

Tax Credit Overview, Affordable Housing Lender, and Residential Energy Tax Credits

Oregon Legislative Revenue Office

6/2/2017

Revenue Impact of Extending Tax Credits

\$ Millions, 6/1/2017

Tax Expenditure Report Number and Credit name	2017-19	2019-21	2021-23	House	Senate
1.405 Rural Medical Practice	-\$1.1	-\$5.2	-\$8.5		SB 178
1.418 Long-term Rural Enterprise Zone	*	*	*		SB 173
1.419 Reservation Enterprise Zone	\$0.0	\$0.0	\$0.0		SB 145
1.420 Electronic Commerce Enterprise Zone	-\$1.7	-\$4.4	-\$6.7		SB 169
1.435 Alternative Energy Devices (Residential) -- RETC	-\$14.0	-\$43.1	-\$63.1	HB 2681	SB 177
1.439 Energy Conservation Projects	-\$2.0	-\$7.0	-\$9.4		SB 170
1.443 Production or Collection of Biomass	-\$1.4	-\$2.6	-\$7.3	HB 2072	
1.448 Fish Screening Devices	\$0.0	\$0.0	\$0.0		SB 172
1.450 Fire Insurance	-\$1.4	-\$2.9	-\$3.2	HB 2075	SB 171
1.431 Oregon Affordable Housing Lender's Credit	\$0.0	-\$0.6	-\$2.6	HB 2852	SB 166
SUBTOTAL	-\$21.7	-\$65.8	-\$100.9		

* Data currently suppressed due to confidentiality issues

New Tax Credit	2017-19	2019-21	2021-23	House	Senate
Operation costs of housing for agricultural workers					SB 1
Donation of shipping container for emergency supplies					SB 364
Amounts paid as interest on qualified education loans					SB 565
Contributions to higher education savings network account					SB 758

Affordable Housing Lender's Tax Credit

- Lenders that make qualified low-interest loans are allowed a tax credit equal to the difference between the rate offered and the market rate, up to a 4% difference
- Eligible projects: construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low income housing, or a preservation project
- Loans must be certified by the OHCS
- There is a program cap of \$17 million in outstanding tax credits
- Loan recipient is required to pass on the savings from the reduced interest rate to tenants in the form of reduced housing payments

Purpose Statement

- Not currently in statute
- Implementing legislation in 1989 indicates the policy was put forth, in part, as a response to a 70 percent reduction in federal funding for low-income housing development.
- Testimony from 2011 states that the policy purpose is to support:
 - The development of housing affordable to households with incomes up to 80 percent of area median income
 - The preservation of housing with federal rent subsidy contracts
 - The preservation of manufactured dwelling parks

An OAH LTC Example, \$1.5M Loan

	Loan with a 5% Interest Rate			Loan with a 1% Interest Rate			
Year	Principal	Interest	Payment	Principal	Interest	Payment	Tax Credits
1	\$119,257	\$75,000	\$194,257	\$143,373	\$15,000	\$158,373	\$60,000
2	\$125,220	\$69,037	\$194,257	\$144,807	\$13,566	\$158,373	\$55,471
3	\$131,481	\$62,776	\$194,257	\$146,255	\$12,118	\$158,373	\$50,658
4	\$138,055	\$56,202	\$194,257	\$147,717	\$10,656	\$158,373	\$45,546
5	\$144,957	\$49,299	\$194,257	\$149,195	\$9,178	\$158,373	\$40,121
6	\$152,205	\$42,052	\$194,257	\$150,687	\$7,687	\$158,373	\$34,365
7	\$159,816	\$34,441	\$194,257	\$152,193	\$6,180	\$158,373	\$28,262
8	\$167,806	\$26,450	\$194,257	\$153,715	\$4,658	\$158,373	\$21,793
9	\$176,197	\$18,060	\$194,257	\$155,253	\$3,121	\$158,373	\$14,940
10	\$185,007	\$9,250	\$194,257	\$156,805	\$1,568	\$158,373	\$7,682
Total	\$1,500,000	\$442,569	\$1,942,569	\$1,500,000	\$83,731	\$1,583,731	\$358,837

