

Senate Bill 823

Sponsored by COMMITTEE ON FINANCE AND REVENUE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Extends sunset for tax credit for affordable housing lenders.
Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax credits for affordable housing lenders; amending ORS 317.097 and section 30, chapter
3 913, Oregon Laws 2009; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** Section 30, chapter 913, Oregon Laws 2009, is amended to read:

6 **Sec. 30.** The Housing and Community Services Department may not issue a certificate under
7 ORS 317.097 on or after January 1, [2014] **2020**.

8 **SECTION 2.** ORS 317.097, as amended by section 30, chapter 82, Oregon Laws 2010, is amended
9 to read:

10 317.097. (1) As used in this section:

11 (a) "Annual rate" means the yearly interest rate specified on the note, and not the annual per-
12 centage rate, if any, disclosed to the applicant to comply with the federal Truth in Lending Act.

13 (b) "Finance charge" means the total of all interest, loan fees, interest on any loan fees financed
14 by the lending institution, and other charges related to the cost of obtaining credit.

15 (c) "Lending institution" means any insured institution, as that term is defined in ORS 706.008,
16 any mortgage banking company that maintains an office in this state or any community development
17 corporation that is organized under the Oregon Nonprofit Corporation Law.

18 (d) "Manufactured dwelling park" has the meaning given that term in ORS 446.003.

19 (e) "Nonprofit corporation" means a corporation that is exempt from income taxes under section
20 501(c)(3) or (4) of the Internal Revenue Code as amended and in effect on December 31, 2009.

21 (f) "Preservation project" means housing that was previously developed as affordable housing
22 with a contract for rent assistance from the United States Department of Housing and Urban De-
23 velopment or the United States Department of Agriculture and that is being acquired by a spon-
24 soring entity.

25 (g) "Qualified assignee" means any investor participating in the secondary market for real estate
26 loans.

27 (h) "Qualified borrower" means any borrower that is a sponsoring entity that has a controlling
28 interest in the real property that is financed by a qualified loan. A controlling interest includes, but
29 is not limited to, a controlling interest in the general partner of a limited partnership that owns the
30 real property.

31 (i) "Qualified loan" means:

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 (A) A loan that meets the criteria stated in subsection (5) of this section or that is made to re-
2 finance a loan that meets the criteria described in subsection (5) of this section; or

3 (B) The purchase by a lending institution of bonds, as defined in ORS 286A.001, issued on behalf
4 of the Housing and Community Services Department, the proceeds of which are used to finance or
5 refinance a loan that meets the criteria described in subsection (5) of this section.

6 (j) "Sponsoring entity" means a nonprofit corporation, nonprofit cooperative, state governmental
7 entity, local unit of government as defined in ORS 466.706, housing authority or any other person,
8 provided that the person has agreed to restrictive covenants imposed by a nonprofit corporation,
9 nonprofit cooperative, state governmental entity, local unit of government or housing authority.

10 (2) The Department of Revenue shall allow a credit against taxes otherwise due under this
11 chapter for the taxable year to a lending institution that makes a qualified loan certified by the
12 Housing and Community Services Department as provided in subsection (7) of this section. The
13 amount of the credit is equal to the difference between:

14 (a) The amount of finance charge charged by the lending institution during the taxable year at
15 an annual rate less than the market rate for a qualified loan that is made before January 1, [2014]
16 **2020**, that complies with the requirements of this section; and

17 (b) The amount of finance charge that would have been charged during the taxable year by the
18 lending institution for the qualified loan for housing construction, development, acquisition or re-
19 habilitation measured at the annual rate charged by the lending institution for nonsubsidized loans
20 made under like terms and conditions at the time the qualified loan for housing construction, de-
21 velopment, acquisition or rehabilitation is made.

22 (3) The maximum amount of credit for the difference between the amounts described in sub-
23 section (2)(a) and (b) of this section may not exceed four percent of the average unpaid balance of
24 the qualified loan during the tax year for which the credit is claimed.

25 (4) Any tax credit allowed under this section that is not used by the taxpayer in a particular
26 year may be carried forward and offset against the taxpayer's tax liability for the next succeeding
27 tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and
28 used in the second succeeding tax year, and likewise, any credit not used in that second succeeding
29 tax year may be carried forward and used in the third succeeding tax year, and any credit not used
30 in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year,
31 and any credit not used in that fourth succeeding tax year may be carried forward and used in the
32 fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

33 (5) To be eligible for the tax credit allowable under this section, a lending institution must make
34 a qualified loan by either purchasing bonds, as defined in ORS 286A.001, issued on behalf of the
35 Housing and Community Services Department, the proceeds of which are used to finance or refi-
36 nance a loan that meets the criteria stated in this subsection, or by making a loan directly to:

37 (a) An individual or individuals who own a dwelling, participate in an owner-occupied commu-
38 nity rehabilitation program and are certified by the local government or its designated agent as
39 having an income level when the loan is made of less than 80 percent of the area median income;

