for a down payment.

There are two main ways to purchase a home: paying for it with cash up front or financing the purchase through a bank or lender. When purchasing a home with cash up front, the purchaser avoids interest rates that are charged by the lender as part of the agreement of a mortgage. As reported by the National Association of Realtors (NAR), through January and February 2025, 32% of home purchases across the U.S. were made with all-cash deals.<sup>14</sup> By making these purchases with cash, buyers saved a considerable amount of money compared to a purchaser who financed at the average interest rate in February 2025 (6.8% on a 30-year fixed-rate mortgage for a home that cost \$335,500).<sup>15</sup> The larger the initial down payment a purchaser makes, the less they will pay in interest payments in the future. Realistically, many first-time homebuyers may not have the amount of liquid assets available to avoid financing. While buying a home in cash has no impact on one's credit, financing a home may improve credit over time with on-time payments.

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<sup>11</sup> State Housing Profile, "[2025 State Housing Profile – Minnesota](https://mhponline.org/wp-content/uploads/2025/01/State_Profile_FINAL.pdf)", Minnesota Housing Partnership. (2025): [https://mhponline.org/wp-content/uploads/2025/01/State\\_Profile\\_FINAL.pdf](https://mhponline.org/wp-content/uploads/2025/01/State_Profile_FINAL.pdf)

<sup>12</sup> Minnesota's First-Generation Homebuyers, "[Breaking Down Homeownership Barriers](https://spokesman-recorder.com/2024/11/11/minnesota-first-generation-homeownership/)", Minnesota Spokesman-Recorder. (2024): <https://spokesman-recorder.com/2024/11/11/minnesota-first-generation-homeownership/>

<sup>13</sup> Average Down Payment on a House, "[Median down payment by state](https://www.bankrate.com/mortgages/average-down-payment/)", Bankrate, (2024): <https://www.bankrate.com/mortgages/average-down-payment/>

<sup>14</sup> Buying a House with Cash vs. a Mortgage, "[Buying a House in Cash](https://www.bankrate.com/mortgages/all-cash-vs-mortgage/)", Bankrate, (2025): <https://www.bankrate.com/mortgages/all-cash-vs-mortgage/>

<sup>15</sup> Mortgage Rates Take a Lucky Seventh Dip, "[30 Year FRM rate Averaged](https://nationalmortgageprofessional.com/news/mortgage-rates-take-lucky-seventh-dip)", National Mortgage Professional, (2025): <https://nationalmortgageprofessional.com/news/mortgage-rates-take-lucky-seventh-dip>

## Analysis

This evaluation seeks to assess the extent to which the subtraction incentivizes Minnesotans to save for the purchase of a home and ultimately become first-time homebuyers. Ideally, saving patterns and home buying patterns of beneficiaries of the subtraction would be compared to non-beneficiaries before and after the enactment of the subtraction to evaluate the effectiveness of the subtraction. Such an analysis is not possible here due to lack of data on the characteristics of individual claimants, the small number of claimants of the subtraction and the small number of claimants who ended up buying their first home. This makes it impossible to choose an appropriate group of non-beneficiaries of the subtraction for comparison purposes.

Instead, the LBO relies on trends data on claimants, claim amount, median and average income of claimants, median home sales price, down payment, mortgage originations and average loan originations to compare the average tax benefit of the subtraction against the financial costs of buying a home. At the outset, from 2017 to 2024, only four claimants of the subtraction ended up buying a home. The analysis presented below is insufficient to make causal claims about the four recipients who became first-time homebuyers. That is, in the absence of the subtraction, the LBO is unable to conclude whether those four homebuyers would have or would not have bought a home. Nonetheless, in addition to the low uptake of subtraction beneficiaries, the relative size of the tax benefit (\$44 per recipient) compared to a 20% down payment (\$57,469) and the average of the median home sales price of a house (\$287,344) or the average loan origination amount (\$258,250) in Minnesota over the life of the subtraction leads to the conclusion that the subtraction has a negligible impact on incentivizing the first-time purchase of a home.

## Effectiveness

The 2024 Tax Expenditure Budget estimated the forgone revenue of this tax incentive to be less than \$50,000 per year for fiscal years 2024-2027.<sup>16</sup> Historical claims data aligns with those estimates. From 2018 to 2024, there was an average of 37 claims per year resulting in an average subtraction benefit of \$552 per claimant, totaling an annual average of \$22,391 for all claims. Claims data from 2017 shows an anomaly as the value of total claims is over \$92,000 for 23 unique claims, well over the annual average for the years that followed.<sup>17</sup> Figure 1 displays the number of claims, total claim amounts, median tax benefit, average and median subtraction amounts per year from 2017 to 2024. For the median tax benefit amounts, the Minnesota Department of Revenue used a marginal tax rate of 8.0% for each dollar subtracted.

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<sup>16</sup>Minnesota Department of Revenue, [Tax Expenditure Budget: Fiscal Years 2024-2027](#).

<sup>17</sup> According to the Minnesota Department of Revenue, the average subtraction in 2017 was very high compared to other years because taxpayers thought they could deduct their entire contribution, not just the interest amount.

Further analysis of the claims data reveals that between fiscal years 2017-2023, there were a total of 209 unique claimants of this tax incentive.<sup>18</sup> Of those 209 claimants, 184 claimed the incentive only for one year while 25 claimed it for multiple years. From 2018 to 2023, the total claim amount was about \$216,000.

