

State of Oklahoma

Incentive Evaluation Commission

Oklahoma Affordable Housing Tax Credit Draft Evaluation

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Contents

Key Findings & Recommendations	3
Introduction	6
Affordable Housing Background	10
Program Usage & Administration.....	15
Economic & Fiscal Impact.....	23
Goals, Strategy, and Competitive Considerations.....	29
Incentive Benchmarking.....	32
Appendices	38



Key Findings & Recommendations



Incentive Overview

In June 2014, the Oklahoma Affordable Housing Act was signed into law by Governor Mary Fallin.¹ Administered by the Oklahoma Housing Finance Agency (OHFA), the Act allocates up to \$4.0 million per year in state low-income housing tax credits. State credits under the program are used to (1) raise private equity to finance affordable housing for families and seniors; and (2) provide affordable rent for low-to-moderate income Oklahomans (typically those earning 60 percent or less of the area median income²). Credits are claimed annually over a 10-year period (beginning when the building is placed in service), are nonrefundable, and can be carried forward for two years. The state tax credit program generally mirrors the federal low-income housing tax credit program.

Recommendation: Retain

Key Findings:

- **The tax credit has consistently supported the development of affordable housing units, with the number of units built increasing each year.** Between 2021 and 2025, the State issued credits that totaled \$19.6 million. The credits helped fund 27 development projects which created more than 3,500 affordable housing units for Oklahomans.
- **The supply of affordable housing for extremely low-income (ELI) renters is decreasing.** In PFM's 2022 evaluation of this program, it was noted that Oklahoma's affordable housing shortage predominantly impacts those at the lowest income levels. At that time, 46 affordable rental homes were available for every 100 extremely low income (ELI) renter households. The number has declined in the years since across all income levels. As of 2024, 40 affordable rental homes are available for every 100 ELI renter households, a 13 percent decrease from 2022.

Table 1: Number of Affordable and Available Rental Homes per 100 Renter Households

Household Type	2022	2024	% Increase/ (Decrease)
80% of AMI ³	106	100	-5.7%
50% of AMI	74	72	-2.7%
ELI Renter	46	40	-13.0%

Source: NLIHC

- **According to recent estimates, Oklahoma faces a shortage of 84,125 rental homes affordable and available for extremely low-income renters.** Between 2021 and 2025, the program has helped to fund 3,518 units of housing – equal to 4.1 percent of the need.
- **Adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the state's expectations in future years.** Total state funding per allocation year is capped at \$4 million and the credit period is up to 10 years. As a result, the projects funded in the initial \$4 million funding round in 2017 will collectively receive \$4 million annually each

¹ Oklahoma Legislature, "SB 2128." Accessed electronically at http://webserver1.lsb.state.ok.us/cf_pdf/2013-14%20ENR/SB/SB2128%20ENR.PDF

² Area median income (AMI) is the median family income in a metropolitan or nonmetropolitan area.

³ AMI refers to Area Median Income, or the median income of a geographic area determined annually by the United States Department of Housing and Urban Development, often used to determine income eligibility for affordable housing.



year through 2026, for a total state investment of \$40 million in forgone revenue.⁴ The new projects funded in each subsequent funding round will also receive a total investment of \$40 million over ten years. As a result, assuming all allocated credits are used to reduce tax liability, the total cost to the State will increase by \$4 million annually between 2017 and 2026, when it will level out at \$40 million per year.

- **The administrative processes associated with the Oklahoma Affordable Housing Tax Credit are robust and capture sufficient data to evaluate the program's impact.** OHFA collects detailed project-level information through its competitive application process, including market studies, financial feasibility analyses, unit counts, income targeting levels, and geographic distribution, and monitors compliance throughout the 15-year compliance period. The primary data limitation is on the tax claim side: Oklahoma Tax Commission records show only aggregate credit amounts claimed and carried forward, with limited visibility into the transfer activity that occurs when credits are sold to insurance companies or other unrelated taxpayers, making it difficult to fully trace the credit's value from allocation through final use.
- **The Oklahoma Affordable Housing Tax Credit aligns well with the 2025 Oklahoma Strategic Plan for Economic and Community Development.** The program supports the "Relevant Incentives" pillar through its competitive, cap-constrained design and federal recapture mechanism, and advances the "Ready Workforce" pillar by expanding housing supply that communities need to attract and retain workers.

Recommendations:

- **Consider making the tax credit refundable rather than transferable.** As was mentioned in the previous evaluation, the state should consider making the tax credits refundable instead of transferable. Critics of transferrable tax credits question whether it is sound public policy to allow tax incentives, in this case designed specifically to spur affordable housing development, to be sold off to companies in entirely unrelated industries. Furthermore, selling the credits typically erodes their value, as developers are often forced to sell them at 85 to 90 cents on the dollar. Making the credits refundable, rather than transferable, would deliver greater impact for affordable housing developers at no additional cost to the state. Refundable credits allow the original recipients, those actually building and preserving affordable housing, to realize the full value of the incentive, rather than accepting a discounted return through a credit sale.

