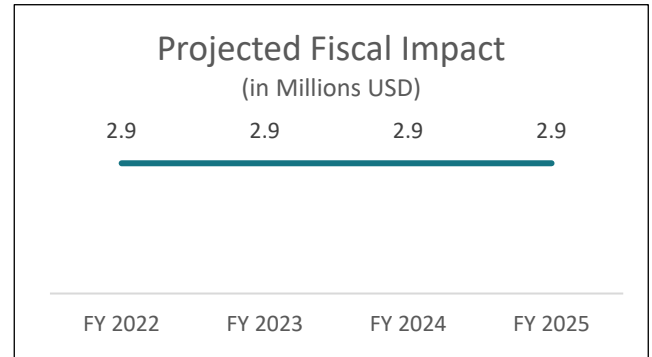


Government Housing Programs

Tax Expenditure Initial Review - TEB 9.02

Tax Expenditure Facts

Year Enacted	2001
Statute	Minn. Stat. § 287.04 sub. 6
Tax Type	Mortgage Registry Tax
Provision Type	Exemption
Latest Fiscal Impact Estimate	\$2,900,000 – Fiscal Year 2024
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None



Tax Expenditure Description

An exemption from the mortgage registry tax is allowed for a mortgage loan made by a government agency under a low- and moderate-income housing program or other affordable housing program. The estimates exclude mortgages by federal agencies because federal law prohibits taxation by the state.

Additional Background Information

The mortgage registry tax (MRT) is imposed when a mortgage on Minnesota real property is recorded. The tax rate is 0.23 percent of the debt being secured by the mortgage. The mortgagor (borrower) is liable for the tax. In general, any mortgage loan given by the government for income-restricted housing will qualify for this exemption.ⁱ

Beneficiaries of the MRT exemption for government housing programs include all government agencies that make mortgage loans under low- and moderate-income housing programs or other affordable housing programs. This exemption reduces the amount of mortgage registry tax revenue that would otherwise be generated.

Mortgage registry taxes are collected by county treasurers. On or before the 20th of each month, 97 percent of MRT revenue collected the preceding month is remitted for deposit in the state General Fund, while 3 percent is retained by the county to cover administrative expenses.

An amendment to the exemption was made in 2021 to correct the formatting of the exemption as well as to allow an exemption for mortgage loans made under low- or moderate-income housing program if the assignee of the mortgage is a governmental agency.ⁱⁱ

Proposed Tax Expenditure Objective for Consideration

The objective of the government housing programs mortgage registry tax exemption is to incentivize and promote affordable housing in the State of Minnesota.

Sources

An explicit tax expenditure objective was not identified in the legislative record. The language surrounding the goals of the exemption was discussed in a presentation from the Mayors' Regional Housing Taskforce to the Senate Jobs, Housing, and Community Development Committee on January 12, 2001. In the presentation discussion, the task force encourages cities to "waive fees for affordable housing developments whenever possible" and discusses the need to shift away from federal reliance on affordable housing.ⁱⁱⁱ

Potential Metrics and Performance Measures

A review of the state's government agency funded affordable housing programs may identify trends in low- or moderate-income housing programs that qualify for this exemption across the state.

An analysis of the program's participation by submission of exemption certificates may identify trends in uptake of the tax incentive.^{iv}

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2023, section 3.8855, subdivision 4.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the [Tax Expenditure Review Commission website](#).

ⁱ Minnesota Department of Revenue. (2012, March). Modification of Revenue Notice # 01-05: Mortgage Registry Tax – Exemption for Mortgages that Secure Loans Made Under Qualifying Government Affordable Housing Programs. https://www.revenue.state.mn.us/sites/default/files/2011-11/RN_01-05.pdf.

ⁱⁱ Laws of Minnesota 2021, 1st Special Session, chapter 14, article 13, section 10.

ⁱⁱⁱ Mayors' Regional Housing Task Force Presentation to the Senate Jobs, Housing, and Community Development Commission. January 12th, 2001.

^{iv} Minnesota Department of Revenue. (2019, July). Form ST3, Certificate of Exemption.