Figure 1. Number of Subtraction Claims TY2017-2024

<b>Tax Year</b>	<b>Number of Claimants</b>	<b>Average Subtraction Amount</b>	<b>Median Subtraction Amount</b>	<b>Median Tax Benefit</b>	<b>Total Claim Amount</b>
<b>2017</b>	23	\$4,019	n/a	n/a	\$92,441
<b>2018</b>	28	\$529	\$407	\$33	\$14,799
<b>2019</b>	36	\$518	\$120	\$10	\$18,655
<b>2020</b>	58	\$539	\$31	\$31	\$31,279
<b>2021</b>	44	\$156	\$91	\$7	\$6,842
<b>2022</b>	26	\$340	\$239	\$19	\$8,833
<b>2023</b>	38	\$746	\$139	\$11	\$28,351
<b>2024</b>	46*	\$1042*	n/a	n/a	\$47,976

Data Sources: Minnesota Department of Revenue Tax Research Division, 2025

\*M1 GenTax Reports; No Population Dataset Available; n/a: Not Available

Turning to the income distribution of claimants in Figure 2, 50% of claimants fall in the 3<sup>rd</sup> income decile or lower (except 4<sup>th</sup> decile for TY2019). However, from 2017-2021, around 70% of all Minnesota income tax filers fall in the 3<sup>rd</sup> income decile or lower. Low-income Minnesotans are claiming this subtraction at a lower proportion compared to their share of the tax filing population (70% of tax filing population vs 50% of claimants). Further, according to DOR, using the most recent year of population data, about 35% of the tax benefit was from returns with a federal adjusted gross income of \$150K or more. High income taxpayers have a higher marginal tax rate than low-income taxpayers, which explains why high-income taxpayers benefit more from the subtraction.

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<sup>18</sup> Data for 2024 was only available for partial returns at time of data request.

Figure 2. Average and Median Income of Claimants TY2017-2023

<b>Tax Year</b>	<b>Number of Claimants</b>	<b>Average Income of Claimants</b>	<b>Median Income of Claimants</b>	<b>Income Decile (Median Income)</b>
<b>2017</b>	23	\$177,758	\$69,181	3 <sup>rd</sup>
<b>2018</b>	28	\$84,656	\$71,609	3 <sup>rd</sup>
<b>2019</b>	36	\$125,446	\$92,810	4 <sup>th</sup>
<b>2020</b>	58	\$83,695	\$65,504	3 <sup>rd</sup>
<b>2021</b>	44	\$96,630	\$66,242	2 <sup>nd</sup>
<b>2022</b>	26	\$102,437	\$94,832	2 <sup>nd</sup>
<b>2023</b>	38	\$96,659	\$89,272	3 <sup>rd</sup>

Data Sources: Minnesota Department of Revenue Tax Research Division, 2025

To assess the effectiveness of the subtraction, Figure 3 compares the average benefits received from the subtraction against the financial costs of buying a home. To facilitate this comparison, Figure 3 displays the number of claimants, average claim amount of the subtraction along with the median home sales price, 20% down payment and closed sales of homes in Minnesota. The “Number of Claimants” and “Average Claim Amount” columns are based on data from DOR while the “Median Home Sales Price in MN”, “20% Down Payment” and “Closed Sales of Homes in MN” columns are based on data from the Minnesota Realtors Association. Excluding the 2017 outlier data, from 2018 through 2024, on average, a tax return subtracts \$552 in benefit but faces a median home sales price of \$296,534 and a 20% down payment of \$59,307. Further, from 2017 to 2024, there were on average more than 81,000 closed home sales per year compared to only 4 first-time home purchases from recipients of the subtraction over the same period. These numbers suggest that the subtraction is likely to have a negligible impact on incentivizing Minnesotans to buy a first home.

Figure 3. Subtraction Benefits vs Median Home Sales Price TY2017-2024

<b>Tax Year</b>	<b>Number of Claimants</b>	<b>Average Subtraction Amount</b>	<b>Median Home Sales Price</b>	<b>20% Down Payment</b>	<b>Closed Sales of Homes</b>
<b>2017</b>	23	\$4,019	\$223,000	\$44,600	87,046
<b>2018</b>	28	\$529	\$239,900	\$47,980	84,761
<b>2019</b>	36	\$518	\$253,945	\$50,789	85,389
<b>2020</b>	58	\$539	\$275,000	\$55,000	92,576
<b>2021</b>	44	\$156	\$305,000	\$61,000	95,982
<b>2022</b>	26	\$340	\$325,000	\$65,000	79,205
<b>2023</b>	38	\$746	\$331,910	\$66,382	66,060
<b>2024</b>	46	\$1042	\$345,000	\$69,000	66,844

Data Sources: Minnesota Department of Revenue Tax Research Division, 2025; Minnesota Realtors Association, 2025

An alternative way to assess the effectiveness of the subtraction is to compare its benefits to the financial costs of buying a home using mortgage originations data from the National Mortgage Database published by the U.S. Federal Housing Finance Agency. The “Average Loan Amount”, “Total Origination Loans” and “First-Time Homebuyer” columns in Figure 4 display this new data. A mortgage origination occurs when a mortgage application is approved and accepted, and the loan is funded. Comparing the “Average Claim Amount” column with the “Average Loan Amount” column indicates that the tax benefit is too small to incentivize a change in behavior. Further, it is useful to recall that only 4 beneficiaries of the subtraction ended up buying a home from 2017 to 2024. Over the same period, as can be seen from the “First-Time Homebuyer” column of Figure 4, a total of 1.2 million mortgage originations were from first-time homebuyers. Granted, a mortgage origination does not necessarily imply buying a home, though the two variables are likely to be highly correlated. Overall, like the median home sales price data in Figure 3, the mortgage originations data presented in Figure 4 implies that the subtraction is not effective in nudging Minnesotans to buy a first home.

Figure 4. Subtraction Claims vs Mortgage Originations TY2017-2024

Tax Year	Number of Claimants	Average Subtraction Amount	Average Loan Amount	Total Origination Loans	First-Time Homebuyer
2017	23	\$4,019	\$210,000	139,000	38,781
2018	28	\$529	\$222,000	124,000	40,176
2019	36	\$518	\$242,000	158,000	40,764
2020	58	\$539	\$250,000	276,000	43,056
2021	44	\$156	\$256,000	267,000	46,992
2022	26	\$340	\$293,000	111,000	37,518
2023	38	\$746	\$296,000	71,000	29,891
2024	46	\$1042	\$297,000	78,000	32,526

Data Source: Minnesota Department of Revenue Tax Research Division, 2025; Federal Housing Finance Agency (FHFA), 2025

## Efficiency

The efficiency of a tax expenditure is an overall estimate of the costs at which the tax expenditure achieves its objective (here, only 4 claimants ended up purchasing a home). There are two types of costs to consider: direct costs and indirect costs. Indirect costs mainly refer to the economic distortions due to the enactment of the tax expenditure and are therefore difficult to measure. Direct costs, on the other hand, consist primarily of the estimated forgone revenue by DOR (less than \$50K per year) and administrative costs or burden.

