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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**H.B. 765**  
**136<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for H.B. 765's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsors:** Reps. A. White and Young

**Local Impact Statement Procedure Required:** No

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### **Highlights**

- The bill updates the single-family housing development tax credit, but the state revenue effect remains capped under existing annual limits.
- The bill has no local impact on counties, municipalities, townships, and school districts.

### **Detailed Analysis**

#### **Definition and scope**

The bill updates the single-family tax credit program statute and related tax sections by adding the following terms:

1. "Affordability gap" equals the total development cost of a single-family dwelling minus the purchase price of the dwelling paid by a buyer with income not more than qualifying median income.
2. "Appraisal gap" equals the total development cost of a single-family dwelling minus the initial purchase price of the dwelling.
3. "Qualifying median income" means 120% of the county median income, as determined by the Director of Development, for the county where the project is located.

The bill also clarifies parties and roles, such as the project development owner, and retains the authority of the Executive Director (the "Director") of the Ohio Housing Finance Agency (OHFA) to award credits competitively under an allocation plan including pooled allocations, and adds definitions for "tax credit certificate" and "eligible developer" to align program participation and reporting.

## Credit calculation and periods

The bill, upon completion and sale of a single-family dwelling constructed as part of a qualified project for which a tax credit was reserved, requires the project development owner to notify the Director and provide a development cost certification, the purchase price of the dwelling, and any other certifications the Director may require for approval. OHFA must issue a tax credit certificate within 90 days of approving the cost certification. For each sold dwelling, the certificate states an annual credit amount equal on the lesser of:

1. 35% of the dwelling's development cost, or
2. The amount needed to fill either the affordability gap or the appraisal gap shown in the reservation application.

Tax credit certificates may aggregate annual amounts from multiple dwellings. For reservations made before the bill's effective date, the Director must compute the amount of the tax credit and issue the certificate in accordance with the bill's revised method.

The full value of the tax credit certificate is immediately available to the project development owner, which differs from existing law that limits the annual credit amount to a portion of the total certificate value over a ten-year "credit period."

The "affordability period" is shortened from ten years to seven years and applies to the initial qualified buyer and subsequent qualified buyers during that period. During this period, the total monthly cost of a single-family dwelling must not exceed 30% of the qualified buyer's monthly income. In this case, "cost" is [defined by OHFA \(PDF\)](#) as monthly mortgage payment (including residential real estate taxes and insurance and, if applicable, condominium fees).

No credit is issued if the initial sale is not to a qualified buyer, and when addressing the affordability gap, if the dwelling is not sold at an affordable price.

## Reservations, cap, and sunset

Continuing law requires the Director to competitively award credit reservations pursuant to an allocation plan and may pool credits. Under the bill, annual reservations are limited to:

1. \$50 million, plus
2. Any unused allocation from the preceding fiscal year, and
3. Any credits reduced in the preceding year.

The bill removes the references in current law to tax credits "recaptured, assessed, and collected by the Tax Commissioner or Superintendent of Insurance, and disallowed." Such changes align with other provisions in the bill. As cited above, the bill eliminates the ten-year credit period and instead makes the entire value of the tax credit certificate available upon receipt. Elsewhere, the bill repeals existing law that enables the Director to "disallow or recapture any portion of a credit if the project development owner or the project development owner's qualified project does not or ceases to qualify for the credit."

The bill imposes a restriction on tax credit reservations. If a project builds fewer dwellings than initially identified, the reservation is reduced proportionally. The bill retains the current sunset date in existing law. No reservations may be made after June 30, 2027.

## **Transferability and reporting**

Credits continue to be nonrefundable and may be applied against the insurance premiums tax, financial institutions tax, or income tax.

Though the bill eliminates a provision that specifically allowed a government credit recipient to allocate the credit to a taxpayer, the bill replaces it with a broader provision allowing any person awarded a credit to transfer all or a portion of it to another person.

Credits may be transferred multiple times. A transferred credit may be claimed against a different tax than the transferor was authorized to claim the credit against, but a transferee may not claim the credit against more than one tax. Transferring a credit does not extend the taxable or calendar years for which the credit may be claimed or number of years for which any unclaimed credit amount may be carried forward. Any unclaimed balance of the credit may be carried forward for five years under continuing law.

Transfers must be reported by written notice to the Tax Commissioner and the Superintendent of Insurance, including the certificate identifying number, transferee information, tax against which the transferred credit will be claimed, transferred amounts, and any amount of remaining credit retained by the transferor.

## **Fiscal effects**

Under the bill, the annual reservation structure is unchanged. Credits are nonrefundable and have a five-year carryforward, so aggregate exposure remains bounded by the statutory cap, and only the timing of claims across tax types may be modestly affected by expanded transferability and the per-dwelling computation. Nevertheless, the FY 2027 cost could be increased from \$5 million (which is one-tenth of \$50 million) to \$50 million because the bill replaces the ten-year credit period with a provision granting the full value of the credit upon project completion.

State agencies will incur expenditures to implement the bill, but the marginal costs are dependent on the number of applications received. OHFA will perform competitive evaluations for available reservations, as well as certificate issuance, aggregation, and recalculation for prior reservations. The Tax Commissioner and the Superintendent of Insurance will process transfer notices and verify claims against the submitted information. These costs are expected to be minimal and handled within existing resources.

The bill does not impose any new mandates or administrative requirements on political subdivisions. Any indirect changes to the Local Government Fund (LGF) would occur only through changes in state tax collections as credits are claimed sooner than permitted by current law.