

OKLAHOMA TAX COMMISSION

**FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-SECOND OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 6, 2009

BILL NUMBER: SB 481 **STATUS AND DATE OF BILL:** Introduced 1/8/09

AUTHORS: House n/a Senate Lamb

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: Amendatory

SB 481 proposes to amend the current income tax credit for the construction of energy efficient residential property by allowing residential real property of any size to qualify. Under current law, only energy efficient residential property of two-thousand (2,000) square feet or less is eligible for the credit. The proposed change is for tax year 2010 and subsequent tax years.

EFFECTIVE DATE: January 1, 2010

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 09: -0-

FY 10: -0-

FY 11: Projected revenue decrease of \$2.4 million.

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 10: Minimal

DATE DIVISION DIRECTOR mck

DATE REECE WOMACK, ECONOMIST

DATE FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 481[Introduced] Prepared February 6, 2009

SB 481 proposes to amend the current income tax credit for the construction of energy efficient residential property by allowing residential real property of any size to qualify. Under current law, only energy efficient residential property of two-thousand (2,000) square feet or less is eligible for the credit. The proposed change is for tax year 2010 and subsequent tax years.

In developing this impact we examined the current credit. Oklahoma Tax Commission data suggests that approximately \$3.5 million of the existing energy efficient residential property credit was claimed for tax year 2007.¹ This amount was on energy efficient residential property of two-thousand (2,000) square feet or less. Data from The National Association of Home Builders shows that for calendar year 2007 14,730 building permits were issued in Oklahoma for residential construction. This was down in 2008 to 10,000². The credit is a dollar for dollar credit based on eligible energy efficient expenditures and is capped at either \$2,000 or \$4,000, depending upon the level of energy efficiency that the property has obtained. We are unable to distinguish as to the number of properties that claimed the \$2,000 or \$4,000 credit, so for purpose of this analysis we assumed the midpoint of the two credit caps. Based on 2007 activity, it appears that eight percent (8%) of building permits generated property that was eligible for the credit. We would anticipate an additional eight percent (8%) in the number of properties eligible with proposal to allow any sized property. We are basing our analysis on 2008 building permits issued in Oklahoma and assuming no growth in number of these permits for 2010. Our view is that an additional 800 residential property will be eligible for the credit. Again using the midpoint of the credit (\$3,000) we assume the tax year 2010 impact to be \$2.4 million. All of these credits are likely to be claimed on tax year 2010 returns filed in 2011. WE expect no change in estimated tax so the full impact should occur in FY11.

¹ Oklahoma Tax Commission Form 511CR Data

² Prepared by Economics Department, National Association of Home Builders. Available at www.HousingEconomics.com Source: Bureau of Census. Percent changes are computed from unrounded data