⁴ In the event that a project is not ultimately completed or otherwise becomes ineligible for funding, the credits may be retracted or retracted and the cost to the State would be reduced.



Introduction



Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created in 2015 via HB 2182. The Commission is directed to produce objective evaluations of the State of Oklahoma's wide array of business incentives. The Commission is comprised of five voting members, with each appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House of Representatives, Oklahoma Economic Development Partnership, and the Oklahoma Accountancy Board. Representatives of the Department of Commerce, the Office of Management and Enterprise Services, and the Oklahoma Tax Commission serve as ex officio (non-voting) members.

Under the enabling legislation, each of the State's business incentives⁵ must be evaluated once every four years⁶ according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on investment, and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed. The reports also generally include recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

In 2026, the Incentive Evaluation statute was revised to include additional requirements for the incentive evaluations. Most notably, these were:

- Analyze whether a business receiving the incentive would likely have taken any action required to receive the incentive in the absence of the incentive;
- Broaden the comparison of results of the incentive to other state of Oklahoma incentives or economic development strategies to also include other states;
- An assessment of whether the incentive furthers a strategic economic goal or an industry within this state;
- An assessment of whether the incentive creates a competitive advantage for Oklahoma by evaluating the overall effectiveness of the incentive at a macroeconomic level.

The SB 1990 statutory changes took effect on August 13, 2026. The PFM project team has, to the extent possible, taken them into consideration during the 2026 evaluation process. They will be more fully addressed during the 2027 incentive evaluation process.

⁵ The statute defines a business incentive as “a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant, or loan that is intended to encourage businesses to locate, expand, invest, or remain in Oklahoma, or to hire or retain employees in Oklahoma.”

⁶ The statute provides the Commission the authority to set a threshold and choose to exempt from evaluation incentives that do not meet this threshold for foregone revenue or expenditures. That threshold is currently set at \$1.0 million.



Summary of 2022 Evaluation Findings and Recommendations

This incentive was last evaluated in 2022. The significant findings and recommendations from that evaluation are summarized in Table 2:

Table 2: Summary of 2022 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	- Between 2015 and 2021, a total of \$27.9 million in state credits was issued. These credits helped fund 57 development projects to create more than 3,700 affordable housing units in Oklahoma. - Since eliminating the population restriction, the state has issued credits for eight projects in previously ineligible counties: six in Oklahoma County and two in Tulsa County. -As of 2022, just 46 affordable and available rental homes are available for every 100 ELI renter households
Fiscal and Economic Impact	- It is estimated 1,165 direct construction and finance jobs are created by the investments in housing, paying \$395.1 million in cumulative wages over the six-year study period, 2015-2021. -New state tax revenues generated by the housing investment activity is \$26.0 million.
Future Fiscal Impact Protections	
Administrative Effectiveness	- The decision to tie the state tax credit to the federal credit and process results in efficient, streamlined and accountable program administration.
Retain, Reconfigure or Repeal	- Retain
Other Recommendations	- Consider making the tax credits refundable instead of transferable.

Source: State of Oklahoma Incentive Evaluation Commission, Tax Incentive Evaluation Report 2022

Based on PFM's analysis and consideration of other factors, the Commission voted 3-2 to approve the recommendation made by PFM to retain the program with the modification that the tax credit is refundable or transferrable.

2026 Criteria and Evaluation Approach

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation and, as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

In the case of the Oklahoma Affordable Housing Tax Credit, the goal is to "expand the supply of new and affordable rental units and rehabilitate existing rental housing for qualifying households by stimulating private investment."

In addition to this goal and the general evaluation factors discussed in the preceding section, the Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Number of projects and units funded by the program
- Program-funded projects as a share of all low-income housing production



- Number and percent of low-income units in market-rate neighborhoods
- Percent of low-income population with/without access to affordable housing over time
- Percent of low-income renters served as a result of the program
- Economic activity associated with program funding
- State return on investment

To conduct its 2026 review of the Credit (based on the criteria described in the preceding), the PFM project team conducted the following activities:

- Submitted data requests to the Oklahoma Housing Finance Agency and the Oklahoma Tax Commission
- Reviewed and analyzed internal and external data and information
- Completed subject matter expert/internal stakeholder interviews with representatives from OHFA and the Tax Commission
- In collaboration with the Oklahoma City, Tulsa and State Chambers of Commerce, conducted external stakeholder interviews with industry representatives
- Benchmarked Oklahoma to other states