40 (b) A qualified borrower who:

41 (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation
42 of housing; and

43 (B) Provides a written certification executed by the Housing and Community Services Depart-
44 ment that the:

45 (i) Housing created by the loan is or will be occupied by households earning less than 80 percent

1 of the area median income; and

2 (ii) Full amount of savings from the reduced interest rate provided by the lending institution is
3 or will be passed on to the tenants in the form of reduced housing payments, regardless of other
4 subsidies provided to the housing project;

5 (c) Subject to subsection (14) of this section, a qualified borrower who:

6 (A) Uses the loan proceeds to finance construction, development, acquisition or rehabilitation
7 of housing consisting of a manufactured dwelling park; and

8 (B) Provides a written certification executed by the Housing and Community Services Depart-
9 ment that the housing will continue to be operated as a manufactured dwelling park during the pe-
10 riod for which the tax credit is allowed; or

11 (d) A qualified borrower who:

12 (A) Uses the loan proceeds to finance acquisition or rehabilitation of housing consisting of a
13 preservation project; and

14 (B) Provides a written certification executed by the Housing and Community Services Depart-
15 ment that the housing preserved by the loan:

16 (i) Is or will be occupied by households earning less than 80 percent of the area median income;
17 and

18 (ii) Is the subject of a rent assistance contract with the United States Department of Housing
19 and Urban Development or the United States Department of Agriculture that will be maintained by
20 the qualified borrower.

21 (6) A loan made to refinance a loan that meets the criteria stated in subsection (5) of this sec-
22 tion must be treated the same as a loan that meets the criteria stated in subsection (5) of this sec-
23 tion.

24 (7) For a qualified loan to be eligible for the tax credit allowable under this section, the Housing
25 and Community Services Department must execute a written certification for the qualified loan that:

26 (a) Specifies the period, not to exceed 20 years, as determined by the Housing and Community
27 Services Department, during which the tax credit is allowed for the qualified loan; and

28 (b) States that the qualified loan is within the limitation imposed by subsection (8) of this sec-
29 tion.

30 (8) The Housing and Community Services Department may certify qualified loans that are eligi-
31 ble under subsection (5) of this section if the total credits attributable to all qualified loans eligible
32 for credits under this section and then outstanding do not exceed \$17 million for any fiscal year. In
33 making loan certifications under subsection (7) of this section, the Housing and Community Services
34 Department shall attempt to distribute the tax credits statewide, but shall concentrate the tax
35 credits in those areas of the state that are determined by the State Housing Council to have the
36 greatest need for affordable housing.

37 (9) The tax credit provided for in this section may be taken whether or not:

38 (a) The financial institution is eligible to take a federal income tax credit under section 42 of
39 the Internal Revenue Code with respect to the project financed by the qualified loan; or

40 (b) The project receives financing from bonds, the interest on which is exempt from federal
41 taxation under section 103 of the Internal Revenue Code.

42 (10) For a qualified loan defined in subsection (1)(i)(B) of this section financed through the pur-
43 chase of bonds, the interest of which is exempt from federal taxation under section 103 of the
44 Internal Revenue Code, the amount of finance charge that would have been charged under sub-
45 section (2)(b) of this section is determined by reference to the finance charge that would have been

1 charged if the federally tax exempt bonds had been issued and the tax credit under this section did
2 not apply.

3 (11) A lending institution may sell a qualified loan for which a certification has been executed
4 to a qualified assignee whether or not the lending institution retains servicing of the qualified loan
5 so long as a designated lending institution maintains records, annually verified by a loan servicer,
6 that establish the amount of tax credit earned by the taxpayer throughout each year of eligibility.

7 (12) Notwithstanding any other provision of law, a lending institution that is a community de-
8 velopment corporation organized under the Oregon Nonprofit Corporation Law may transfer all or
9 part of a tax credit allowed under this section to one or more other lending institutions that are
10 stockholders or members of the community development corporation or that otherwise participate
11 through the community development corporation in the making of one or more qualified loans for
12 which the tax credit under this section is allowed.

13 (13) The lending institution shall file an annual statement with the Housing and Community
14 Services Department, specifying that it has conformed with all requirements imposed by law to
15 qualify for a tax credit under this section.

16 (14) Notwithstanding subsection (1)(h) and (j) of this section, a qualified borrower on a loan to
17 finance the construction, development, acquisition or rehabilitation of a manufactured dwelling park
18 under subsection (5)(c) of this section must be a nonprofit corporation, manufactured dwelling park
19 nonprofit cooperative, state governmental entity, local unit of government as defined in ORS 466.706
20 or housing authority.

21 (15) The Housing and Community Services Department and the Department of Revenue may
22 adopt rules to carry out the provisions of this section.

23 **SECTION 3. This 2011 Act takes effect on the 91st day after the date on which the 2011**
24 **session of the Seventy-sixth Legislative Assembly adjourns sine die.**

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