## Administrative Burden for Recipients

The Interest on Contributions to a First-Time Homebuyer Account tax incentive is administered by DOR. This incentive is available to all Minnesotans under specific criteria. Based on eligibility criteria, the number of supporting documents needed to receive this incentive, the calculation of the incentive, and whether or not another tax return is required to be filed as a part of this incentive, the LBO scored this tax incentive as “medium” in terms of complexity from the lens of a recipient. With respect to eligibility, there is no income threshold, but there is a maximum amount of money that can be contributed to the account each year: \$14,000 for individuals and \$28,000 for married filers. Additionally, there is a lifetime account contribution limit of \$50,000 for individuals and \$100,000 for married filers. This dedicated home savings account may be used only to pay for qualifying costs related to the purchase of a home, such as down payments, eligible closing costs, and the cost of constructing or financing the construction of a single-family residence.

To receive this tax incentive, a recipient, as part of their tax filing, must complete two schedules, Schedule M1HOME and Schedule M1M, plus Form M1. The Schedule M1HOME is used to register the account holder's first-time homebuyer's savings account and to designate the qualified beneficiary. On this schedule, recipients also report the account's activity by entering both the contributions made before and during the current tax year, as well as both the qualified and non-qualified withdrawals within that tax year. Interest and dividends earned on this account during the current tax year are included as a subtraction amount that will also be included on Schedule M1M. This form also calculates an addition to income that is required if non-qualified withdrawals in the current tax year exceeds contributions from the current and previous tax years (which would equate to the gains from this account). The addition will be reported on this schedule as well as schedule M1M. Schedule M1M totals all additions and subtractions a taxpayer may be subject to and the total amount for additions and total amount for subtractions are reported on Form M1. Finally, this schedule calculates a 10% additional tax due on any required additions from the form. The calculated tax amount is reported on this schedule and Form M1. In total, there are seven to eight different steps that a beneficiary must take to calculate the subtraction. This tax incentive does not require an additional tax filing return beyond the regular M1 Form.

## Administrative Burden for the Department of Revenue

The LBO consulted with DOR staff to understand the administrative burden of the incentive to DOR.<sup>19</sup> DOR staff shared that all income tax returns received by DOR are subject to a systematic review within the department's electronic system based on specific rules and audit criteria. Based on those criteria, Schedule M1HOME may be audited. If a tax return meets a certain threshold, the return will be manually reviewed by an auditor. The department could not provide additional information on the review process due to confidentiality. In terms of processing the Schedule M1M Form for income additions and subtractions, DOR staff acknowledged that removing line 5 (the specific line on the form for this tax expenditure) would slightly reduce administrative burden, but the reduction would not be significant. In terms of the resources and employees used to process this tax expenditure, the department shared that since the M1HOME form is included with the M1 Individual Income Tax return, it is not possible to have a specific breakdown of the resources needed to process the form. DOR staff shared that, on average, the department utilizes about 0.05 FTE addressing specific issues with the M1HOME form, and that the form has a very small overall impact on the full income tax return.

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<sup>19</sup> Minnesota Department of Revenue Divisions, "[Tax Operations and Tax Research](https://www.revenue.state.mn.us/minnesota-department-revenue-divisions)", Minnesota Department of Revenue, (2025): <https://www.revenue.state.mn.us/minnesota-department-revenue-divisions>

## Comparison of Similar Policies

The LBO identified six different state-level programs (Minnesota), three federal programs, and numerous local programs (county and city) that support and encourage first-time homebuying:

### State Programs:

- Minnesota Housing Mortgage Loans Start Up Program<sup>20</sup>
- Minnesota Housing Mortgage Loans Step Up Program<sup>21</sup>
- Deferred Payment Loan (DPL) Program<sup>22</sup>
- Monthly Payment Loan (MPL) Program<sup>23</sup>
- Homeownership Education, Counseling and Training (HECAT) Fund<sup>24</sup>
- Homeownership Capacity Program (HCP)<sup>25</sup>

### Federal Programs:

- Housing Choice Voucher Homeownership Program<sup>26</sup>
- Federal Housing Administration – Government-backed home loans and mortgage assistance<sup>27</sup>
- Good Neighbor Next Door Program<sup>28</sup>

### Local Programs:

- In Minnesota, numerous county-level and city-level programs are offered to constituents to assist with first-time homebuying. Available funds and

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<sup>20</sup> Minnesota Housing Mortgage Loans Start Up Program, "[Procedural Manual](https://www.mnhousing.gov/get/mhfa_1012853)", MN Housing Finance Agency, (2025): [https://www.mnhousing.gov/get/mhfa\\_1012853](https://www.mnhousing.gov/get/mhfa_1012853)

<sup>21</sup> Minnesota Housing Mortgage Loans Step Up Program, "[Procedural Manual](https://www.mnhousing.gov/get/mhfa_013336)", MN Housing Finance Agency, (2025): [https://www.mnhousing.gov/get/mhfa\\_013336](https://www.mnhousing.gov/get/mhfa_013336)

<sup>22</sup> Mortgage Loan Programs Downpayment and Closing Cost Loans Comparison, "[Deferred Payment Loan DPL Options](https://www.mnhousing.gov/get/mhfa_013282)", MN Housing Finance Agency, (2025): [https://www.mnhousing.gov/get/mhfa\\_013282](https://www.mnhousing.gov/get/mhfa_013282)

<sup>23</sup> Mortgage Loan Programs Downpayment and Closing Cost Loans Comparison, "[Monthly Payment Loan](https://www.mnhousing.gov/get/mhfa_013282)", MN Housing Finance Agency, (2025): [https://www.mnhousing.gov/get/mhfa\\_013282](https://www.mnhousing.gov/get/mhfa_013282)

