

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: February 6 2016

SUBJECT: SB 1437 – Jech Amendment (Jech JCR-CA-SB1437)

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

SB 1437 proposes to amend 68 O.S. § 2357.46 which relates to the Credit for the Construction of Energy Efficient Homes. This measure proposes to limit to 75% of the amount allowed under current law.

The Jech Amendment (Jech JCR-CA-SB1437) to SB 1437 amends the introduced version of SB 1437 by changing the effect of the credit from “for tax year 2017 and subsequent years” to eligible expenditures incurred on or after July 1, 2016.

Under current law an income tax credit is allowed for the eligible expenses incurred by a contractor in the construction of energy efficient residential property of 2,000 square feet or less located in Oklahoma and which has been certified by a Residential Energy Services Network provider. Eligible expenses include any energy efficient heating or cooling system; insulation material or system designed to reduce the heat gain or loss; exterior windows, including skylights; exterior doors; and Energy Star program metal roofs. In no event may the credit exceed \$4,000 for residential property certified at 40% or more above the 2003 International Energy Conservation Code (IECC), including any supplement, or exceed \$2,000 for residential property certified at between 20% and 39% of the 2003 IECC, including any supplement. The credit may be carried over for four (4) succeeding taxable years. This credit is transferable.

This measure would limit the credit to \$3,000 for residential property certified at 40% or more above the 2003 International Energy Conservation Code (IECC), including any supplement, or \$1,500 for residential property certified at between 20% and 39% of the 2003 IECC, including any supplement. The credit continues to be carried over for four (4) succeeding taxable years. This credit will continue to be transferable.

There is no impact to income tax collections in FY17 or FY18 as a result of this measure. Preliminary Tax Year 2014 data suggest the Credit for the Construction of Energy Efficient Homes has significant amounts of unused carryover available to be used in future tax years. The 75% limitation proposed in this measure would not have any short term effect on income tax collections. There is a potential unknown positive effect on income tax credits in the future when the unused carryover credits have been exhausted.