Affordable Housing Background

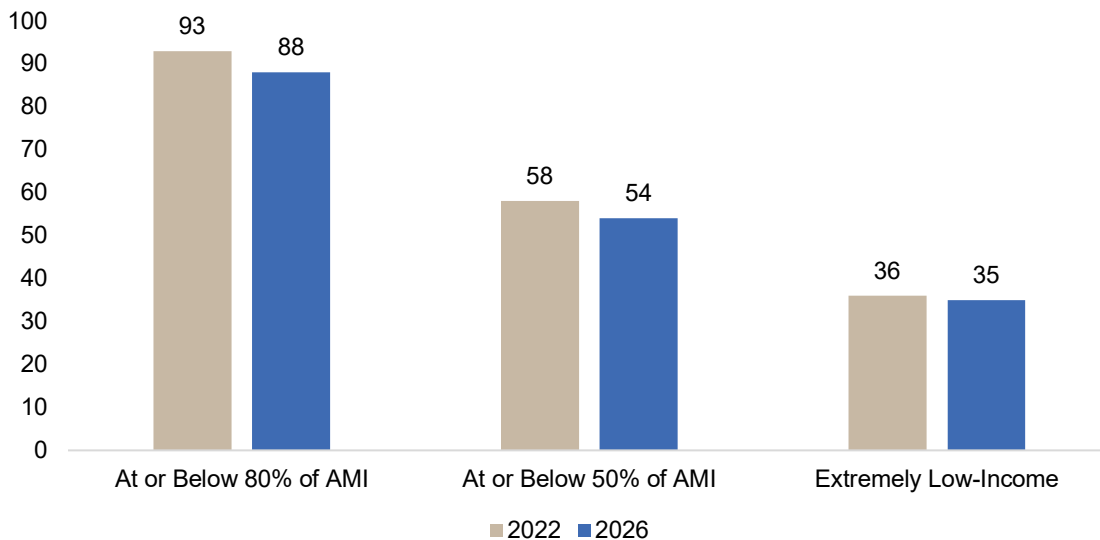


Affordable Housing Background

The United States has a long-standing shortage of rental homes that are affordable and available to low-income renter households.⁷ A March 2026 study by the National Low Income Housing Coalition (NLIHC) found that, nationally, there is no state or county where a renter working full-time at minimum wage can afford a two-bedroom apartment.⁸

As shown in the following figure, the number of affordable and available rental homes that exist in the U.S. for every 100 renter households declines as incomes decrease, a concern that has grown since the previous PFM evaluation. For every 100 extremely low-income (ELI) renters, there are 35 available homes across the U.S. Additionally, 87 percent of all extremely low-income renter households are housing cost-burdened and 74 percent are severely housing cost-burdened.⁹

Figure 1: Number of Affordable and Available Rental Homes per 100 Renter Households in U.S.*



Source: NLIHC

* AMI refers to "area median income," the median family income in the metropolitan or nonmetropolitan area

Affordable Housing in Oklahoma

Oklahoma's affordable housing shortage predominantly impacts those at the lowest income levels. While 100 affordable and available homes exist per 100 renter households at 80 percent of area median income (AMI), 72 exist for households at 50 percent of AMI (down from 74 in 2022) – and 40 for ELI renter households (down from 46 in 2022). There are more than 140,000 renter households in Oklahoma considered to be ELI (equal to 26 percent of total renter households), and there is a shortage of more than 80,000 rental homes affordable and available to ELI renters. While the annual household income needed to afford a two-bedroom

⁷ The U.S. Department of Housing and Urban Development (HUD) considers housing to be affordable when housing costs (including utilities) account for no more than 30 percent of household income

⁸ National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes," (March 2026). Accessed electronically at <https://nlihc.org/gap>

⁹ ELI households have incomes at or below the poverty guideline or 30 percent of their AMI. Individuals who are cost-burdened spend at least 30 percent of their income on rent and utilities; severely cost-burdened individuals spend at least 50 percent of income on rent and utilities.



rental home at HUD's Fair Market Rent is approximately \$45,000 in Oklahoma, four-person ELI households in the state earn \$30,000 or less.¹⁰ ELI households in Oklahoma make up the majority of severely cost burdened renters (83 percent), spending more than half of their income on housing. Severely cost burdened households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.

As shown in the following table, the share of Oklahoma's renter households considered to be ELI (26 percent) is comparable to neighboring states, which range from 21 percent in Kansas to 27 percent in New Mexico. Oklahoma's housing needs are also generally comparable to/within the range of these states with respect to other statistics, including the extent of the shortage in terms of number of rental homes available; the annual household income needed to afford a rental; and the percentage of severely cost burdened renters who are ELI.

Table 3: Housing Needs Statistics by State, Select States (2024)

	% of Renter Households that are ELI	Shortage of Rental Homes Affordable & Available for ELI Renters	Annual Household Income Needed to Afford a 2-Bedroom Rental Home at HUD's Fair Market Rent	% of Severely Cost Burdened Renters who are ELI
Oklahoma	26%	-84,125	\$45,445	83%
Arkansas	26%	-55,169	\$43,307	77%
Colorado	22%	-136,324	\$75,797	67%
Kansas	21%	-48,159	\$45,144	73%
Missouri	25%	-127,678	\$46,157	82%
New Mexico	27%	-39,780	\$52,302	72%
Texas	22%	-708,661	\$62,265	68%

