

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: February 6, 2016
SUBJECT: SB 1438 Committee Substitute (Req. No. 3059)
TO: Joe Gappa, Deputy Director
FROM: Michael C. Kaufmann, Tax Policy Analyst

The Committee Substitute for SB 1438 (Req. No. 3059) proposes to amend 68 O.S. § 2357.403 which relates to the Oklahoma Affordable Housing Tax Credit. This measure proposes to limit the amount of credit for various periods.

Under current law there is a credit is for qualified projects¹ placed in service after July 1, 2015. The amount of state tax credits available will equal the amount of federal low-income housing tax credits for a qualified project, but cannot exceed \$4.0 million per allocation year². For allocation year 2013, \$8.7 million of federal low-income housing tax credits were awarded for Oklahoma projects.³

A taxpayer owning an interest in an investment in a qualified project shall be allowed a state tax credit if the Oklahoma Housing Finance Agency issues an eligibility statement for that project. The tax credit may be allocated among some or all of the partners, members or shareholders of the taxpayer in any manner agreed to by such persons. The taxpayer may assign its interest in the investment.

The tax credit is nonrefundable; any unused credit may be carried forward for a period of five (5) years. The credit cannot be used to reduce a tax liability accruing prior to January 1, 2016.

This measure proposes to limit the credit as follows:

- \$2,000,000 for projects placed in service before July 1, 2016.
- \$1,500,000 for projects placed in service on or after July 1, 2016, and before January 1, 2017.
- \$3,000,000 for projects placed into service during any allocation which begins on or after January 1, 2017.

¹ "Qualified project" means a qualified low-income building as that term is defined in Section 42 of the Internal Revenue Code of 1986, as amended, which is located in this state in a county with a population of less than one hundred fifty thousand (150,000) according to the latest Federal Decennial Census;

² The federal credits are claimed in equal amounts over a 10 year period. The state credit mirrors the federal credit. As a result, the estimated amount of the credit for tax year 2016 is \$4.0 million ; for tax year 2017 is \$8.0 million, etc.

³ http://www.novoco.com/low_income_housing/lihtc/federal_lihtc.php

Allowable allocations to claim in for tax year 2016 and subsequent tax years are currently \$4,000,000. This measure proposes to reduce this amount to \$3,500,000 for tax year 2016 and \$3,000,000 for all subsequent tax years. The table bellows shows the estimated increase in income tax collections by FY.

FY	Current Credit Cap	Proposed Credit Cap	Estimated Increase in Income Tax Collections
FY16	\$1,600,000	\$1,400,000	\$200,000
FY17	\$5,600,000	\$4,700,000	\$900,000
FY18	\$9,600,000	\$7,700,000	\$1,900,000
FY19	\$13,600,000	\$10,700,000	\$2,900,000
FY20	\$17,600,000	\$13,700,000	\$3,900,000
FY21	\$21,600,000	\$16,700,000	\$4,900,000
FY22	\$25,600,000	\$19,700,000	\$5,900,000
FY23	\$29,600,000	\$22,700,000	\$6,900,000
FY24	\$33,600,000	\$25,700,000	\$7,900,000
FY25	\$37,600,000	\$28,700,000	\$8,900,000
FY26	\$40,000,000	\$31,700,000	\$8,300,000