

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: December 29, 2023

BILL NUMBER: SB 1404

STATUS AND DATE OF BILL: Introduced 12/15/23

AUTHORS: House: NA Senate: Hall

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

PROPOSAL: New Law

SB 1404 proposes to enact a new income tax credit to be administered and issued by the Oklahoma Housing Finance Agency for a participating landlord renting a qualified housing unit to an eligible tenant, effective for tax year 2025 and subsequent tax years. The credit may be carried forward for five tax years and may be allocated, as applicable, to partners, members, or shareholders in proportion to their ownership interests. For tax year 2027 and subsequent tax years, total annual credits used to offset tax are limited to \$500,000.




EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation:

FY 25: None.

FY 26: Unknown decrease in income tax revenues.

<u>1/2/24</u>		
DATE	MARIE SCHUBLE, DIVISION DIRECTOR	bf
<u>12/29/23</u>		
DATE	HUAN GONG, ECONOMIST	
<u>1/2/2024</u>		
DATE	JOE GAPPA, 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 1404 Prepared: 12/29/23

PROPOSED NEW LAW:

SB 1404 proposes to enact a new income tax credit to be administered and issued by the Oklahoma Housing Finance Agency (OHFA) for a participating landlord renting a qualified housing unit to an eligible tenant, effective for tax year 2025 and subsequent tax years. The credit is 10% of the fair market value of rent for a unit, as computed for the tax year or portion of the tax year in which the unit was rented by the participating landlord to an eligible tenant. Participating landlords must apply to OHFA to be eligible to receive the credit, and OHFA will determine the credit amount and will provide written certification of credit issuance to the participating landlord as verification to claim the credit. OHFA will promulgate rules to implement the provisions of the credit.

Any credit allowed but not used may be carried forward for five tax years and may be allocated, as applicable, to partners, members, or shareholders in proportion to their ownership interests.

For tax year 2027 and subsequent tax years, total annual credits used to offset tax are limited to \$500,000. If total credits exceed \$500,000 in any calendar year, the Oklahoma Tax Commission (OTC) will permit any excess but will factor such excess into the percentage adjustment formula for subsequent tax years. The OTC will annually calculate and publish by the first day of the affected taxable year the percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed \$500,000. The formula used for the percentage adjustment is \$500,000 divided by the credits claimed in the second preceding year.

ANTICIPATED IMPACT:

Based on communication with OHFA, approximately 20 public housing agencies (PHA) in Oklahoma administer the Housing Choice Voucher program for the U.S. Department of Housing and Urban Development (HUD). Each PHA has a separate contract with HUD, and together, HUD and OHFA support approximately 23,000 vouchers statewide. Information for the number of property owners leasing to voucher-holders and for the related property values is not available. As a result, the expected revenue impact of SB 1404 is an unknown decrease in income tax revenue beginning for FY 26 when the 2025 returns are filed.