

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 29, 2016

BILL NUMBER: SB 919 **STATUS AND DATE OF BILL:** Introduced 12/17/15

AUTHORS: House n/a Senate Mazzei & Quinn

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

PROPOSAL: Amendatory

SB 919 proposes to amend 68 O.S. § 2357.403, which relates to the Oklahoma Affordable Housing Tax Credit. This measure proposes to not allow this credit for projects placed in service beginning on or after January 1, 2018 unless the Oklahoma Legislature reauthorizes the credit after evaluation by the Incentive Evaluation Commission pursuant to O.S. 62 § 7004. It further removes the current five (5) year review process.

EFFECTIVE DATE: November 1, 2016

REVENUE IMPACT:

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

FY 17: -0-

FY 18: -0-

ADMINISTRATIVE IMPACT:

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

FY 17: No additional cost or savings to the Tax Commission are anticipated due to this proposed legislation.

Jan. 29, 2016
DATE

Rick Miller
DIVISION DIRECTOR

mck

1-29-16
DATE

Reece Womack
REECE WOMACK, ECONOMIST

1/29/16
DATE

[Signature]
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT – SB 919 [Introduced] Prepared January 29, 2016

SB 919 proposes to amend 68 O.S. § 2357.403, which relates to the Oklahoma Affordable Housing Tax Credit. This measure proposes to not allow this credit for projects placed in service beginning on or after January 1, 2018 unless the Oklahoma Legislature reauthorizes the credit after evaluation by the Incentive Evaluation Commission pursuant to O.S. 62 § 7004. It further removes the current five (5) year review process¹.

Under current law there is a credit for qualified projects² 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 year³. For allocation year 2013, \$8.7 million of federal low-income housing tax credits were awarded for Oklahoma projects.⁴

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.

There is no impact to income tax collections in FY17 or FY18 as a result of this measure. The first tax year credits could be claimed is 2016 upon the filing of tax returns which are due in 2017. There is an annual \$4.0 million cap which essentially doubles every year³. No change to estimated tax or withholding is anticipated so any full impact *could potentially occur* in FY19 when tax year 2018 income tax returns are filed; should the legislature not reauthorize this credit.

¹ The Oklahoma Affordable Housing Act shall undergo a review every five (5) years by a committee of nine (9) persons, to be appointed three persons each by the Governor, President Pro Tempore of the Oklahoma State Senate and the Speaker of the Oklahoma House of Representatives.

² "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;

³ 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 impact for the first year is a \$4.0 million decrease in revenue for tax year 2016; for year 2 (tax year 2017), the estimated impact is \$8.0 million, etc.

⁴ http://www.novoco.com/low_income_housing/lihtc/federal_lihtc.php