

## MEMORANDUM

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**OKLAHOMA TAX COMMISSION**  
TAX POLICY AND RESEARCH

DATE: May 6, 2020

SUBJECT: HB 2760 (Proposed Committee Substitute – Req No 11742)

TO: Rick Miller, Director  
Tax Policy and Research Division

FROM: Lisa Haws, Tax Policy Analyst

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The Proposed Committee Substitute for HB 2760 amends the Oklahoma affordable housing income tax credit (68 O.S. § 2357.403) by decreasing the amount of credits allocated to all qualified projects for an allocation year from \$4.0 million to \$2.0 million.

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.<sup>1</sup> The tax credit is nonrefundable; any unused credit may be carried forward for a period of two years.

The estimated impact for the first year of this proposal is a \$2.0 million increase in revenue for tax year 2020. Changes to withholding or estimated tax payments are not expected; therefore a projected increase of \$2.0 million should occur in FY 21 when the 2020 income tax returns are filed and an additional \$2.0 million in each FY thereafter. The full impact of this proposed legislation will be in FY 30 with a projected revenue increase of \$20 million

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