

**A-Engrossed**  
**House Bill 3302**

Ordered by the House April 3  
Including House Amendments dated April 3

Sponsored by Representative RAYFIELD; Representative DEXTER (at the request of Willamette Valley Legislative Fellowship)

**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.

Creates income or corporate excise tax credit for investment in affordable housing, available to taxpayer eligible for federal low-income housing credit, and allocated by Housing and Community Services Department. **Sets annual limit for total combined potential tax credits allocated to all taxpayers.**

Applies to tax years beginning on or after January 1, 2024, and before January 1, 2039.  
Takes effect on 91st day following adjournment sine die.

**A BILL FOR AN ACT**

1  
2 Relating to a tax credit for investment in affordable housing; creating new provisions; amending  
3 ORS 314.772 and 318.031; and prescribing an effective date.

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

5 **SECTION 1. Sections 2 to 7 of this 2023 Act are added to and made a part of ORS chapter**  
6 **315.**

7 **SECTION 2. As used in sections 2 to 7 of this 2023 Act:**

8 (1) "Allocation certificate" means a statement issued by the Housing and Community  
9 Services Department certifying that a given development is eligible for the credit and speci-  
10 fying the amount of the credit allowed.

11 (2) "Credit period" means the period of six tax years beginning with the tax year in which  
12 the final building of a qualified development is placed in service.

13 (3) "Federal tax credit" means the federal low-income housing tax credit provided by  
14 section 42 of the Internal Revenue Code.

15 (4) "Pass-through certification" means a certification provided to the Director of the  
16 Department of Revenue by any pass-through entity allocating a credit to its partners or  
17 members, certifying the amount of credit to be allocated to each partner or member of the  
18 pass-through entity.

19 (5) "Pass-through entity" has the meaning given that term in ORS 314.410.

20 (6) "Qualified allocation plan" means the qualified allocation plan adopted by the Housing  
21 and Community Services Department pursuant to section 42(m) of the Internal Revenue  
22 Code.

23 (7) "Qualified basis" means the qualified basis of a qualified development as determined  
24 pursuant to section 42 of the Internal Revenue Code.

25 (8) "Qualified development" means a qualified low-income housing project, as that term

**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 is described in section 42 of the Internal Revenue Code, that is located in Oregon and that  
2 is determined by the Housing and Community Services Department to be eligible for a federal  
3 tax credit, whether or not a federal tax credit is allocated with respect to the qualified de-  
4 velopment.

5 (9) “Qualified taxpayer” means a taxpayer that owns an interest, direct or indirect, in a  
6 qualified development.

7 **SECTION 3.** (1) A credit against taxes that are otherwise due under ORS chapter 316 or,  
8 if the taxpayer is a corporation, under ORS chapter 317 or 318 is allowed to a qualified tax-  
9 payer.

10 (2) Prior to claiming the credit allowed under this section, a qualified taxpayer is required  
11 to receive an allocation certificate from the Housing and Community Services Department  
12 as provided in section 4 of this 2023 Act. The credit under this section shall be allowed in  
13 each year of the credit period and shall equal the credit amount specified on the allocation  
14 certificate as allocated to the taxpayer.

15 (3) The credit allowed under this section may not exceed the tax liability of the taxpayer  
16 for the tax year.

17 (4) Any tax credit otherwise allowable under this section that is not used by the taxpayer  
18 in a particular tax year may be carried forward and offset against the taxpayer’s tax liability  
19 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax  
20 year may be carried forward and used in the second succeeding tax year, and likewise any  
21 credit not used in that second succeeding tax year may be carried forward and used in the  
22 third succeeding tax year but may not be carried forward for any tax year thereafter.

23 (5) If a change in the tax year of the taxpayer occurs as described in ORS 314.085, or if  
24 the Department of Revenue terminates the taxpayer’s tax year under ORS 314.440, the credit  
25 allowed under this section shall be prorated or computed in a manner consistent with ORS  
26 314.085.

27 (6) The department shall adopt rules for the purposes of this section, including policies  
28 and procedures for verifying taxpayer eligibility for the credit allowed under this section.

29 (7) The Housing and Community Services Department shall provide information to the  
30 Department of Revenue about all taxpayers that are eligible for a tax credit under this sec-  
31 tion, if required by ORS 315.058.

32 (8) The Director of the Housing and Community Services Department may order the  
33 suspension or revocation of a certification issued under section 4 of this 2023 Act, as provided  
34 in ORS 315.061, for the reasons set forth in ORS 315.061 or if the holder of the certificate fails  
35 to meet Housing and Community Services Department requirements.

36 **SECTION 4.** (1) The Housing and Community Services Department may issue an allo-  
37 cation certificate to an owner of a qualified development, as the development is determined  
38 to be eligible by the department. The department shall issue an allocation certificate for the  
39 qualified development simultaneously with any issuance of a federal certification with respect  
40 to federal tax credits allocated to the qualified development.