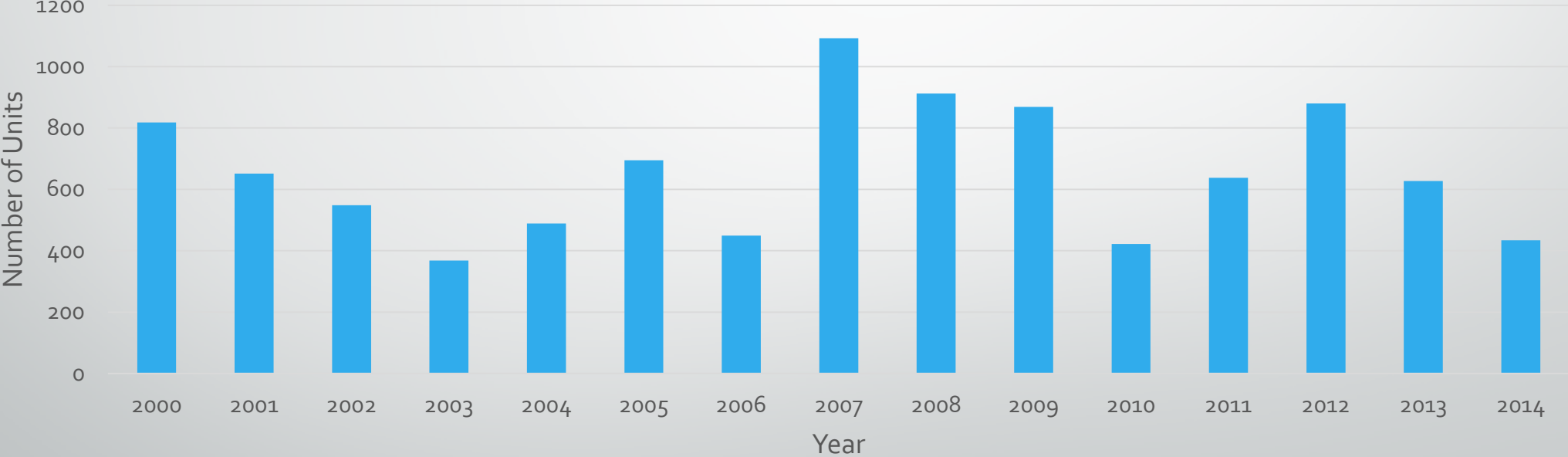
Interest Income for Lender



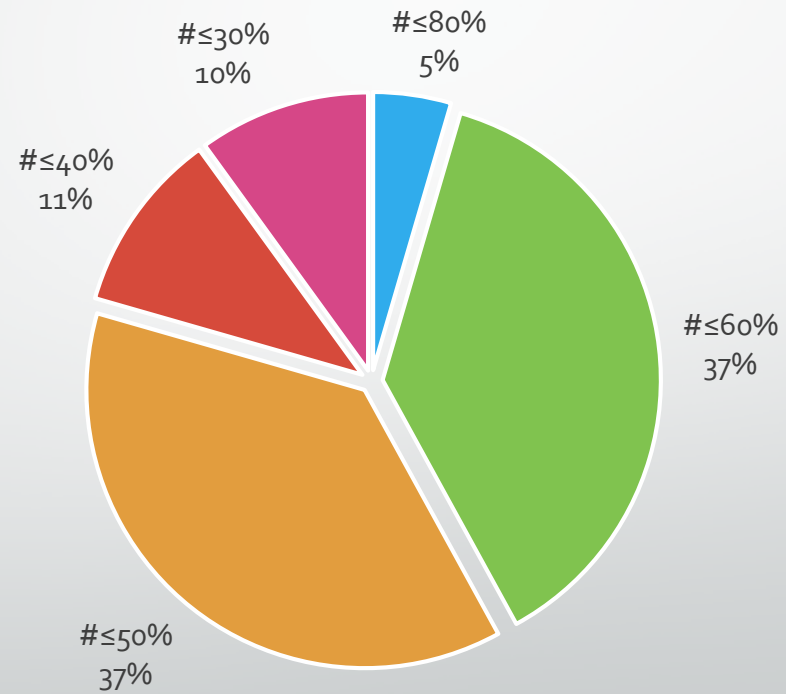
Annual Cost of Tax Credit



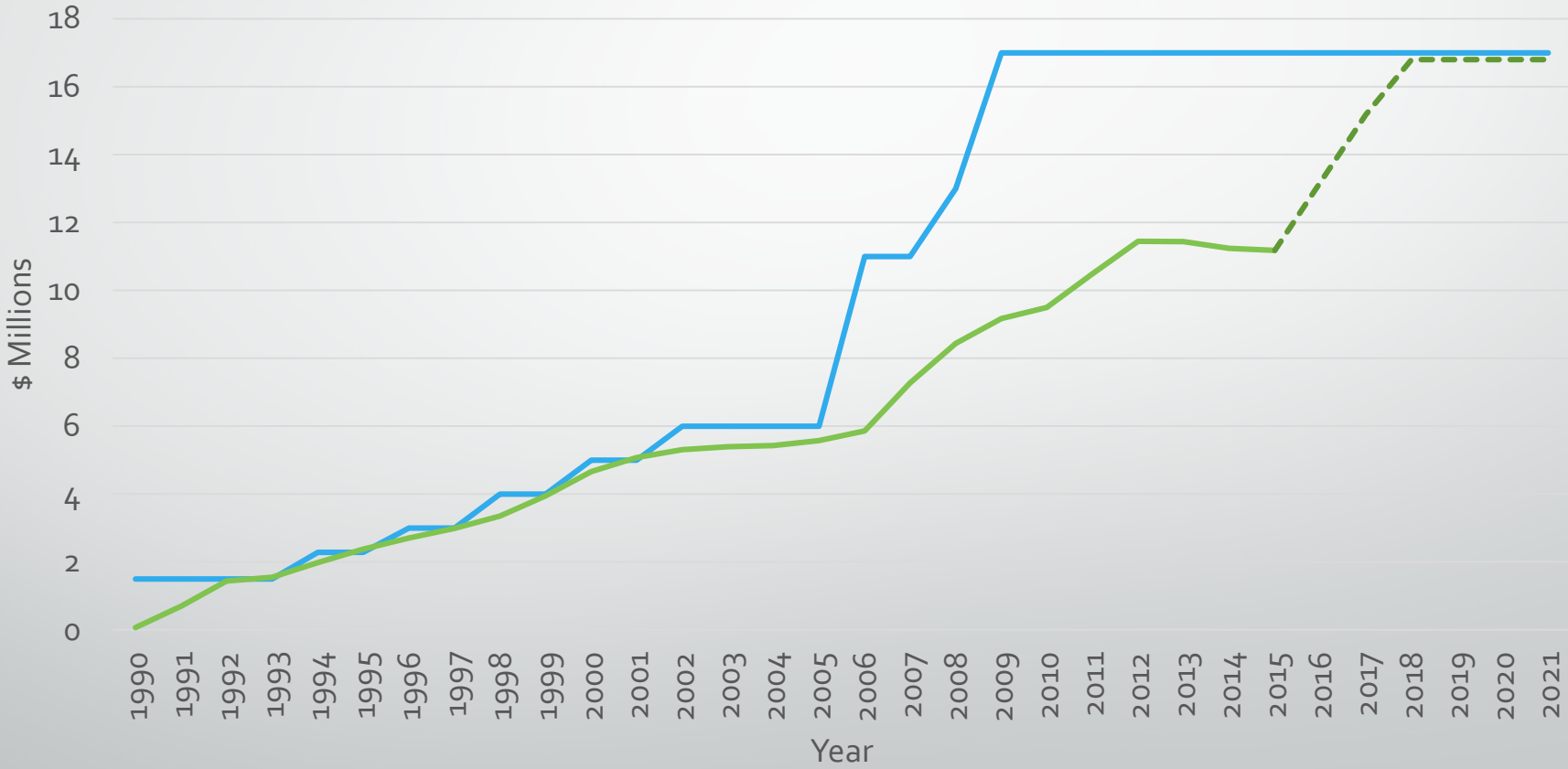
Affordable Housing Units



Housing Units by Income Group, 2000-2014



Program Cap and Outstanding Credits (Updated)



Residential Energy Tax Credit


- Individuals are allowed a tax credit for a qualified device. The amount depends on the type of device and the energy savings or yield; generally, the least of:
 - The installed capacity or energy yield/savings multiplied by a dollar value set in statute
 - 50 percent of the device or installed device cost
 - A dollar amount set in statute, which is \$1,500, \$2,500, or \$6,000
- An exception to this structure are home charging and alternative fuel stations, where the tax credit is 50 percent of the eligible device cost up to \$750.
- No more than \$1,500 may be claimed per year. The tax credit has a five-year carryforward, but may also be transferred to another taxpayer.

