

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 1578
INT
Sen. Hall
02/11/2020

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 3, 2020

BILL NUMBER: SB 1578 **STATUS AND DATE OF BILL:** Introduced 1/16/2020

AUTHORS: House n/a Senate Hall

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

PROPOSAL: Amendatory

SB 1578 amends the Oklahoma affordable housing income tax credit (68 O.S. § 2357.403) by increasing the annual cap from \$4.0 million to \$5.0 million beginning with tax year 2021.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

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

FY 21: None

FY 22: Estimated revenue decrease of \$1.0 million and an additional \$1.0 million in each FY thereafter. The full impact of this proposed legislation will be in FY 31 with a projected revenue decrease of \$10 million.

Feb. 8, 2020
DATE

Rick Miller
DIVISION DIRECTOR lrh

2/8/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/10/2020
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT: SB 1578 [INTRODUCED] Prepared 2/3/20

SB 1578 amends the Oklahoma affordable housing income tax credit (68 O.S. § 2357.403) by increasing the annual cap from \$4.0 million to \$5.0 million beginning with tax year 2021.

Under current law, the Oklahoma tax credit is for qualified projects placed in service after July 1, 2015. The purpose of Oklahoma's affordable housing income tax credit program is to expand the supply of new and affordable rental units and rehabilitate existing rental housing for qualifying households by stimulating private investment. A taxpayer owning an interest in an investment in a qualified project is allowed a state tax credit if the Oklahoma Housing Finance Agency (OHFA) issues an eligibility statement for that project. OHFA allocates credits twice a year: in May and 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 \$4.0 million per allocation year. The federal credit is claimed in equal amounts over a 10 year period. The state credit mirrors the federal credit. For allocation year 2019, \$15 million federal low-income housing tax credits and \$4.0 million state 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 two years.

For purposes of this analysis it is assumed \$5.0 million will be allocated by the Oklahoma Housing Finance Agency in 2021 at their May and November Board of Trustees meetings. The estimated impact for the first year of this proposal is a \$1.0 million decrease in revenue for tax year 2021. Changes to withholding or estimated tax payments are not expected; therefore a projected decrease of \$1.0 million should occur in FY 22 when the 2021 income tax returns are filed and an additional \$1.0 million in each FY thereafter. The full impact of this proposed legislation will be in FY 31 with a projected revenue decrease of \$10 million.

¹ Email from Corey Bornemann, Housing Development Allocation Specialist, OHFA, dated February 3, 2020.