Source: National Low Income Housing Coalition – 2024 State Housing Profiles

The affordable housing shortage has been exacerbated in recent years by a variety of factors, including rising construction costs and interest rates. According to the National Association of Home Builders, building material costs have risen more than 41 percent since the start of the COVID-19 pandemic, far outpacing overall inflation. Lumber costs, while no longer at the record highs seen in 2021, remain volatile and above pre-pandemic levels. After surges of more than 300 percent during 2020 and 2021, lumber prices had largely returned to near-normal levels by 2024 but have since resumed rising. As of late 2025, framing lumber prices were up more than 12 percent year-over-year.¹¹ A new cost pressure has emerged as well. NAHB estimates that recent federal tariff actions add approximately \$10,900 to the cost of constructing a typical new single-family home. Canada accounts for roughly 85 percent of U.S. softwood lumber imports, meaning tariffs on Canadian goods bear directly on housing construction costs.¹²

Benefits and Economic Impacts of Affordable Housing

According to the NLIHC, housing is the key to reducing intergenerational poverty and increasing economic mobility. Research shows that increasing access to affordable housing is the most cost-effective strategy for

¹⁰ National Low Income Housing Coalition, "Housing Needs by State: Oklahoma." Accessed electronically at <https://nlihc.org/housing-needs-by-state/oklahoma>

¹¹ National Association of Home Builders, "How Soaring Prices for Building Materials Impact Housing," (July 2024). Accessed electronically at <https://www.nahb.org/blog/2024/07/how-soaring-prices-building-materials-impact-housing>

¹² National Association of Home Builders, "How Tariffs Impact the Home Building Industry." Accessed electronically at <https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/how-tariffs-impact-home-building>



reducing childhood poverty and increasing economic mobility in the United States. One study found that children who moved to lower poverty neighborhoods had earnings as adults increase by approximately 31 percent. They also experienced an increased likelihood of living in better neighborhoods as adults, and a lowered likelihood of becoming a single parent. Moreover, children living in stable, affordable homes are more likely to thrive in school and have greater opportunities to learn inside and outside the classroom.¹³ Another study found that among children born in the 1980s who grew up at or near the poverty line, 34 percent were still in low-income households in their 30s.¹⁴

Increasing access to affordable housing bolsters economic growth. Research shows that the shortage of affordable housing costs the American economy about \$2 trillion a year in lower wages and productivity. Without affordable housing, families have constrained opportunities to increase earnings, causing slower GDP growth. The economic drag extends to employers as well: according to the Bipartisan Policy Center's 2024 report on the housing shortage's impact on American workers and the economy, inadequate housing supply limits labor mobility, productivity, and opportunity, with 81 percent of mayors surveyed identifying housing costs as one of their top two local economic priorities.¹⁵

Moreover, each dollar invested in affordable housing returns measurable economic activity. A 2026 Urban Institute study of 45 LIHTC-financed projects completed in Oklahoma between 2019 and 2023 found that construction supported more than 4,000 job-years statewide, total economic output reached nearly \$814 million during construction, and each dollar of tax credit equity was associated with \$3.40 in total economic output and \$1.00 in labor income. Tax revenues from those projects are projected to exceed \$126 million across construction and 10 years of operations.¹⁶

Introduction of Federal and State Low-Income Housing Tax Credit Programs¹⁷

Affordable rental housing projects often do not generate profit that warrants private developer investment. Considering this (and the significant need for and impediments to affordable housing), the federal government enacted a Low-Income Housing Tax Credit program in 1986. It is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing.

The LIHTC is a dollar-for-dollar reduction in federal tax liability in exchange for financing to develop affordable rental housing. Investors subsidize low-income housing development, allowing some units to rent at below-market rates. In return, they receive tax credits paid in annual allotments, generally over 10 years. Financed projects must meet eligibility requirements for 30 years after project completion.

The LIHTC is designed to subsidize either 30 percent or 70 percent of the low-income unit costs in a project via 4 percent and 9 percent tax credits: 4 percent tax credits (30 percent subsidies) cover new construction that uses additional subsidies or the acquisition cost of existing buildings; 9 percent tax credits (70 percent subsidies) support new construction without any additional federal subsidies.

¹³ National Low Income Housing Coalition, "The Problem." Accessed electronically at <https://www.nlihc.org/explore-issues/why-we-care/problem>

¹⁴ National Academies, "Reducing Intergenerational Poverty," (October 2023). Accessed electronically at <https://nap.nationalacademies.org/resource/27058/Highlights-ReducingIntergenerationalPoverty.pdf>

¹⁵ Bipartisan Policy Center, "Exploring the Affordable Housing Shortage's Impact on American Workers, Jobs, and the Economy," (March 2024). Accessed electronically at https://bipartisanpolicy.org/wp-content/uploads/2024/03/Exploring-the-Aff-Housing-Shortage-Impact-on-American-Workers-Jobs-and-the-Economy_BPC-3.2024.pdf

¹⁶ Urban Institute, "How Affordable Housing Contributes to Local Economics and Tax Revenues," (April 2026). Accessed electronically at <https://www.urban.org/research/publication/how-affordable-housing-contributes-local-economies-and-tax-revenues>

¹⁷ Specifics regarding state-level programs are discussed in the Benchmarking chapter of this evaluation.



