

**OKLAHOMA TAX COMMISSION**

**REVENUE IMPACT STATEMENT  
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

**DATE OF IMPACT STATEMENT:** March 15, 2021

**BILL NUMBER:** HB 1950 **STATUS AND DATE OF BILL:** Engrossed 3/11/21

**AUTHORS:** House Cruz Senate Dossett (J.J.)

**TAX TYPE (S):** Income Tax **SUBJECT:** Credit

**PROPOSAL:** New Law

Engrossed HB 1950 proposes to enact a new income tax credit for 100% of the qualified rental income loss incurred by a qualified entity acting as a landlord of a qualified residential real property pursuant to a rental agreement, effective for tax years 2020 through 2022.

**EFFECTIVE DATE:** January 1, 2022

**REVENUE IMPACT:**

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 21: Unknown decrease in income tax collections.

FY 22: Unknown decrease in income tax collections.

**ADMINISTRATIVE IMPACT:**

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 22: Minimal cost to the OTC is expected for administering the credit.

Mar. 16, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

bdf

3/16/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

3/17/21  
DATE

J.D.S.  
FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

## ATTACHMENT TO REVENUE IMPACT - HB 1950 [Engrossed] Prepared 3/15/2021

Engrossed HB 1950 proposes to enact a new income tax credit for 100% of the qualified rental income loss incurred by a qualified entity acting as a landlord of a qualified residential real property pursuant to a rental agreement, effective for tax years 2020 through 2022. Each taxpayer is limited to a maximum credit of \$1,250 per year, and total annual credits are capped at \$5 million.<sup>1</sup> Unused credits may be refunded upon written request<sup>2</sup> or transferred and/or carried forward for ten consecutive years. Credits may be recaptured by the Oklahoma Tax Commission (OTC) for claimed qualified rental income loss recovered by a qualified entity pursuant to late rent payments, forcible entry and detainer, or other civil actions.

The proposal includes the following definitions:

- "COVID-19 financial hardship" means the financial difficulty of paying rent caused by the COVID-19 pandemic such as a loss of employment, loss of financial support, increase in medical expenses, increase of child care expenses, or other COVID-19-related circumstances that have an effect on a tenant's ability to pay rent.
- "Landlord" means the owner, lessor or sublessor of the dwelling unit or the building of which it is a part, manufactured or mobile home site, space or lot.
- "Qualified entity" means:
  - a. an individual,
  - b. a general partnership,
  - c. a limited partnership,
  - d. a limited liability partnership,
  - e. a limited liability company,
  - f. a corporation, or
  - g. any other lawfully recognized entity.
- "Qualified rental income loss" means an amount equal to the gross amount of unpaid rent deferred by the qualified entity due under a rental agreement which was deferred by written agreement between the qualified entity and tenant or tenants due to COVID-19 financial hardship. Qualified rental income loss does not include any amount in excess of one hundred percent (100%) of the sum of the amounts of rent charged per month stated in the rental agreement that would have been paid but for the written agreement.
- "Qualified residential real property" means:
  - a. a single-family residential dwelling,
  - b. an apartment,
  - c. a duplex or townhome, or
  - d. any other structure or dwelling suitable for permanent occupancy by one or more individuals.
- "Rental agreement" means all agreements and valid rules and regulations adopted under Section 126 of Title 41 of the Oklahoma Statutes, which establish, embody or modify the terms and conditions concerning the use and occupancy of a qualified residential real property and premises.

On or before January 1, 2022, the OTC must create a registration program and registration form for qualified entities to provide necessary information, including, but not limited to:

- The legal name under which the qualified entity transacts or intends to transact business,

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<sup>1</sup> Methodology is not provided to calculate the percentage by which authorized credits should be reduced so the total credits used to offset tax do not exceed \$5 million per year.

<sup>2</sup> Paragraph E of this proposal states that the credit may not be used to reduce the tax liability of the taxpayer to less than zero. Paragraph G states that the Tax Commission is authorized to refund a qualified entity for credits which have not been used by the qualified entity.

- The address and name of the tenant or tenants the qualified entity is claiming qualified rental income loss from,
- The start date of the rent deferral and the amount of rent deferred,
- Documentation proving the qualified entity did not evict the tenant during the claimed deferral period,
- The location of the qualified entity's place or places of business,
- A copy or copies of the written agreement between the qualified entity and the tenant or tenants to defer rent which must contain the tenant's documentation proving COVID-19 financial hardship, and
- A copy or copies of the existing rental agreement between the qualified entity and the tenant or tenants.

To be eligible for the credit, a qualified entity must register with the OTC within 60 days of executing a written agreement between the qualified entity and the tenant(s). Upon receipt of a registration form, the OTC must provide a notice to the qualified entity that includes its eligibility to receive the credit and the total credit amount available.<sup>3</sup> The OTC is further authorized to promulgate rules, guidelines and procedures necessary to administer the credit and prevent improper claims from being filed. Associated costs to the OTC for administering the credit are unknown.

To estimate the potential revenue effect of this proposal, Household Pulse Survey Data Tables<sup>4</sup> were reviewed for Phase 3, which began on October 28, 2020, and is anticipated to continue through March 1, 2021, with data released every two weeks (data collection paused from December 23, 2020, through January 3, 2021). Survey results for October 28, 2020, through December 21, 2020, indicate 11,211 Oklahoma residents reported a rent payment that was deferred or was expected to be deferred. The actual number and amount of rent payments that were deferred for all Oklahoma residents during this period and the number of qualified entities that deferred payments are unknown.

Due to a lack of data, the amount of qualified rental income loss that may be expected for tax year 2020 and subsequent years is unknown, and an unknown decrease in income tax collections may occur, as early as FY 21, as a result of this proposal.

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<sup>3</sup> This method of cap management, first come first served, is administratively impossible.

<sup>4</sup> The new experimental Household Pulse Survey, published by the U.S. Census Bureau, is designed to quickly and efficiently deploy data collected on how people's lives have been impacted by the coronavirus pandemic (see <https://www.census.gov/programs-surveys/household-pulse-survey/data.html>).