HB 2077 STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

Prepared By: Kyle Easton, Economist
Meeting Dates: 3/10

WHAT THE MEASURE DOES:

Extends sunset of tax credit for affordable housing lenders from January 1, 2026 to January 1, 2030.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Corporations that make qualified loans at below market interest rates for eligible housing projects are allowed a tax credit equal to the difference between the finance charge on the loan and the finance charge that would have been imposed if the loan were issued at market interest rates, up to a difference of four percentage points. Tax credit eligible housing projects include the construction, development, acquisition, or rehabilitation of specified housing: a manufactured dwelling park, low-income housing, or a preservation project. Qualified loans are those that are certified by Oregon Housing and Community Services (OHCS). OHCS may certify qualified loans such that the total amount of outstanding tax credits in any fiscal year does not exceed $35 million. For years 2010 through 2019, on average, $10.4 million in credits were claimed and $7.4 million were used to reduce tax liability.

According to the most recent regional housing need report commissioned on behalf of OHCS, Oregon has a current housing shortage of nearly 140,000 homes and will need about 584,000 total new homes over the next 20 years to meet housing demand. While new housing production is and will be needed throughout the household income spectrum, the housing market is often less responsive to low-income household housing needs, especially households with incomes below 50% of median family income. The structure of Oregon's affordable housing tax credit supports the availability of housing rented to households with lower incomes.