Since the deployment of the federal program, many states have developed their own affordable housing tax credit programs to bolster the impact of the federal credit. State affordable housing tax credit programs, including Oklahoma's, generally piggyback on the federal credit. In these states, investors in the federal LIHTC program automatically receive the state credit to help fill gaps in development costs. The credit amount is typically linked to the federal LIHTC award in some way and limited to the amount needed to make the project work. Other states separate their tax credit programs from the federal LIHTC program, instead making state credits available to investors who do not receive the federal credit. Allocation decisions are based on a variety of factors, depending on the state's priorities.

More recently, the federal One Big Beautiful Bill Act (the Act) signed into law in July 2025 made several permanent changes to the federal LIHTC program. State allocation authority for 9 percent credits increased by 12 percent at the beginning of 2026, meaning each state received an increase in their per-capita allocation. The Act also reduced the threshold for private activity bond financing required to qualify for 4 percent credits from 50 percent of a project's land and building costs to 25 percent. Additionally, the Act reinstated a 100 percent bonus depreciation for furniture, fixtures, and equipment and landscaping.¹⁸

¹⁸ US Congress, "An Introduction to the Low-Income Housing Tax Credit," (July 2025). Accessed electronically at <https://www.congress.gov/crs-product/RS22389>



Program Usage & Administration



Incentive Characteristics

In June 2014, the Oklahoma Affordable Housing Act (SB 2128) was signed by Governor Mary Fallin.¹⁹ The Act, administered by the Oklahoma Housing Finance Agency, allocates up to \$4 million per year in state low-income housing tax credits and dictates that credits are to be used to (1) raise private equity to finance affordable housing for families and seniors; and (2) provide affordable rent for low-to-moderate income Oklahomans (typically those earning 60 percent or less of the AMI).

Eligible state credit applicants include non-profit organizations, public housing authorities, for-profit entities and tribal organizations. Eligible activities include acquisition, substantial rehabilitation and new construction.

Credits are claimed annually over a 10-year period (beginning when the building is placed in service), are nonrefundable, and cannot be used to reduce tax liability accruing prior to January 1, 2016. Initially, credits claimed but not used in a taxable year could be carried forward for five years; in 2019, however, the carry forward period was shortened to two years.²⁰ State credits are transferable, and an insurance company may use the credits against state premium tax or any other taxes.

The state credit generally mirrors – and has historically been used in conjunction with – the federal LIHTC. Previously, the amount of the state credit for each approved project was equal to the LIHTC allocation for the same project. In 2022 the one-for-one state-federal matching requirement was eliminated.²¹ Instead, the state credit allocated to a project cannot exceed the federal credit allocation for the same project. This gives the OHFA greater flexibility to maximize the allocation of state credits.

OHFA accepts competitive applications twice a year, in January and June. Applications require a market study (to demonstrate demand and ensure against market oversaturation), an underwriting package, a contractor scope of work, evidence of fair housing training, a fiscal needs assessment for acquisition or rehabilitation projects, a land deed or purchase contract demonstrating site control, and preliminary plans and specifications for the proposed development. OHFA also evaluates whether applicants have the organizational capacity to undertake the development. Scoring is based on two primary factors: state tax credits per unit and tax credits per bedroom. Applicants are ranked against others in the same funding cycle using a formula model, and a preference system is applied.

A similar application process for state credits has been in place since 2022, when a change concerning the 4 and 9 percent allocations occurred. Previously, the \$4 million annual cap was split evenly between the two credit types. After 2022, all state credits in Funding Period One are reserved for 4 percent applicants using bond financing, with \$3 million set aside for new construction, and \$1 million for acquisition/rehabilitation. Any balance remaining in either set-aside transfers to a general pool, and any credits remaining after Funding Period One become available to both 4 percent and 9 percent applicants in Funding Period Two, with priority given to 4 percent applicants.

In practice, OHFA no longer allocates state credits to 9 percent projects. This was driven by OHFA's goal to maximize the state bond cap allocation: because 4 percent credits are paired with tax-exempt bond financing, directing state credits toward 4 percent projects allows the agency to leverage the bond cap more fully and generate greater overall investment in affordable housing development.

¹⁹ Oklahoma Legislature, "SB 2128." Accessed electronically at http://webserver1.lsb.state.ok.us/cf_pdf/2013-14%20ENR/SB/SB2128%20ENR.PDF

²⁰ Oklahoma Legislature, "SB 1685." Accessed electronically at http://webserver1.lsb.state.ok.us/cf_pdf/2019-20%20ENR/hB/HB1411%20ENR.PDF

²¹ Ibid.



In 2024, the Legislature also clarified, through HB 4018, that any reallocated or rolled-over state credits count against the annual cap of their original allocation year rather than the year when they are reallocated. This technical clarification took effect on November 1, 2024.

Due to the state program's conformity to the federal LIHTC program, state credits are subject to federal eligibility restrictions,²² and credits (both state and federal) are subject to recapture if any violations of program requirements are discovered. If any portion of the federal tax credits is recaptured, this will trigger recapture of the proportionate amount of the state credit. This is particularly important with regard to compliance periods.

