

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 6, 2018

BILL NUMBER: SB 886 **STATUS AND DATE OF BILL:** Introduced 12/18/17

AUTHORS: House n/a Senate Rader

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

PROPOSAL: Amendatory

SB 886 amends the Oklahoma Affordable Housing Tax Credit (68 O.S. § 2357.403) by no longer allowing allocation of the tax credit by the Oklahoma Housing Finance Agency on or after November 1, 2018.

EFFECTIVE DATE: November 1, 2018

REVENUE IMPACT:

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

FY 19: -0-

FY 20: Potential increase of \$4 million in state revenue

ADMINISTRATIVE IMPACT:

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

FY 19: None

Feb. 7, 2018
DATE

Rick Meller
DIVISION DIRECTOR

lrh

2-7-18
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2-7-18
DATE

Jon M. H.
FOR THE COMMISSION

Attachment to Fiscal Impact - SB 886 [Introduced] Prepared 2/6/18

SB 886 amends the Oklahoma Affordable Housing Tax Credit (68 O.S. § 2357.403) by no longer allowing allocation of the tax credit by the Oklahoma Housing Finance Agency on or after November 1, 2018.

Under current law, the Oklahoma tax credit is for qualified projects placed in service after July 1, 2015. A taxpayer owning an interest in an investment in a qualified project is allowed a state tax credit if the Oklahoma Housing Finance Agency issues an eligibility statement for that project. The Oklahoma Housing Finance Agency allocates credits twice a year: in May and in November.

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 million per allocation year, which can be claimed in equal amounts over a 10 year period. For allocation year 2017, \$9.1 million federal low-income housing tax credits were awarded for Oklahoma projects.¹ The tax credit is nonrefundable; any unused credit may be carried forward for a period of five (5) years.

Revenue Impact:

The federal credit is claimed in equal amounts over a 10 year period. The state credit mirrors the federal credit. For purposes of this analysis it is assumed the full \$4 million for 2018 will be allocated by the Oklahoma Housing Finance Agency at their May 2018 Board of Trustees meeting. As a result, the estimated impact for the first year of this proposal is a \$4 million increase in revenue for tax year 2019. Changes to withholding or estimated tax are not expected; therefore a projected increase of \$4 million should occur in FY20 when the 2019 income tax returns are filed² and an additional \$4 million in each FY thereafter. The full impact of this proposed legislation will be in FY29 with a projected revenue increase of \$40 million.

¹ http://www.novoco.com/low_income_housing/lihtc/federal_lihtc.php

² Section 2357.403 does not specifically state against which tax types the credit may be taken, but defines "taxpayer" as "a person, firm or corporation subject to the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes or an insurance company subject to the tax imposed by Section 624 or 628 of Title 36 of the Oklahoma Statutes or other financial institution subject to the tax imposed by Section 2370 of Title 68 of the Oklahoma Statutes."