<sup>24</sup> Homeownership Education and Counseling, "[HECAT Fund](https://www.mnhousing.gov/homeownership/community-initiatives-programs/homeownership-education-counseling-and-training-fund---homeownership-capacity.html)", MN Housing Finance Agency, (2025): <https://www.mnhousing.gov/homeownership/community-initiatives-programs/homeownership-education-counseling-and-training-fund---homeownership-capacity.html>

<sup>25</sup> Homeownership Capacity, "[Homeownership Capacity Awards](https://www.mnhousing.gov/homeownership/community-initiatives-programs/homeownership-education-counseling-and-training-fund---homeownership-capacity.html)", MN Housing Finance Agency, (2025): <https://www.mnhousing.gov/homeownership/community-initiatives-programs/homeownership-education-counseling-and-training-fund---homeownership-capacity.html>

<sup>26</sup> HCV Homeownership Program, "[HCV Homeownership Dashboard](https://www.hud.gov/helping-americans/public-indian-housing-hcv-homeownership)", U.S. Department of Housing and Urban Development, (2025): <https://www.hud.gov/helping-americans/public-indian-housing-hcv-homeownership>

<sup>27</sup> FHA Loans, "[Let FHA Loans Help You](https://www.hud.gov/helping-americans/loans)", U.S. Department of Housing and Urban Development, (2025): <https://www.hud.gov/helping-americans/loans>

<sup>28</sup> Good Neighbor Next Door, "[How the Program Works](https://www.hud.gov/helping-americans/good-neighbor)", U.S. Department of Housing and Urban Development, (2025): <https://www.hud.gov/helping-americans/good-neighbor>

assistance are based on where first-time homebuying takes place. Funding amount and assistance provided varies by jurisdiction.<sup>29</sup>

## Review of Similar Programs in Minnesota

Minnesota offers numerous incentives that assist with the first-time purchase of a home. The Minnesota Housing Finance Agency (MHFA) offers six different programs that are specifically targeted to first-time homebuyers. Overall, as can be seen in Figures 5, 6, and 7 below, the respective budget allocated to those six programs is significantly more than the cost of the subtraction. While those programs are separate incentives, many of them overlap in the households they serve. Households that benefit from DPL or MPL may also receive a home mortgage through the Start Up or Step Up programs. Additionally, all first-time homebuyers who are supported through these programs are required to take a homebuyer education course that is usually supported with HECAT funds. The Start Up and Step Up programs are funded through MHFA-backed bonds. The DPL program offers downpayment assistance in the form of zero-interest deferred loans that are partially funded by state appropriations but are mainly funded by MHFA resources. The MPL program offers downpayment assistance as loans that a household pays back over time. Figure 5 displays the number of households served and the total amount of assistance provided through the DPL and MPL downpayment assistance programs.

Figure 5. Minnesota Housing Program Participation 2020-2024

Year	Deferred Payment Loan (DPL)- Assistance Provided \$	DPL Program - Households Served	Average DPL Benefit per Households Served	Monthly Payment Loan (MPL) Assistance Provided \$	MPL Program - Households Served	Average MPL Benefit per Households Served
2020	\$29,293,275	3,361	\$8,715	\$21,443,919	1,995	\$10,745
2021	\$35,868,677	3,414	\$10,506	\$24,069,786	1,866	\$12,899
2022	\$40,129,477	3,403	\$11,792	\$29,419,658	2,089	\$14,083
2023	\$40,598,520	2,838	\$14,305	\$21,315,477	1,473	\$14,470
2024	\$54,297,786	3,400	\$15,969	\$20,156,677	1,345	\$14,986

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

The Start Up and Step Up program funding levels need context because they are not exactly like the other programs that are funded by state appropriations and/or agency resources. Rather, these mortgage programs are financed by the MHFA through the

<sup>29</sup> Down Payment Assistance Program, “[Down Payment Assistance Program Search Tool](https://www.hocmn.org/partner-resources/guides-tools/down-payment-resource-tool/)”, Minnesota Homeownership Center, (2025): <https://www.hocmn.org/partner-resources/guides-tools/down-payment-resource-tool/>

selling of agency-backed bonds. The bond is then paid back to investors by collecting mortgage repayments from borrowers. The interest rates associated with the Start Up and Step Up programs are competitive with the private market. Figure 6 displays the number of households served and the total amount of assistance provided through the Start Up and Step Up programs.

Figure 6. Start Up and Step Up Program Data from 2020-2024

Year	Start Up Program - Assistance Provided \$	Start Up Program - Households Served	Average Start Up Benefit per Households Served	Step Up Program Assistance Provided \$	Step Up Program - Households Served	Average Step Up Benefit per Households Served
2020	\$822,377,858	4,330	\$189,926	\$300,563,914	1,337	\$224,805
2021	\$908,326,675	4,339	\$209,340	\$261,822,778	1,064	\$246,074
2022	\$949,438,557	4,413	\$215,146	\$329,085,599	1,182	\$278,414
2023	\$774,353,468	3,547	\$218,312	\$270,776,516	938	\$288,674
2024	\$915,849,788	4,135	\$221,487	\$228,722,808	822	\$278,252

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

Further, MHFA requires that all the first-time homebuyers who are supported through the downpayment assistance (DPL and MPL) or home mortgage assistance (Start Up and Step Up) programs be enrolled in homebuyer education through the HECAT or the HCP. HECAT offers homebuyer counseling and training that includes homebuyer education classes, financial wellness classes, and foreclosure and reverse mortgage counseling. HCP offers intensive financial education, coaching, and case management services to prepare families for sustainable homeownership. Both programs are funded by state appropriations. Figure 7 displays the number of households served, as well as the total amount of assistance provided through HECAT and HCP.