Aligned with the federal program, state credits are claimed over a 10-year period but have a 15-year compliance period, meaning that affordability must be preserved for 15 years in order to qualify for all 10 years of the credit. Under the federal program, affordability obligations extend further still: after the 15-year compliance period closes, properties are subject to an extended use period of at least an additional 15 years, for a total minimum affordability commitment of 30 years. Violations during the compliance period can trigger recapture; the extended use period carries its own restrictions but does not carry the same recapture risk. Effectively, a portion of the credits claimed in years 1 to 10 has not yet been earned.

Historic Use of State Credits

Between 2021 and 2025, OHFA allocated approximately \$19.6 million in state affordable housing tax credits, providing funds for 3,518 housing units across 27 projects. This activity is summarized in the following table.

Table 4: State Tax Credits Issued and Related Development Activity, 2021-2025

	2021	2022	2023	2024	2025	Total
State Credits Issued (\$M)	\$3,811,681	\$3,733,005	\$4,000,000	\$4,000,000	\$4,143,000	\$19,687,686
Projects	7	5	5	4	6	27
Units	581	510	666	824	937	3,518
\$/Project	\$544,526	\$746,601	\$800,000	\$1,000,000	\$690,500	\$756,325
\$/Unit	\$6,561	\$7,320	\$6,006	\$4,854	\$4,422	\$5,832

Source: OHFA

Of the 27 projects funded by state tax credits:

- 9 (33 percent) are 9 percent projects and 18 (67 percent) are 4 percent projects.
- 4 projects (15 percent) are for developments with 50 or fewer units, 8 (30 percent) are for developments with 51-99 units, and 15 (56 percent) are for developments with 100 or more units.
- Most developments (24, or 89 percent) are multifamily and 3 (11 percent) are single family.

Of the 3,518 units developed as a result of the state tax credits:

- 3,123 (89 percent) are new construction and 395 (11 percent) are for acquisition/rehabilitation.

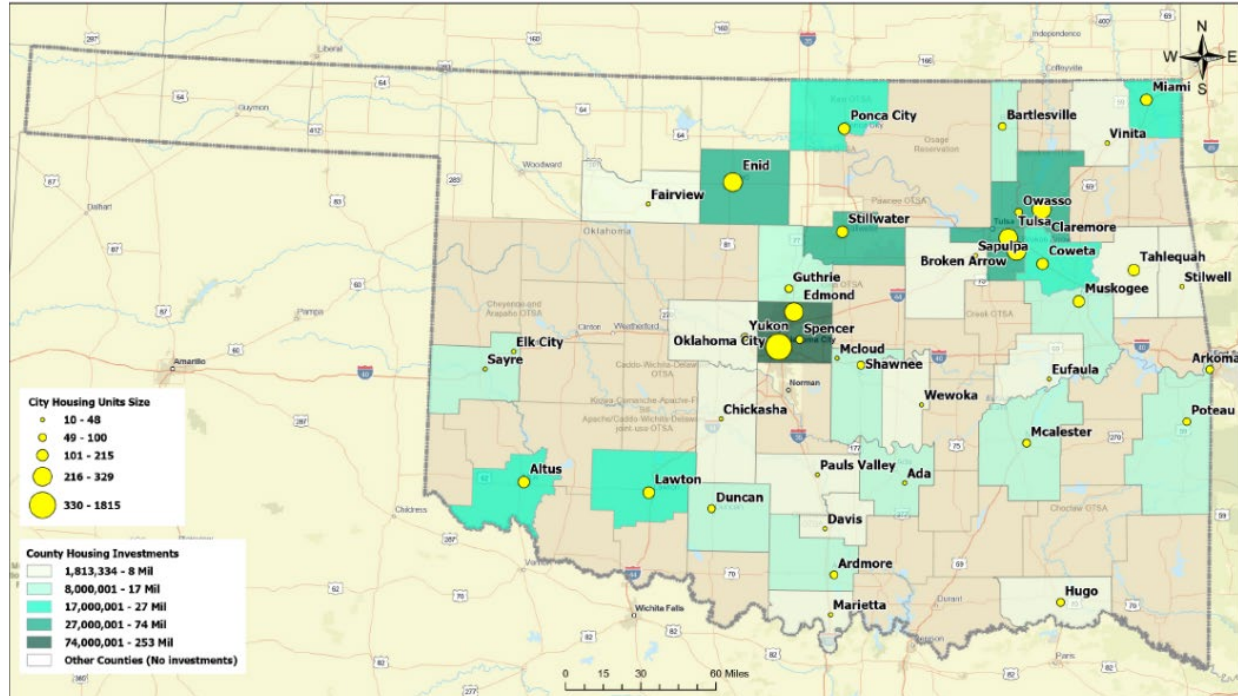
Additionally, two developments awarded credits in 2023 (\$1,190,000 in total) did not materialize and the awards were returned to OHFA in September 2025.

