



# HousingMinnesota

Homes For All By 2012

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## Support the State Charitable Tax Credit For Affordable Housing

### What is the Charitable Tax Credit for Affordable Housing?

The Charitable Tax Credit rewards those who make cash or in-kind donations to affordable housing with a tax credit valued at 50% of the contribution. For example, a person donating \$1,000 to a qualified affordable housing development would receive a tax credit, or reduction in their income taxes worth \$500.

### Charitable Tax Credit Q & A

**Q. What is the maximum credit a taxpayer may receive for making a donation to affordable housing?**

A. The maximum tax credit allowed is \$250,000 per taxable year. Additionally, the credit may not exceed the tax imposed on the taxpayer.

**Q. What type of housing qualifies as affordable?**

A. Housing must be located in Minnesota, and affordable to households at or below 80% of the greater of area or statewide median income. The development must be funded in part by the Minnesota Housing Finance Agency.

**Q. What if the taxpayer designates a specific project that does not get funded by MHFA?**

A. As with many such donations, the contribution could be arranged so that it is only paid if the project goes through.

**Q. Is the credit available to individuals or businesses?**

A. Both. Any entity paying an income tax in Minnesota is eligible.

**Q. Is the tax credit limited to rental properties or homeownership projects?**

A. A donor may receive credit for donations made to rental or homeownership projects, as long as the project meets the qualification guidelines stated above.

**Q. Is there a minimum contribution a donor must make to receive the tax credit?**

A. A reasonable minimum contribution of \$1,000 is required for administrative efficiency.

## What are the Benefits of a State Charitable Tax Credit?

- ◆ **Can bring in more money for housing than it costs the state.** Because the value of the tax credit is worth 50% of the donation, more money goes into housing than it costs the state in lost taxes and to administer the program.
- ◆ **Provides donor a unique “return.”** The contributing business can use the contribution to attract positive press or use the contribution as an advertisement tool.
- ◆ **Open to more types of investors/donors.** The charitable tax credit can be created to attract donations of individuals, as well as business.
- ◆ **Can be used in conjunction with existing programs.** For example, the goal of the Challenge Program, administered through the Minnesota Housing Finance Agency, is to leverage private contributions with public dollars. With the current economic slowdown, private contributions may wane. However, a charitable tax credit could be used in conjunction with the Challenge Program to act as an additional incentive for business to provide funding for the development of affordable housing.
- ◆ **A simpler investment tool.** Unlike the federal low-income housing tax credit, a charitable tax credit does not need a complex structuring of a multi-tiered ownership of a project in order to maximize the value of credits. A charitable tax credit does not require the donor/investor to be a co-owner of the property (relieves owner/investor of having to understand liabilities or long term responsibilities that come with ownership).
- ◆ **Provides flexibility in the type of contributions made.** The credit provides the ability of a donor to make non-cash contributions such as land, stocks/bonds, services, materials, and below market loans.
- ◆ **Provides flexibility in type of housing assisted by the credit.** Charitable credits can be made available for ownership housing (such as that provided by Habitat for Humanity), or for small rural and urban infill rental projects, or affordable rental apartments created in a larger mixed-use project.

Please direct questions and comments regarding this fact sheet or other legislative issues to Rachel Callanan, Policy Director, 651-649-1710 (ext. 107) or [rcallanan@mhponline.org](mailto:rcallanan@mhponline.org). For more information about affordable housing, visit the HousingMinnesota web site at [www.housingminnesota.org](http://www.housingminnesota.org).