41 (2) All allocations under this section shall be made pursuant to a qualified allocation plan.

42 (3) If an owner of a qualified development receiving an allocation of a credit is a pass-  
43 through entity, the owner may allocate the credit among its partners or members in any  
44 manner agreed to by these persons regardless of whether:

45 (a) The person is allocated or allowed any portion of any federal tax credit with respect

1 to the qualified development;

2 (b) The allocation of the credit under the terms of the agreement has substantial eco-  
3 nomic effect within the meaning of section 704(b) of the Internal Revenue Code; or

4 (c) The person is deemed a partner for federal income tax purposes, if the partner or  
5 member would be considered a partner or member under Oregon law or other applicable  
6 state law governing the entity and has been admitted as a partner or member on or prior  
7 to the date for filing the qualified taxpayer's tax return, including any amendments to the  
8 tax return, with respect to the year of the credit. In the case of multiple tiers of pass-  
9 through entities, the credit may be so allocated through any number of pass-through entities  
10 in any manner agreed by the owners of the pass-through entities, none of which shall be  
11 considered a transfer. Any pass-through entity allocating a credit to its partners or members  
12 shall attach a pass-through certification to its tax return annually. Each partner or member  
13 shall be allowed to claim or further allocate that amount subject to any restrictions set forth  
14 in sections 2 to 7 of this 2023 Act.

15 (4) An owner of a qualified development to which a credit has been allocated and each  
16 qualified taxpayer to which the owner has allocated a portion of the credit, if any, shall file  
17 with their state tax return a copy of the allocation certificate issued by the Housing and  
18 Community Services Department with respect to the qualified development and a copy of any  
19 pass-through certification, as prescribed by the Director of the Department of Revenue.

20 (5) A credit may not be allocated pursuant to this section unless the qualified develop-  
21 ment is the subject of a recorded restrictive covenant requiring the development to be  
22 maintained and operated as a qualified development and is in accordance with the accessi-  
23 bility and adaptability requirements of section 42 of the Internal Revenue Code and Title VIII  
24 of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, for  
25 a period of 15 tax years, or for a longer period as may be agreed to between the Housing and  
26 Community Services Department and the owner of the qualified development, beginning with  
27 the first tax year of the credit period.

28 (6) Unless otherwise provided in sections 2 to 7 of this 2023 Act or the context or law  
29 requires otherwise, the Housing and Community Services Department shall determine eligi-  
30 bility for a credit and allocate credits in accordance with the standards and requirements set  
31 forth in section 42 of the Internal Revenue Code. Any combination of federal tax credits and  
32 credits allowed pursuant to sections 2 to 7 of this 2023 Act shall be the least amount neces-  
33 sary to ensure the financial feasibility of a qualified development.

34 **SECTION 4a.** At the time of issuance under section 4 of this 2023 Act, the total combined  
35 amount of potential tax credits allocated based on credits being claimed in all years of each  
36 taxpayer's credit period, less any amount recaptured or disallowed under section 5 of this  
37 2023 Act for the immediately preceding calendar year, may not exceed \$100 million in any tax  
38 year.

39 **SECTION 5.** If, under section 42 of the Internal Revenue Code, a portion of any federal  
40 tax credit allowed for a qualified development is required to be recaptured or is otherwise  
41 disallowed during the credit period, the qualified taxpayer that claimed the credit pursuant  
42 to section 3 of this 2023 Act with respect to the qualified development shall also be required  
43 to recapture a portion of any credits authorized by sections 2 to 7 of this 2023 Act. The  
44 percentage of credits subject to recapture shall be equal to the percentage of federal tax  
45 credits subject to recapture or otherwise disallowed during that period. Any credits recap-

1 tured or disallowed shall increase the tax liability of the qualified taxpayer who claimed the  
2 credits and shall be included on the tax return of the qualified taxpayer submitted for the  
3 taxable year in which the recapture or disallowance event is identified.

4 **SECTION 6.** (1) The Housing and Community Services Department, in consultation with  
5 the Director of the Department of Revenue, shall monitor and oversee compliance with the  
6 provisions of sections 2 to 7 of this 2023 Act and shall report specific occurrences of non-  
7 compliance to the Director of the Department of Revenue.