Figure 7. HECAT and Homeownership Capacity Program Data from 2020-2024

Year	HECAT Program - Assistance Provided \$	HECAT Program - Households Served	Average HECAT Benefit per Households Served	HCP Program Assistance Provided \$	HCP Program - Households Served	Average HCP Benefit per Households Served
2020	\$1,424,595	6,986	\$204	\$1,253,009	1,010	\$1,241
2021	\$1,424,595	7,425	\$192	\$1,112,208	839	\$1,326
2022	\$1,213,134	6,494	\$187	\$1,063,300	808	\$1,316
2023	\$1,508,719	6,337	\$238	\$921,300	739	\$1,247
2024	\$2,253,392	5,180	\$435	\$721,700	728	\$991

Data Source: Minnesota Housing Finance Agency Annual Program Assessment Reports 2020-2024

Cumulatively, from 2020 to 2024, through the six different programs identified by the LBO that help first-time homebuyers with the purchase of a home, MHFA assisted 87,879 households. Over this period, \$316.6 million was utilized in DPL and MPL funds for downpayment assistance, and \$12.9 million was utilized for the HECAT and HCP for homebuyer education training. MHFA also helped distribute \$5.8 billion to households through agency-backed bonds that support home mortgages for households through the Start Up and Step Up programs.

## Other First-Time Homebuyer Programs in Minnesota

In addition to the Minnesota housing programs reviewed above, MHFA administers several other housing programs that fit into the category of incentives for first-time homebuyers. For example, the first-generation downpayment assistance program was enacted in 2023 and received a \$50 million appropriation.<sup>30</sup> MHFA is also administering grants to the Midwest Minnesota Community Development Corporation (MMCDC) to administer community-based first-generation downpayment assistance.<sup>31</sup> In FY24 and FY26, the Minnesota Legislature appropriated \$100 million and \$2 million to that program, respectively.<sup>32</sup> Finally, the Legislature appropriated \$10 million in FY24 to NeighborWorks Home Partners for a first-time homebuyer fee-based home purchase financing program.<sup>33</sup> These programs aim to reduce the financial barriers to homeownership.

## Review of Similar Programs at the Federal Level

The federal government also offers three different programs that assist with the purchase of a home. The U.S. Department of Housing and Urban Development (HUD) offers the Housing Choice Voucher (HCV) Homeownership program, and the Good Neighbor Next Door program, as well as home loans that are insured by the Federal Housing Administration (FHA), which allow for low down payments, low closing costs, and low qualifying credit scores for eligible recipients.

- HCV Homeownership allows families that are already assisted by the Housing Choice Voucher Program to use their voucher to buy a home and receive monthly assistance in meeting homeownership expenses.<sup>34</sup>

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<sup>30</sup> First-Generation Homebuyer Loan Program, "[First-Generation Homebuyer Loan Program](https://mnhousing.gov/home/homeownership/buy-home-refinance/first-generation-homebuyer-loan-program)", Minnesota Housing Finance Agency (2026). <https://mnhousing.gov/home/homeownership/buy-home-refinance/first-generation-homebuyer-loan-program>

<sup>31</sup> Minnesota Session Laws 2023, Regular Session, Chapter 37, Section 3, subdivision 1.

<sup>32</sup> Minnesota Session Laws 2023, Regular Session, Chapter 37, Section 2, subdivision 20; Minnesota Session Laws 2023, Regular Session, Chapter 37, Section 2, subdivision 19.

<sup>33</sup> Minnesota Session Laws 2023, Regular Session, Chapter 37, Section 12, subdivision 1.

<sup>34</sup> HCV Homeownership, "[Featured HCV Homeownership Resources](https://www.hudexchange.info/programs/public-housing/hcv-homeownership/)", HUG Exchange, (2025). <https://www.hudexchange.info/programs/public-housing/hcv-homeownership/>

- Housing Choice Voucher provides rental assistance to low-income families, whereas the HCV Homeownership program allows families with a Section 8 voucher the ability to purchase a home and receive monthly assistance with paying the mortgage instead of rental assistance like the traditional program.<sup>35</sup> First-time homeowners who have received housing counseling as well as met the minimum income requirements are eligible for this program. From January 2015 to May 2025, this program helped support 99 different Minnesota households with the purchase of a first-time home. As of May 2025, 68 active Minnesota households utilize this program, with the average amount awarded per household being \$714 per month.<sup>36</sup> As a point of comparison, the Minnesota subtraction for interest on contributions to a first-time homebuyer savings account was claimed by 209 unique returns from 2017 to 2023, for an average subtraction amount of \$552 which translates into an average tax benefit of \$44 per return.
- Good Neighbor Next Door has a slightly different target audience than the previously mentioned first-time homebuyer programs. This program is offered to law enforcement officers, teachers, firefighters, and emergency medical technicians. This program aims to contribute to community revitalization by offering eligible community members a 50% discount from the list price of a home. The homes that are available for purchase through this program are identified and are available for purchase for seven days after they are listed. Eligible recipients must commit to living at the purchased property for 36 months as their primary residence. Across the U.S., in FY 2022, eligible recipients of this program received an average discount of \$85,744 on the purchase of their home.<sup>37</sup>

## Review of Similar State Programs

Several U.S. states offer a similar incentive to Minnesota's Interest on Contributions to a First-Time Homebuyer Account. Looking at Minnesota's neighboring states, Iowa and Wisconsin have similar incentives, whereas North Dakota and South Dakota do not.

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<sup>35</sup> Housing Choice Voucher Program, "[Federal Government's major program for providing housing assistance to over 2.3 million American families](https://www.hud.gov/helping-americans/housing-choice-vouchers)", U.S. Department of Housing and Urban Development, (2025): <https://www.hud.gov/helping-americans/housing-choice-vouchers>

<sup>36</sup> CV Homeownership Dashboard, "[Homeownership Trending – Microsoft Power BI Dashboard](https://www.hud.gov/helping-americans/public-indian-housing-hcv-homeownership)" U.S. Department of Housing and Urban Development, (2025): <https://www.hud.gov/helping-americans/public-indian-housing-hcv-homeownership>

<sup>37</sup> Good Neighbor Next Door Sales Program, "[Financial Information](https://sam.gov/fal/73240ef8ff944421b6e01945d75a4d7d/view#financial-information)", U.S. General Services Administration, (2025): <https://sam.gov/fal/73240ef8ff944421b6e01945d75a4d7d/view#financial-information>