²² For example, owners and managers of low-income housing tax credit properties must ensure residents meet eligibility requirements set forth by federal regulations under Internal Revenue Code Section 42.



Since 2015, there have been 71 development projects across 33 counties in Oklahoma, as illustrated on the following map:

Figure 2: Affordable Housing Development Awards, 2015-2024



Source: Oklahoma Department of Commerce, Oklahoma's Affordable Housing Act Tax Credit – Economic Impact 2024

State Credit Claims and Transfer Activity

The following table displays the number of returns claiming the state credit, the aggregate value of the credits carried forward, and the amount used to reduce income tax for tax years 2020-2024.

Table 5: State Tax Credit Claims Activity, 2020-2024

	Number of Returns	Unused Credit Carried Over from Prior Year	Credit Established During Tax Year	Total Amount Claimed	Amount Used to Reduce Tax Liability
2020	9	\$81,794	\$274,029	\$355,823	\$191,866
2021	1	\$0	\$366,358	\$366,358	\$366,358
2022	7	\$61,025	\$475,000	\$536,025	\$531,847
2023	6	\$4,178	\$655,200	\$659,378	\$669,088
2024*	16	\$1,901,929	\$4,439,225	\$6,454,154	\$1,482,961

Source: Oklahoma Tax Commission

* 2024 figures are preliminary

State credits are transferable, and an insurance company may use the credits against state premium tax or any other taxes imposed by Section 624 or 628 of Title 36 of the Oklahoma Statutes. Notably, an insurance



company claiming the credit will not incur additional retaliatory tax liability under Section 628 as a result of doing so, and the credit may fully offset any such retaliatory tax.²³

Critics of transferrable tax credits question selling tax credits to companies in industries where the tax credits do not further the program goal – it dilutes the value of the credit, as they are typically sold at 85 to 90 cents on the dollar.

Annual Program Costs

While total state funding per allocation year is capped at \$4.0 million, the credit period is up to 10 years. As a result, the projects funded in the initial \$4.0 million funding round in 2015 will collectively receive \$4.0 million annually each year through 2024, for a total state investment of \$40.0 million in forgone revenue.²⁴ The new projects funded in each subsequent funding round will also receive a total investment of \$40.0 million over 10 years.

As a result, assuming all allocated credits are used to reduce tax liability, the total cost to the State will increase by \$4 million annually between 2015 and 2024, when it will level out at \$40.0 million per year. This concept is illustrated in the following table.

Table 6: State Tax Credit Cost, 2015-2024 (in Millions)

Cohort	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
2		\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
3			\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
4				\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
5					\$4.0	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
6						\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
7							\$4.0	\$4.0	\$4.0	\$4.0
8								\$4.0	\$4.0	\$4.0
9									\$4.0	\$4.0
10										\$4.0
State Cost	\$4.0	\$8.0	\$12.0	\$16.0	\$20.0	\$24.0	\$28.0	\$32.0	\$36.0	\$40.0

Incentive Administration

OHFA's oversight of the State tax credit program include the following major activities:

1. **Determining eligibility.** Each year, Tax Credit Allocations (TCAs) are made available to eligible developers, including for-profit developers, nonprofits, public agencies, Native American tribes, private developers and local governments. TCAs may be for amounts less than applied for based upon OHFA's financial and feasibility analyses.

Tax credits allocated annually to the State by the IRS are awarded to applicants selected through a formal application process governed by the Qualified Allocation Plan (QAP). The annual allocation

²³ Retaliatory taxes are levied by a state on out-of-state insurance companies at the same rate that the insurer's home state taxes domestic insurers, or essentially a reciprocal tax meant to level the competitive playing field. Claiming the Oklahoma credit will not increase an insurer's retaliatory tax burden.

²⁴ In the event that a project is not ultimately completed or otherwise becomes ineligible for funding, the credits may be retracted or retracted and the cost to the State would be reduced.



made available to the State may be divided into various set-aside categories, including nonprofits, new construction and rehabilitation. TCAs are awarded following a thorough review and financial feasibility analysis.

Federal law requires that the QAP give priority to projects that serve the lowest income households that remain affordable for the longest period of time. In order to be eligible for a LIHTC allocation (and therefore a state allocation), properties are required to meet certain tests that restrict both the amount of rent that is assessed to tenants and the income of eligible tenants. Historically, the “income test” for a qualified low-income housing project has required project owners to elect one of two income level tests, either a 20-50 test or a 40-60 test. In order to satisfy the first test, at least 20 percent of the units must be occupied by individuals with income of 50 percent or less of the area’s median gross income, adjusted for family size. To satisfy the second test, at least 40 percent of the units must be occupied by individuals with income of 60 percent or less of the area’s median gross income, adjusted for family size.²⁵

In 2018 a third income test option allowed units to serve households earning as much as 80 percent of AMI, as long as the average imputed income limit of the property is 60 percent or less of AMI. Higher rents that households with incomes above 60 percent of AMI pay will have the potential to offset the lower rents for households living in units designated at lower income levels. According to OHFA, income averaging preserves rigorous targeting to low-income households while providing more and greater income-mixing potential.²⁶

To qualify for state credits, projects must also qualify for federal credits by meeting the requirements established by HUD and Section 42 of the IRC.

