

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 10, 2023

BILL NUMBER: SB 380 STATUS AND DATE OF BILL: Introduced 1/15/23

AUTHORS: House: n/a Senate: Bergstrom

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 380 proposes to amend the Oklahoma Affordable Housing Act under 68 O.S. § 2357.403, allowing the Oklahoma Affordable Housing Tax Credit to be refundable for tax year 2024 and subsequent tax years.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: None.

FY 25: Estimated decrease in income tax revenue of \$4.1 million.

Feb. 10, 2023
DATE

Rick Miller
DIVISION DIRECTOR

bf

2/10/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/10/2023
DATE

Joseph P 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 380 [Introduced] Prepared 2/10/23

SB 380 proposes to amend the Oklahoma Affordable Housing Act under 68 O.S. § 2357.403, allowing the Oklahoma Affordable Housing Tax Credit to be refundable for tax year 2024 and subsequent tax years.

The Oklahoma Affordable Housing Act was signed into law in June 2014. The Act, administered by the Oklahoma Housing Finance Agency (OHFA), provides for the allocation of up to \$4 million per year in state low-income housing tax credits. Credits are claimed annually over a 10-year period (beginning when the building is placed in service), are nonrefundable, and can be carried forward for two years.

The state tax credit program mostly mirrors the federal low-income housing tax credit program but the amount of state credit allocated to a project cannot exceed the federal credit allocation for the same project.¹ Credits are allocable, and may be used as a credit against income taxes² or an insurance company may use the credits against state insurance premium tax or any other taxes imposed by 36 O.S. §§ 624 or 628.

Generally, developers contract with institutional investors to trade guarantees of their tax credits for immediate financing so they can begin construction. Once construction is completed and a project is placed in service, developers who contracted with investors then allocate, for less than 100% of the value of the credits, to their investors.³

Between 2015 and 2020, a total of \$23.4 million in state credits was issued by OHFA.⁴ Oklahoma Tax Commission records indicate approximately \$3.5 million in affordable housing credits were claimed for tax years 2015 through 2020, and \$1.8 million of such credits were used to reduce tax. Most of the credits were allocated to insurance companies.

For purpose of this analysis, it is assumed developers will claim refunds of their credits rather than allocating the credits at a discount if the tax credits are made refundable beginning in 2024. The estimated impact of the proposal is a \$4.1 million⁵ decrease in income tax revenue in FY 25.

¹ Estimated federal tax credits to be allocated in Oklahoma in 2023 is \$10,883,524.

² This includes income taxes under 68 O.S. § 2355 and the bank in lieu tax levied under 68 O.S. § 2370.

³ The credits are typically sold by those companies at 85 to 90 cents on the dollar.

⁴ State of Oklahoma Incentive Evaluation Commission, [Oklahoma Affordable Housing Tax Credit Evaluation](#), November 16, 2022

⁵ \$4 million plus carryover from the previous two years, minus the amount of credits expected to be claimed under current law.