



APRIL 24, 2024

PROTECT TAX EXEMPTION FOR NONPROFIT-OWNED AFFORDABLE HOUSING

■ THE PROBLEM

Hennepin County is seeking legislation as part of the omnibus tax bill (SF 5234/HF 5247) that would effectively eliminate tax exemption for some nonprofit-owned affordable housing rented to low-income and formerly homeless Minnesotans.

■ BACKGROUND

Alliance Housing is a Minnesota-based 501(c)(3) nonprofit provider of affordable housing. Most Alliance tenants earn less than \$20,000 annually, and many are transitioning from homelessness. Before 2020, Hennepin County granted tax-exempt status to qualifying rental properties owned by Alliance. In 2020, the county unexpectedly denied these exemptions.

Alliance successfully brought an action in the Minnesota Tax Court to retain these exemptions. Hennepin County then appealed to the Minnesota Supreme Court, which affirmed the tax court's decision. The Court held that the properties in question should be tax-exempt since they are owned by a 501(c)(3) nonprofit organization and rented to fulfill its charitable purpose of providing affordable housing.

Hennepin County is now advocating for legislation in the Minnesota Legislature that would deny tax exemption unless "a portion of the property is permanently used by the charitable organization to provide services to the intended beneficiaries of the organization's work."

Alliance Housing tenants
Laura & her family



Tenants Brenda (right)
& her daughter



■ THE IMPACT

The change proposed by Hennepin County would effectively eliminate the property tax-exempt status for some non-profit housing providers across Minnesota, many of whom serve Minnesotans facing the greatest risk of homelessness. Organizations like Alliance operate at a loss and must seek charitable donations to help pay the cost of operating these properties, as rental revenues fall well short of operating expenses.

Eliminating tax exemption for these properties would require Alliance to either seek significant additional donations or subsidies, or to raise the rents charged to tenants who are already struggling to afford housing. This would have a \$100,000 annual impact on Alliance alone.

■ OUR ASK

Oppose the language in SF 5234/HF 5247 that would affect nonprofit-owned housing until counties and providers can find common ground on how to protect affordable housing.

■ NEXT STEPS

Alliance and its peers hope to work with Hennepin County to meet their shared goals of preventing homelessness and ensuring a range of housing options. Alliance supports a change to Minn. Stat. § 273.19 to clarify that individuals residing in non-profit-owned affordable housing should not be subject to tax as a result of the property's tax-exempt status, as they are its intended beneficiaries.

ABOUT US

Alliance Housing is a nonprofit owner and developer of affordable housing based in Minneapolis. Founded in 1991, Alliance provides housing that is inclusive, affordable, relational, and flexible, making it possible for individuals and families to create homes for themselves regardless of income. Alliance owns nearly 600 units of housing in Minneapolis. www.alliancehousinginc.org

CONTACT

Jessie Hendel, Executive Director at Alliance Housing Inc.
612-879-7633 or jhendel@alliancehousinginc.org.



**ALLIANCE
HOUSING
INCORPORATED**