

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** March 28, 2023

**BILL NUMBER:** HB 2040 **STATUS AND DATE OF BILL:** Engrossed 3/23/23

**AUTHORS:** House: Nichols, Davis, Menz, Martinez, Schreiber, Hefner, Dollens, Hilbert, Bennett and Townley Senate: Matthews

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

**PROPOSAL:** Amendatory

Engrossed HB 2040 proposes to amend the Oklahoma Affordable Housing Act under 68 O.S. § 2357.403, limiting the total amount of Oklahoma Affordable Housing Tax Credits allocated to all qualified projects for an allocation year to \$10 million until December 31, 2027, and to \$4 million until December 31, 2033. Credits are not refundable.

**EFFECTIVE DATE:** January 1, 2024

### REVENUE IMPACT:

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

FY 24: None.<sup>1</sup>

FY 25: None.

March 30, 2023

DATE

Rick Miller

DIVISION DIRECTOR

bf

3/30/2023

DATE

Huan Gong

HUAN GONG, ECONOMIST

3/31/2023

DATE

Joseph P. Jappa

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.***

<sup>1</sup> This revenue impact does not account for any tax credits taken against the insurance premium tax [36 O.S. §§ 624 and 628].

## **ATTACHMENT TO REVENUE IMPACT - HB 2040 [Engrossed] Prepared 3/28/23**

Engrossed HB 2040 proposes to amend the Oklahoma Affordable Housing Act under 68 O.S. § 2357.403, limiting the total amount of Oklahoma Affordable Housing Tax Credits allocated to all qualified projects for an allocation year to \$10 million until December 31, 2027, and to \$4 million until December 31, 2033. Credits are not refundable.

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 under the program are used to (1) raise private equity to finance affordable housing for families and seniors; and (2) provide affordable rent for low-to-moderate income Oklahomans (typically those earning 60 percent or less of the area median income). 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 generally mirrors the federal low-income housing tax credit program.

Credits are not currently refundable but may be used as a credit against income taxes, 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. Investment interest may be assigned, and taxpayers owning interest in a qualified project are eligible for the credit.

Between 2015 and 2020, a total of \$23.4 million in state credits was issued by OHFA.<sup>2</sup> Oklahoma Tax Commission (OTC) 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 used by insurance companies.

OTC records further indicate approximately \$356,000 in affordable housing credits were claimed for tax year 2020, and approximately \$192,000 of such credits were used to reduce tax. Assuming similar activity for tax year 2024, the proposed increase in total annual affordable housing credits is not expected to have an impact on income tax revenue.

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<sup>2</sup>State of Oklahoma Incentive Evaluation Commission, [Oklahoma Affordable Housing Tax Credit Evaluation](#), November 16, 2022