

**REVENUE IMPACT OF
PROPOSED LEGISLATION
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office**

Bill Number: HB 2584 - A3
Revenue Area: Income Taxes
Economist: Kyle Easton
Date: 5/6/2021

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Increases limit on total amount of outstanding affordable housing lender tax credits allowed in any fiscal year from \$25 million to \$35 million.

Expands qualification for credit to include loan proceeds used to finance certified construction, development, acquisition, or rehabilitation of housing if such preserved housing is or will be occupied by households earning less than 80 percent of area median income and subject to a rental assistance contract limiting tenant's rent to no more than 30 percent of their income. In specified circumstances, increases limit on period during which the tax credit is allowed for the qualified loan from 20 years to 30 years. Expands qualified purchase of bonds to include such qualified bonds issued on behalf of a housing authority.

Revenue Impact: See impact explanation.

Impact Explanation:

The limit on the affordable housing lenders tax credit (AHLTC) functions in a revolving manner. New loans qualifying for the credit increase the amount of outstanding tax credits while expiring loans create more room under the limit. Loan amortization causes interest to be greatest in the early years of a loan, with interest (and therefore credit benefit) subsequently decreasing in later years.

Currently, the affordable housing lender tax credit program is operating below existing law limit of \$25 million. For increase in limit to have an impact on General Fund revenue, current \$25 million limit must be limiting or expected to limit use of credit in future years. At present, over \$10 million in room under the existing cap is available. While increasing use of credit is expected in the near term, it is unclear at this time if future demand for credit will exceed the cap. Further analysis will be prepared for the Joint Committee on Tax Expenditures.

Further Analysis Required

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this credit 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, and the preservation of manufactured dwelling parks.