

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 1935</b>
<b>Version:</b>	<b>FULLPCS1</b>
<b>Request Number:</b>	<b>7346</b>
<b>Author:</b>	<b>Rep. Martinez</b>
<b>Date:</b>	<b>2/24/2021</b>
<b>Impact:</b>	<b>Tax Commission:</b>

**Sales Tax Decrease:**  
**FY-22: (\$93,069)**  
**FY-23: (\$161,463)**

**Research Analysis**

The proposed committee substitute for HB1935 creates a new sales tax exemption for tangible personal property or services purchased by nonprofit companies that construct, remodel and sell affordable housing to Oklahoma residents who have an income below the Family Median Income.

Prepared By: Emily Wendler

**Fiscal Analysis**

Review provided by the Tax Commission:

This is in response to your request for a revenue impact for the Proposed Committee Substitute for HB 1935 which would provide a sales tax exemption for sales of tangible personal property or services used for construction and remodeling projects to an organization which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3) and which meets the following requirements:

- a. Its primary purpose is to construct or remodel and sell affordable housing and provide homeownership education to residents of Oklahoma that have an income that is below one hundred percent (100%) of the Family Median Income guidelines as defined by the U.S. Department of Housing and Urban Development,
- b. Conducts its activities in a manner that serves public or charitable purposes, rather than commercial purposes,
- c. Receives funding and revenue and charges fees in a manner that does not incentivize it or its employees to act other than in the best interest of its clients,
- d. Compensates its employees in a manner that does not incentivize employees to act other than in the best interest of its clients,
- e. Provides or identifies for the borrower residential mortgage loans with terms favorable to the borrower and comparable to mortgage loans and housing assistance provided under government housing assistance programs.

Research indicates that there are at least three organizations that could qualify under the parameters of the proposed sales tax exemption.

Information obtained from one of these organizations indicates that in FY 20 it expended \$257,500 in state and local sales tax on purchases of products and material to build houses in Oklahoma. For purposes of this impact it is estimated that the other two potentially qualifying entities expended approximately 10% or 25,750 of the other organization yielding combined sale and local tax expenditures of \$283,250. Calculating the state sales tax portion of the combined expenditure yields state sales tax of \$155,787. The measure proposes an effective date of November 1, 2021. Application of inflation rate adjustments of 1.2%<sup>1</sup> results in an estimated decrease in state sales tax collections of \$93,069 for FY 22 and \$161,463 for FY 23.

Prepared By: Mark Tygret

**Other Considerations**

None.