

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 12, 2013

BILL NUMBER: SB 804

STATUS AND DATE OF BILL: Committee Substitute 4/11/2013

AUTHORS: House Jackson Senate Marlatt

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

SB 804 creates the *Oklahoma Affordable Housing Act*, which provides an Oklahoma income tax credit similar to the federal low-income housing tax credit for qualified Oklahoma projects placed in service after December 31, 2013.

EFFECTIVE DATE: January 1, 2014

REVENUE IMPACT:

The anticipated change in state revenue will be a revenue decrease of \$3.68 million in FY 14. It is expected state revenue will decrease by \$9.2 million in FY 15, and an additional \$9.2 million in each FY thereafter. The full impact of this proposed legislation will be in FY 24 with a projected revenue decrease of \$92 million.

ADMINISTRATIVE IMPACT:

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

FY 14: -0-

Apr. 25, 2013
DATE

Rick Miller
DIVISION DIRECTOR

lrh

DATE
4/25/13
DATE

REECE WOMACK, ECONOMIST
[Signature]
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT – SB 804 [Committee Sub] Prepared April 12, 2013

The Committee Substitute for SB 804 creates an Oklahoma income tax credit 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 2010, each state received a tax credit of \$2.10 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 income tax credit for qualified Oklahoma projects placed in service after December 31, 2013. The amount of state tax credits available will equal the amount of federal low-income housing tax credits for a qualified Oklahoma project. For allocation year 2012, \$9.2 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 transfer or 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.

This tax credit is nonrefundable. Any unused credit may be carried forward for a period of five (5) years.

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.

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 \$9.2 million (tax year 2014); for year 2 (tax year 2015), the estimated impact is \$18.4 million; for year 3 (tax year 2016), the estimated impact is \$27.6 million, etc. (See Table 1 below). The full impact of \$92 million will not occur until year 10 (tax year 2023).

Table 1 - Annual Allocation										
Tax year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2015		\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2016			\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2017				\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2018					\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2019						\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2020							\$ 9,200,000	\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2021								\$ 9,200,000	\$ 9,200,000	\$ 9,200,000
2022									\$ 9,200,000	\$ 9,200,000
2023										\$ 9,200,000
Total	\$ 9,200,000	\$ 18,400,000	\$ 27,600,000	\$ 36,800,000	\$ 46,000,000	\$ 55,200,000	\$ 64,400,000	\$ 73,600,000	\$ 82,800,000	\$ 92,000,000

¹ Internal Revenue Bulletin http://www.irs.gov/irb/2009-45_IRB/ar11.html

² Oklahoma Housing Finance Agency;
http://www.ohfa.org/pageviewer.aspx?m=SUBPAGE_AHTCawards.html

Table 2 below shows the estimated FY effects.

FY CONVERSION - TABLE 2		FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Tax year 2014	\$ 9,200,000	\$ 3,680,000	\$ 5,520,000									
Tax year 2015	\$ 18,400,000		\$ 7,360,000	\$11,040,000								
Tax year 2016	\$ 27,600,000			\$11,040,000	\$16,560,000							
Tax year 2017	\$ 36,800,000				\$14,720,000	\$22,080,000						
Tax year 2018	\$ 46,000,000					\$18,400,000	\$27,600,000					
Tax year 2019	\$ 55,200,000						\$22,080,000	\$33,120,000				
Tax year 2020	\$ 64,400,000							\$25,760,000	\$38,640,000			
Tax year 2021	\$ 73,600,000								\$29,440,000	\$44,160,000		
Tax year 2022	\$ 82,800,000									\$33,120,000	\$49,680,000	
Tax year 2023	\$ 92,000,000										\$36,800,000	\$ 55,200,000
Tax year 2024	\$ 92,000,000											\$ 36,800,000
FY TOTAL		\$ 3,680,000	\$12,880,000	\$22,080,000	\$31,280,000	\$40,480,000	\$49,680,000	\$58,880,000	\$68,080,000	\$77,280,000	\$86,480,000	\$ 92,000,000