## Minnesota's Neighboring States

- Iowa allows individuals to make tax-deductible contributions to a first-time homebuyer account. The account must be opened at a financial institution in Iowa, and the funds in the account must be used by a designated person for expenses related to purchasing a first home. In tax year (TY) 2025, the annual deduction limit for married/joint filers was \$4,628 and \$2,314 for single filers.<sup>38</sup>
- Wisconsin residents are eligible to open an account at a financial institution for the purpose of paying down payment and closing costs for the purchase of a single-family residence in the state. The beneficiary does not necessarily have to be the account holder, but the beneficiary must be a Wisconsin resident who has not owned a single-family residence during the 36 months prior to the purchase of the home. The account may only remain open for 10 years. Recipients of this tax preference may subtract the deposits made into the account and interest or other gains on the account, from their state income tax. The maximum subtraction amount each year is \$10,000 for married/joint filers and \$5,000 for single filers, as well as the maximum amount of \$50,000 for all taxable years for the account's full existence.<sup>39</sup>
- Neither North Dakota nor South Dakota have similar tax preferences. South Dakota does not levy a state income tax, so this type of tax preference does not apply. North Dakota does not have this type of tax preference in its state tax code. While neither of these states has tax preferences for first-time homebuyer accounts, both states offer programs and resources to first-time homebuyers through their Housing Finance Agency (NDHFA) and Housing Development Authority (SDHDA) that assist with the purchase of a first-time home.<sup>40</sup>

## Non-Neighboring States

Outside of Minnesota's neighbors, the LBO identified a handful of other states that offer similar tax preferences to first-time homebuyers:

- Michigan enacted a similar incentive in 2022 with a sunset date of December 31<sup>st</sup>, 2026. Michigan residents are allowed to open a first-time home buyer

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<sup>38</sup> Iowa First-Time Homebuyers Savings Account, "[Qualifying for the First-Time Homebuyer Deduction](https://revenue.iowa.gov/taxes/tax-guidance/tax-credits-deductions-exemption/first-time-homebuyers-savings-account)", Iowa Department of Revenue, (2025): <https://revenue.iowa.gov/taxes/tax-guidance/tax-credits-deductions-exemption/first-time-homebuyers-savings-account>

<sup>39</sup> Wisconsin First-Time Homebuyer Savings Account, "[Analysis by the Legislative Reference Bureau: Taxation: Income Taxation](https://docs.legis.wisconsin.gov/2023/related/budget/drafts/component_drafts_for_23_1948_1/23_1516_p1.pdf)", State of Wisconsin 23'-24' Legislature, (2023):

[https://docs.legis.wisconsin.gov/2023/related/budget/drafts/component\\_drafts\\_for\\_23\\_1948\\_1/23\\_1516\\_p1.pdf](https://docs.legis.wisconsin.gov/2023/related/budget/drafts/component_drafts_for_23_1948_1/23_1516_p1.pdf)  
<sup>40</sup> Citation One: North Dakota HFA's Loan Programs, "[FirstHome](https://www.ndhfa.org/index.php/homeownership-programs/)", North Dakota Housing Finance Agency, (2025): <https://www.ndhfa.org/index.php/homeownership-programs/>; South Dakota First-Time Homebuyer, "[First-Time Homebuyer Resources](https://www.sdhousing.org/ready-to-buy/first-time-homebuyer)", South Dakota Housing, (2025): <https://www.sdhousing.org/ready-to-buy/first-time-homebuyer>

savings account with any financial institution authorized to do business in the state. To receive a deduction from the Michigan state income tax, the account may only be used for the purpose of paying for eligible costs associated with purchasing a first-time home. The beneficiary must be a Michigan resident who has not owned or purchased a single-family residence during the three years prior to the date of the purchase of a home. The maximum account balance for an account is \$50,000. Single filers can deduct up to \$5,000 per year and married/joint filers can deduct up to \$10,000 per year for the contributions made to the account.<sup>41</sup>

- Kansas has a similar tax preference for first-time homebuyers. Kansas residents who have never purchased a single-family home, either individually or jointly, are eligible to open and register a first-time homebuyer savings account by registering the account with the Kansas Department of Revenue when filing Kansas income tax. The funds from this account can only be used for down payments and closing costs when purchasing a home. Contributions made to the account qualify for an income tax deduction up to \$3,000 per year for single filers and \$6,000 per year for married/joint filers.<sup>42</sup>
- Oregon has a similar tax preference for first-time homebuyers, with more flexibility in the way the funds can be spent. To utilize this tax preference, Oregon residents must open a savings account and fill out an OR-HOME form to designate the account as a first-time home buyer account. For 2026, account holders may subtract up to \$6,285 in contributions and earnings for single filers and up to \$12,570 for married/joint filers per year from their state income tax liability. Funds can be used for a downpayment, title insurance, closing costs, realtor commissions, appraisal fees, inspection fees, and loan origination fees.<sup>43</sup>
- Colorado has a similar tax preference for first-time homebuyers. Enacted in 2016, the Colorado subtraction is very similar to Minnesota's. Like Minnesota's, individual Colorado taxpayers can contribute up to \$14,000 per year or \$28,000 for married joint filers, up to a maximum total contribution of \$50,000; the maximum amount allowed in an account is \$150,000. An evaluation of the Colorado First-Time Homebuyer Savings Account Deduction concludes that the

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<sup>41</sup> Michigan First Time Home Buyer Savings Account Program, "[Public Acts 5 and 6 of 2022](#)", Michigan Department of Treasury, (2022): <https://www.michigan.gov/treasury/reference/taxpayer-notices/notice-first-time-home-buyers>

<sup>42</sup> Kansas First-Time Home Buyer Savings Account, "[Eligibility, Opening and Registering an Account, Definitions, Tax Advantages, and Account Limits](#)", Kansas State Treasurer, (2025): <https://kansascash.ks.gov/homebuyer.html>

<sup>43</sup> Oregon First-Time Home Buyer Savings Accounts, "[About the Account, How to set up an Account, How to use an Account, What you can Pay for, and How much you can save](#)", Oregon Department of Revenue, (2025): <https://www.oregon.gov/dor/programs/individuals/pages/first-time-home-buyer.aspx>

tax benefit has been used by very few taxpayers and is too small to incentivize the first-time purchase of a home.<sup>44</sup>

