

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: May 16, 2016

SUBJECT: SB 1608 – Committee Substitute

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

The Committee Substitute for SB 1608 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 credits allocated effective for the 2017 allocation year. The tax credit will be allowed for tax years ending before January 1, 2021.

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

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 amend the definition of "allocation year" to mean the *calendar* year for which the Oklahoma Housing Finance Agency allocates credits, and proposes to limit the annual allocation to \$3.0 million per allocation year beginning with the January 1, 2017 allocation year.

There is no impact in income tax collections in FY17. The impact of the reduction will have a savings of \$1.0 million per fiscal year beginning with the period when the qualified projects receiving the 2017 allocations are placed in service.

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;