

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	HB 3099
Version:	SUBPCS1
Request Number:	10038
Author:	Rep. Jackson
Date:	2/17/2014
Impact:	Tax Commission:
	FY-15 Estimate: \$8.7 Million
	Increasing in Subsequent Fiscal Years

Research Analysis

Not required.

Prepared By: Marcia Goff

Fiscal Analysis

The Proposed Subcommittee Substitute for HB 3099 creates the Oklahoma Affordable Housing Tax Credit which is similar to the federal low-income housing tax credit

The federal Low Income Housing Tax Credit program was created by the Tax Reform Act of 1986 as an alternate method of funding housing for low- and moderate-income households, and has been in operation since 1987. For calendar year 2013, each state received a tax credit of \$2.25 per person that it could allocate towards funding housing that meets program guidelines.¹ These tax credits are then used to leverage private capital into new construction or acquisition and rehabilitation of affordable housing. The tax credits are determined by the development costs, and may be used by the owners or investors. The federal credits are not provided in a lump sum but instead are claimed in equal amounts over a 10 year period.

This proposal creates an Oklahoma tax credit for qualified projects placed in service after December 31, 2014. The amount of state tax credits available will equal the amount of federal low-income housing tax credits for a qualified project. For allocation year 2013, \$8.7 million of federal low-income housing tax credits were awarded for Oklahoma projects.²

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 owner of a qualified project shall submit, at the time of filing the tax return with the Oklahoma Tax Commission, an eligibility statement from the Oklahoma Housing Finance Agency, or no credit will be allowed with respect to such project for that year until the required documents are submitted.

The tax credit is nonrefundable; any unused credit may be carried forward for a period of five (5) years.

If any portion of the federal low-income housing credits are subject to recapture during the first ten (10) years after a project is placed in service, the Oklahoma Affordable Housing Tax Credits will also be subject to recapture in a proportionate share equal to the amount of federal low-income housing credits subject to recapture.

Revenue Impact:

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 of this proposal is an \$8.7 million decrease in revenue for tax year 2015; for year 2 (tax year 2016), the estimated impact is \$17.4 million, etc. (See Table 1 below). The full impact of \$87 million will not occur until year 10 (tax year 2024).

Tax year	Annual Allocation									
2015	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2016		\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2017			\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2018				\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2019					\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2020						\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2021							\$8,700,000	\$8,700,000	\$8,700,000	\$8,700,000
2022								\$8,700,000	\$8,700,000	\$8,700,000
2023									\$8,700,000	\$8,700,000
2024										\$8,700,000
Total	\$8,700,000	\$17,400,000	\$26,100,000	\$34,800,000	\$43,500,000	\$52,200,000	\$60,900,000	\$69,600,000	\$78,300,000	\$87,000,000

Table 2 below shows the estimated FY effects.

FY CONVERSION		FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Tax year 2014	\$ 8,700,000	\$ 3,480,000	\$ 5,220,000									
Tax year 2015	\$ 17,400,000		\$ 6,960,000	\$10,440,000								
Tax year 2016	\$ 26,100,000			\$10,440,000	\$15,660,000							
Tax year 2017	\$ 34,800,000				\$13,920,000	\$20,880,000						
Tax year 2018	\$ 43,500,000					\$17,400,000	\$26,100,000					
Tax year 2019	\$ 52,200,000						\$20,880,000	\$31,320,000				
Tax year 2020	\$ 60,900,000							\$24,360,000	\$36,540,000			
Tax year 2021	\$ 69,600,000								\$27,840,000	\$41,760,000		
Tax year 2022	\$ 78,300,000									\$31,320,000	\$46,980,000	
Tax year 2023	\$ 87,000,000										\$34,300,000	\$ 52,200,000
Tax year 2024	\$ 95,700,000											\$ 38,280,000
FY TOTAL		\$ 3,480,000	\$12,180,000	\$20,380,000	\$29,580,000	\$38,280,000	\$46,980,000	\$55,680,000	\$64,380,000	\$73,080,000	\$81,780,000	\$ 90,480,000

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Other Considerations

None.