## Potential Modifications

At least twelve U.S. states have allowed their residents to subtract both their contributions and interests on contributions (or only contributions) up to a maximum amount.<sup>45</sup> Thus the LBO recommends that the Tax Expenditure Review Commission consider allowing Minnesotans to deduct both their contributions and interest on contributions up to maximum amount. Though the LBO points to those other states for potential modifications of the subtraction, the LBO is not aware of any studies that evaluated the effectiveness and efficiency of those other structures of the subtraction. To the best of the LBO's knowledge, only Colorado conducted an evaluation of a similar subtraction. As already mentioned, the Colorado evaluation concluded that the tax benefit provided by the subtraction is too small to incentivize the first-time purchase of a home. The Colorado subtraction is similar to Minnesota's (only interests on contributions can be deducted, not contribution amount). Further, with respect to the income distribution of beneficiaries of the Minnesota subtraction, the top 30% of income earners in Minnesota represent 50% of claimants. Therefore, it is possible that making the subtraction more generous may further skew the distribution of beneficiaries.

## Conclusion

Barriers to homeownership in Minnesota are well-documented. To facilitate saving for the purchase of a first home, Minnesota offers a subtraction from a qualified beneficiary's Minnesota taxable income for Interest on Contributions to a First-Time Homebuyer Savings Account. Overall, this tax incentive is largely underutilized by Minnesotans. From 2017 to 2024, on average, roughly 39 returns utilized this tax preference with an average subtraction amount of roughly \$552 (\$44 in tax benefit) per year in assistance. The LBO concludes that the tax incentive does very little to support saving for the purchase of a first home, as the benefits provided are not commensurate with the level of financial resources required to meaningfully reduce the financial barriers to homeownership. Therefore, the subtraction is unlikely to incentivize Minnesotans to buy a first home.

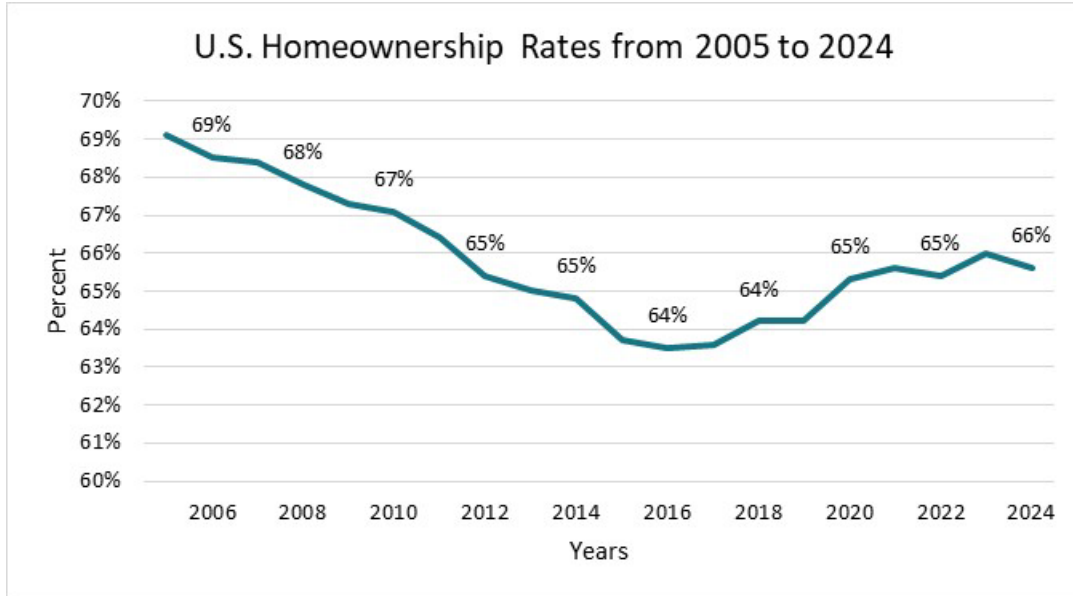
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<sup>44</sup> Colorado First-Time Home Buyer Savings Account Deduction, "[First-time Homebuyer Savings Account Deduction](https://content.leg.colorado.gov/sites/default/files/te_32_first-time_homebuyer_savings_account_deduction.pdf)", Colorado Office of State Auditor, (2022): [https://content.leg.colorado.gov/sites/default/files/te\\_32\\_first-time\\_homebuyer\\_savings\\_account\\_deduction.pdf](https://content.leg.colorado.gov/sites/default/files/te_32_first-time_homebuyer_savings_account_deduction.pdf)

<sup>45</sup> Colorado First-Time Home Buyer Savings Account Deduction, First-time Homebuyer Savings Account Deduction

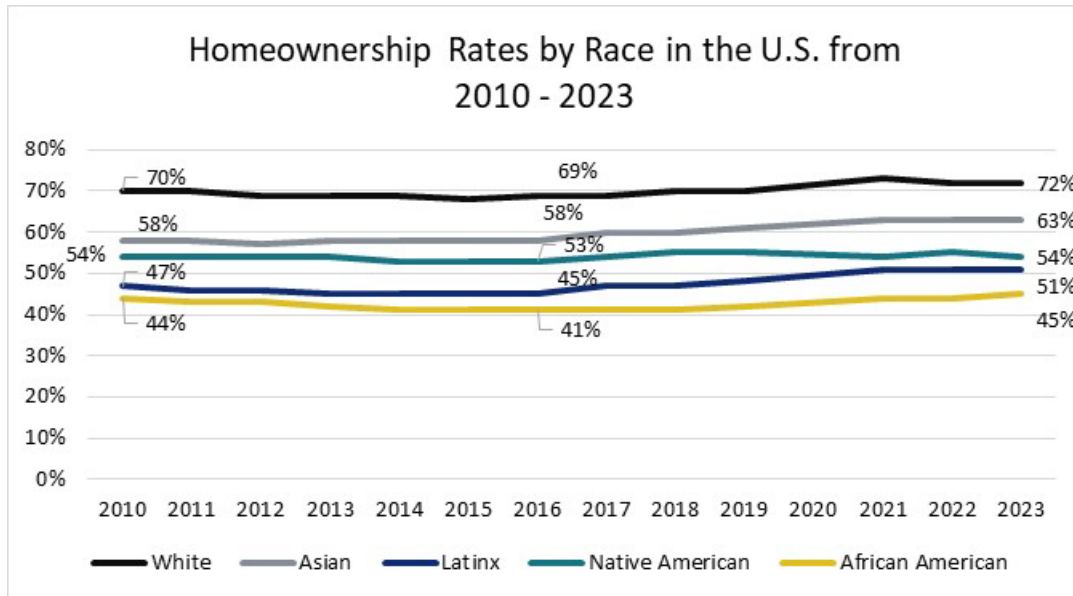
# Appendix A: U.S. and Minnesota Homeownership Rates