Purpose Statement

- Not currently in statute
- implementing legislation indicates that the major issues were “the rising cost of fossil fuels, energy conservation, the economic feasibility of alternative forms [of] energy...” and “the need for development and use of non-fossil energy resources.”
- ODOE testimony from 2015 states that the policy purpose is “...to promote energy savings or energy displacement and market transformation...”

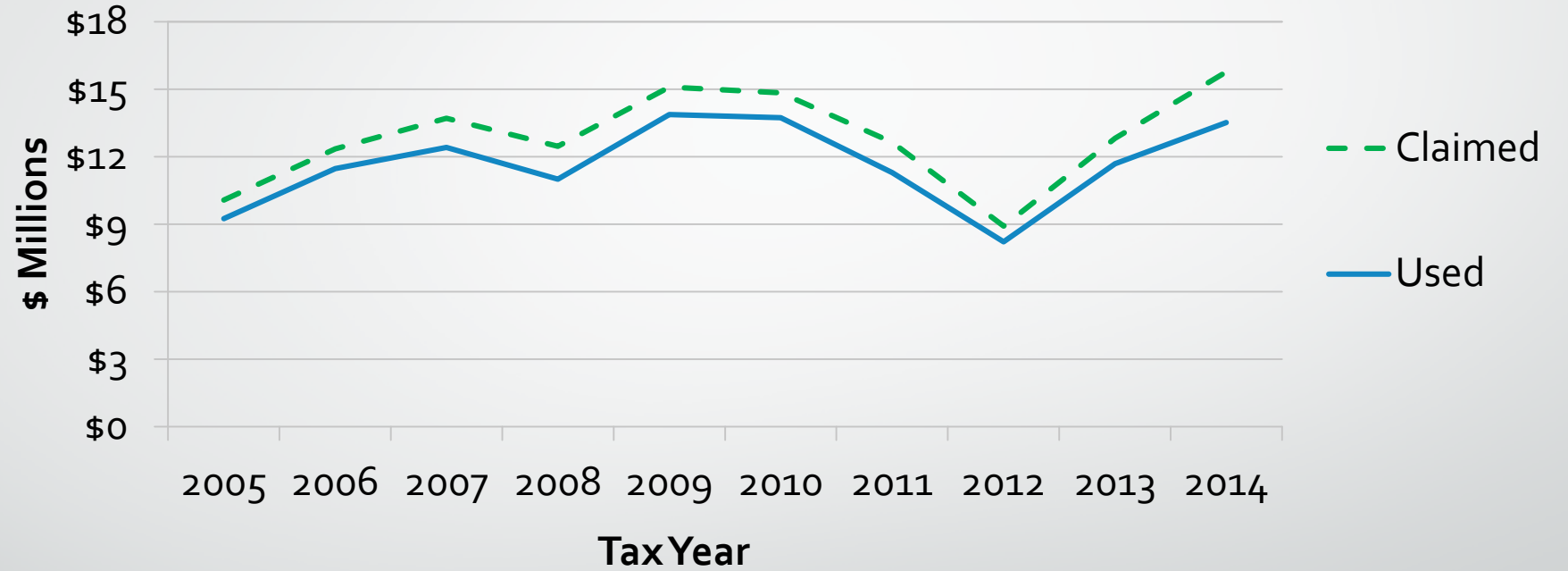
Tax Credit Amounts

Device	2017 Credit Amount
Electric heat pump water heater	\$300 / \$600
Tankless gas water heater	\$225 / \$245
Storage gas water heater	\$125 / \$175
Gas furnace "e"	\$352 / \$492
Direct vent gas fireplace	\$350 / \$550
Air-source ducted heat pump	\$800 / \$850 / \$925 / \$1,000 / \$1,125
Ductless heat pump	\$1,200 / \$1,300
Duct sealing	\$250
Geothermal system	\$600 / \$700 / \$800 / \$900
Whole house ventilation system	\$225 / \$330 / \$450 / \$645
Waste water heat recovery	\$92 / \$108 / \$122 / \$138
Wood and pellet stoves	\$144 / \$216 / \$288 / formula
Solar electric (photovoltaic)	\$1.30 per watt of installed capacity, up to \$6,000
Solar space heating	\$0.60 per 1st-year energy yield in kWh, up to \$1,500
Solar domestic water heating	\$2.00 per 1st-year energy yield in kWh, up to \$6,000
Solar swimming pool heating	\$0.20 per 1st-year energy yield in kWh, up to \$2,500
Solar spa or hot tub heating	\$0.15 per 1st-year energy yield in kWh, up to \$1,500
Wind system	\$2.00 per 1st-year energy yield in kWh, up to \$6,000
Alternative fuel device	Up to \$750
Fuel cell	\$3.00 per watt of installed capacity, up to \$6,000



