**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session MEASURE: HB 2527**
**STAFF MEASURE SUMMARY**
**House Committee on General Government and Consumer Protection**

**REVENUE: Revenue statement issued**
**FISCAL: Minimal fiscal impact, no statement issued**

| | | |
|---|---|---|
| **Action:** | | Do Pass and Be Referred to the Joint Committee on Tax Credits by prior reference |
| **Vote:** | | 8 - 0 - 0 |
| | **Yeas:** | Cameron, Clem, Conger, Matthews, Sheehan, Smith J., Holvey, Whisnant |
| | **Nays:** | 0 |
| | **Exc.:** | 0 |
| **Prepared By:** | | Jan Nordlund, Administrator |
| **Meeting Dates:** | | 2/15, 4/14 |

**WHAT THE MEASURE DOES:** Extends the sunset of the tax credit for affordable housing lenders from 2014 to 2020.

**ISSUES DISCUSSED:**
- Grant or subsidy as alternative to tax credit
- Use of tax credit to preserve federally-subsidized housing
- Use of tax credit to leverage loans
- Tax credit pass through to tenant rent reduction
- Type of developers using tax credit
- Mixed use developments
- How benefits of tax credit are taken by banks and renters

**EFFECT OF COMMITTEE AMENDMENT:** No amendments.

**BACKGROUND:** The Oregon Affordable Housing Lender's Credit allows a credit against corporate taxes for lending institutions that make qualified loans at below market interest rates for the construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low income housing, or a preservation project. The amount of the credit is the difference between the finance charge on the qualified loan and finance charge that would have been charged on a similar loan made at market rates; the maximum amount of credit for the difference cannot exceed 4 percent of the average unpaid balance during the tax year for which the credit is claimed. Any tax credit not used in a particular year may be carried forward up to five years.

There is a cap on credits for new and existing qualified loans set at $17 million per fiscal year. For tax year 2007, 22 corporation income taxpayers benefited from this credit, with an average of $139,000 per lender. The program requires interest savings to be directly credited as rent reductions. Approximately 8,050 households received this benefit in 2007. It is estimated that rents in housing projects taking part in the tax credit would be 15 to 25 percent higher if the credit program did not exist.

Currently, the loans must be made before January 1, 2014, to qualify for the tax credit; House Bill 2527 extends the sunset date to January 1, 2020. The revenue impact on the 2011-13 biennium is $7.2 million.