Figure 8. U.S. Homeownership Rates



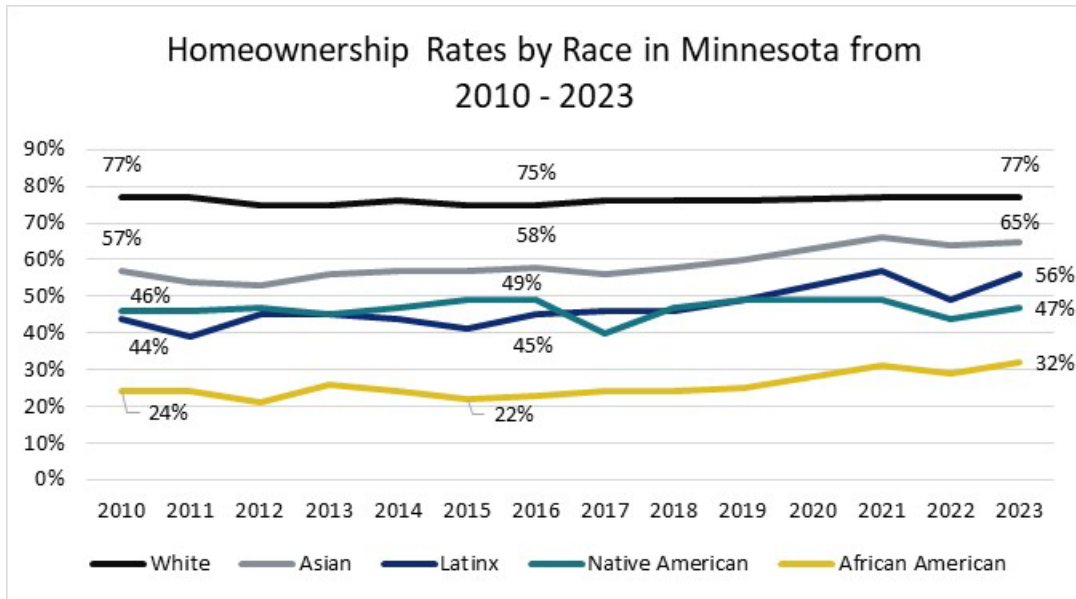
Source: U.S. Census Bureau via the Federal Reserve Bank of St. Louis, 2025

Figure 9. U.S. Homeownership Rates by Race



Source: U.S. Census Bureau, American Community Survey (2010 to 2023, 1-yr samples), 2025

Figure 10. Minnesota Homeownership Rates by Race



Source: U.S. Census Bureau, American Community Survey (2010 to 2023, 1-yr samples), 2025

## Appendix B. 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.

### Estimates of Forgone Revenue

The Minnesota Department of Revenue estimated the forgone revenue of the subtraction to be less than 50K for fiscal years 2024-2027.

### 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

If the subtraction were repealed, the change in the 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 subtraction included in this evaluation 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 Statute, section 3.8855.

# Appendix C: 2025 Schedule M1HOME



\*251791\*

## 2025 Schedule M1HOME, First-Time Homebuyer Savings Account

If you are the account holder of more than one first-time home buyer savings account, complete a separate Schedule M1HOME for each account.

\_\_\_\_\_  
Your First Name and Initial                      Last Name                      Social Security Number

### Registration Information

\_\_\_\_\_  
Bank Name                      Date Account Opened (MM/DD/YYYY)                      Account Number                      Start of Year Balance                      End of Year Balance

\_\_\_\_\_  
Qualified Beneficiary                      Date Beneficiary Named

### Withdrawals from Account

\_\_\_\_\_  
Date of First Withdrawal                      Amount of First Withdrawal                      Purpose of First Withdrawal

\_\_\_\_\_  
Date of Second Withdrawal                      Amount of Second Withdrawal                      Purpose of Second Withdrawal

\_\_\_\_\_  
Date of Third Withdrawal                      Amount of Third Withdrawal                      Purpose of Third Withdrawal

Round amounts to the nearest whole dollar.

### Account Reporting

- 1 Amount of contributions to the account prior to 2025 (*see instructions*) . . . . . 1 ■ \_\_\_\_\_
- 2 Amount of contributions made in 2025. Do not enter more than \$14,000 (\$28,000 if married and filing a joint return) 2 ■ \_\_\_\_\_
- 3 Add Lines 1 and 2. Do not enter total contributions more than \$50,000 (\$100,000 if married and filing a joint return). 3 ■ \_\_\_\_\_
- 4 Qualified withdrawals in 2025 . . . . . 4 ■ \_\_\_\_\_
- 5 Nonqualified withdrawals in 2025 (*see instructions*) . . . . . 5 ■ \_\_\_\_\_

### Subtraction

- 6 Enter amount of interest and dividends earned in 2025 on this account here and on line 27 of Schedule M1M . . . . . 6 \_\_\_\_\_

### Addition

- 7 Subtract line 3 from line 5. If the result is zero or less, **STOP HERE**. You do not have an addition.  
If you have a positive number, enter this amount on line 5 of Schedule M1M and complete line 8 . . . . . 7 \_\_\_\_\_

### Additional Tax

- 8 Multiply line 7 by 10% (.10). Enter the amount here and on line 14 of Form M1.  
Check the box for Schedule M1HOME on line 14 of Form M1 . . . . . 8 \_\_\_\_\_