Year	Solar PV Incentive
	per watt of installed capacity of direct current
2012	\$2.10
2013	\$2.10
2014	\$1.90
2015	\$1.70
2016	\$1.50
2017	\$1.30

Cost of Residential Energy Tax Credit



N (000s)=

35.2

37.9

37.4

38.0

51.6

57.1

38.9

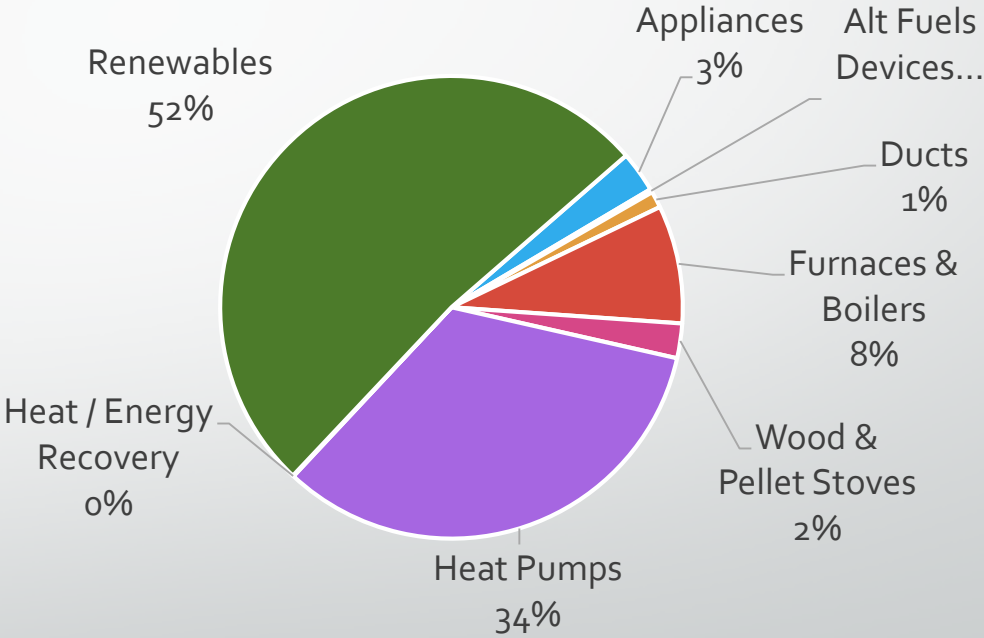
13.7

16.4

16.8

2015 Certifications

2015 Tax Credit Certificates			
Device	Credits	Amount	Average
Appliances	1,087	\$590,054	\$543
Alt Fuels Devices	169	\$48,058	\$284
Ducts	738	\$236,260	\$320
Furnaces & Boilers	4,265	\$1,696,986	\$398
Wood & Pellet Stoves	1,102	\$497,891	\$452
Heat Pumps	6,957	\$6,870,689	\$988
Heat / Energy Recovery	28	\$12,435	\$444
Renewables	1,957	\$10,604,493	\$5,419
Total	16,303	\$20,556,866	\$1,261



Geographic Distribution

County	Returns	Claimants	Share	Amount	Average
Clackamas	173,432	1,787	1.0%	\$1.5	\$836
Coos	24,084	192	0.8%	\$1.0	\$5,458
Lane	146,883	2,047	1.4%	\$1.9	\$932
Marion	129,902	1,161	0.9%	\$1.0	\$824
Multnomah	343,403	3,062	0.9%	\$2.5	\$800
Washington	240,285	2,620	1.1%	\$2.3	\$891
Other	621,621	5,558	0.9%	\$5.4	\$963
Total	1,679,610	16,427	1.0%	\$15.5	\$946

RETC Claimants as a Share of FY Filers