8 (2) Not later than February 15 of each year, the Housing and Community Services De-  
9 partment shall submit a report, in the manner required by ORS 192.245, to a committee of  
10 the Legislative Assembly related to revenue. The report shall address the immediately pre-  
11 ceding calendar year, and must, for each calendar year:

12 (a) Specify the number of qualified developments that have been allocated credits during  
13 the year and the total number of units supported by each development;

14 (b) Describe each qualified development that has been allocated credits including, without  
15 limitation, the geographic location of the development, the household type and any specific  
16 demographic information available about residents intended to be served by the development,  
17 the income levels intended to be served by the development and the rents or set-asides au-  
18 thorized for each development; and

19 (c) Provide housing market and demographic information that demonstrates how the  
20 qualified developments supported by the credits are addressing the need for affordable  
21 housing within the communities they are intended to serve as well as information about any  
22 remaining disparities in the affordability of housing within those communities.

23 **SECTION 7.** The Housing and Community Services Department and the Department of  
24 Revenue, in consultation with each other, shall adopt rules for administration of sections 2  
25 to 7 of this 2023 Act.

26 **SECTION 8.** ORS 314.772, as amended by section 11, chapter 34, Oregon Laws 2022, and section  
27 15, chapter 115, Oregon Laws 2022, is amended to read:

28 314.772. (1) Except as provided in ORS 314.766 (5)(b), the tax credits allowed or allowable to a  
29 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
30 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
31 allowable to the shareholders of the S corporation.

32 (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.763, on  
33 income of the shareholder of an S corporation, there shall be taken into account the shareholder's  
34 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but  
35 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-  
36 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the  
37 manner prescribed under section 1377(a) of the Internal Revenue Code.

38 (3) The character of any item included in a shareholder's pro rata share under subsection (2)  
39 of this section shall be determined as if such item were realized directly from the source from which  
40 realized by the corporation, or incurred in the same manner as incurred by the corporation.

41 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
42 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
43 316.117, then that provision shall apply to the nonresident shareholder.

44 (5) As used in this section, "business tax credit" means the following credits: ORS 315.104  
45 (forestation and reforestation), ORS 315.138 (fish screening, by-pass devices, fishways), ORS 315.141

1 (biomass production for biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
 2 workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent care assistance), ORS  
 3 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS 315.237 (employee  
 4 and dependent scholarships), ORS 315.271 (individual development accounts), ORS 315.304 (pollution  
 5 control facility), ORS 315.326 (renewable energy development contributions), ORS 315.331 (energy  
 6 conservation projects), ORS 315.336 (transportation projects), ORS 315.341 (renewable energy re-  
 7 source equipment manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation facili-  
 8 ties), ORS 315.506 (tribal taxes on reservation enterprise zones and reservation partnership zones),  
 9 ORS 315.507 (electronic commerce), ORS 315.514 (film production development contributions), ORS  
 10 315.523 (employee training programs), ORS 315.533 (low income community jobs initiative), ORS  
 11 315.593 (short line railroads), ORS 315.640 (university venture development funds), ORS 315.643  
 12 (Opportunity Grant Fund contributions), ORS 315.675 (Trust for Cultural Development Account  
 13 contributions), ORS 317.097 (loans for affordable housing), ORS 317.124 (long term enterprise zone  
 14 facilities), ORS 317.147 (loans for agriculture workforce housing), ORS 317.152 (qualified research  
 15 expenses) and ORS 317.154 (alternative qualified research expenses) and section 9, chapter 774,  
 16 Oregon Laws 2013 (alternative fuel vehicle contributions), section 2, chapter 34, Oregon Laws 2022  
 17 (small forest option), and section 8, chapter 115, Oregon Laws 2022 (agricultural overtime pay), **and**  
 18 **section 3 of this 2023 Act (affordable housing).**

19 **SECTION 9.** ORS 318.031, as amended by section 12, chapter 34, Oregon Laws 2022, and section  
 20 16, chapter 115, Oregon Laws 2022, is amended to read:

21 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
 22 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
 23 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
 24 corporated into and made a part of this chapter: ORS 315.104, 315.141, 315.156, 315.176, 315.204,  
 25 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.506, 315.507, 315.523, 315.533, 315.593 and  
 26 315.643 and section 2, chapter 34, Oregon Laws 2022, and section 8, chapter 115, Oregon Laws 2022,  
 27 **and section 3 of this 2023 Act** (all only to the extent applicable to a corporation) and ORS chapter  
 28 317.

29 **SECTION 10.** (1) **Except as provided in subsection (2) of this section, sections 2 to 7 of**  
 30 **this 2023 Act apply to tax years beginning on or after January 1, 2024, and before January**  
 31 **1, 2039.**

32 (2) **A taxpayer to which an allocation certificate has been issued under section 4 of this**  
 33 **2023 Act before January 1, 2039, for a credit period that begins before January 1, 2029, may**  
 34 **claim a credit under section 3 of this 2023 Act for the taxpayer's entire credit period.**

35 **SECTION 11.** **This 2023 Act takes effect on the 91st day after the date on which the 2023**  
 36 **regular session of the Eighty-second Legislative Assembly adjourns sine die.**

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