

## MEMORANDUM

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OKLAHOMA TAX COMMISSION  
TAX POLICY AND RESEARCH

DATE: February 5, 2015

SUBJECT: SB 94 - Affordable Housing Tax Credit Sunset

TO: Rick Miller, Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

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According to Senate staff, the typographical error in the Introduced version of SB 94 is going to be changed in the Senate Finance Committee to reflect the “reauthorization” date of January 1, 2020 in subsection D.

SB 94 proposes to amend 68 O.S. § 2357.403, which relates to the Oklahoma Affordable Housing Act. This measure proposes to sunset this credit effective for tax years beginning on or after January 1, 2020, unless reauthorized by the legislature after reviewing a report required under 74 O.S. § 5017 (14)<sup>1</sup>.

The Oklahoma Affordable Housing Act (68 O.S. §2357.403) provides for an income tax credit for "qualified projects"<sup>2</sup> 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. The credits are not provided in a lump sum but instead are claimed in equal amounts over a 10 year period. 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 *potentially* sunsets the affordable housing income tax credit effective January 1, 2020. If the credit is not reauthorized, it is presumed the Oklahoma Housing Finance Agency will award \$4 million in credits each year from 2015 through 2019; however, as a result of SB 94, additional awards *may* not be allowed after January 1, 2020 and subsequent years.

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<sup>1</sup> The report required under 74 O.S. § 5017 (14) is proposed in SB 72 introduced in the 2015 Legislative session. This measure (SB 94) cannot become effective as law unless SB 72 becomes effective as law.

<sup>2</sup> "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;