2. **Application review.** After completing a review of all applications, OHFA forwards its preliminary review report to the contact person identified in the application. The applicant must provide OHFA with any information requested in the preliminary review report. OHFA considers the applicant’s response to the preliminary review report prior to issuing the final review report and making its recommendations to the Trustees. Applicants are informed of those recommendations prior to the meeting of the Trustees where the application is being considered.
3. **Allocation decisions and award process.** All state tax credits in Funding Period One are reserved exclusively for applicants seeking 4 percent credits and bond financing. Of those credits, \$3.0 million is set aside for new construction activities and \$1.0 million for acquisition and rehabilitation activities. Any balance remaining in either set-aside transfers to a general pool, and any State credits remaining after Funding Period One become available to both 4 percent and 9 percent applicants in Funding Period Two, with priority given to 4 percent applicants. Applicants applying for federal tax credits are not required to apply for State credits.
4. **Monitoring procedures.** The IRS Code mandates that state housing credit agencies monitor all placed-in-service tax credit projects for compliance with the provisions of Section 42. The Code also mandates that the IRS be notified by the state housing agencies of any instances of noncompliance. OHFA will also monitor for compliance with the Regulatory Agreement provisions which contain additional owner commitments made to receive points in the project selection process, such as

²⁵ Congressional Research Service – An Introduction to the Low-Income Housing Tax Credit (April 26, 2023). Accessed electronically at <https://fas.org/sqp/crs/misc/RS22389.pdf>

²⁶ Oklahoma Housing Finance Agency – Income Averaging Amendment to 2018 QAP. Accessed electronically at <https://www.ok.gov/ohfa/documents/OHFA%20Income%20Averaging%20QAP%20Amendment%20Board%20Final.pdf>



additional low-income units or an extended use period. OHFA also monitors the documents and certifications for compliance with the IRS Code. Provisions include:

- a. Record keeping and record retention provisions
- b. Certification and review provisions
- c. Auditing/compliance provisions
- d. Notification of noncompliance provisions

- 5. Reporting.** As outlined in Oklahoma Statutes, the Act is subject to review every five years by a committee of nine members. The Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives are each authorized to appoint three members to the committee.

The Oklahoma Tax Commission (OTC) processes State tax returns and addresses taxpayer questions regarding OTC rules for using the State tax credits. The owner of a qualified project receiving State tax credits submits, at the time of filing a tax return with the OTC, an Eligibility Statement from OHFA. The statement is issued and provided to the owner along with the 8609s for the project after all final cost certifications and accountant reports have been submitted to OHFA and OHFA has performed a final underwriting to ensure the final amount of credits the project is eligible to receive.

Business Incentives Best Practices

The PFM Project Team has established a set of best practices that can apply broadly to incentive program designs.²⁷ These are based on decades of experience evaluating programs, as well as reviewing the associated academic literature and evaluations of programs by State agencies or departments. A program can then be judged to either fully adopt, partly adopt, or not adopt a given practice.

In the case of the Oklahoma Affordable Housing Tax Credit, best practices are largely adopted. The program is discretionary by design, with OHFA administering a competitive application process twice per year that requires extensive documentation, financial feasibility analysis, and board approval. This structure allows the agency to prioritize higher-impact projects, reject applications that do not meet standards, and ensure credits are directed only where they are needed to make a project financially feasible. The program's core strength is its leverage of private capital. By design, the state credit works in conjunction with the federal LIHTC to attract private equity investment that would not otherwise flow to affordable housing development. Eligibility requirements are publicly articulated in the annual QAP, allocation awards are published, and a robust recapture mechanism tied to the federal program ensures that noncompliance triggers proportionate recovery of state credits. The program has a clear annual dollar cap and is subject to mandatory five-year legislative review.

While the program mirrors the federal LIHTC to reduce administrative burden, the layered financing structures and compliance requirements involved make it technically complex and less accessible to developers without prior LIHTC experience. These limitations are largely structural and reflect the program's design as an affordable housing financing tool rather than a conventional economic development incentive, and several of them are features shared by state LIHTC programs nationwide.

The following figure provides the project team's assessment of the Affordable Housing Tax Credit's alignment with incentive program best practices.

²⁷ Details on the best practices and their establishment can be found in the Appendices.



Figure 3: Incentive Best Practice Alignment

Best Practice	
Targeted to specific companies or industries	●
Discretionary	●
Leverage significant private capital	●
Limited duration / front-loaded benefits to 1-3 years	○
State / Local conditions considered	●
Overcoming practical barriers to growth	●
Transparency	●
Accountability	●
Cap on value of awards	●
Simple and understandable	◐
Sunset on program duration	○

Legend: Dark circle = full adoption, Light circle = partial adoption, Empty circle = limited adoption



Economic & Fiscal Impact

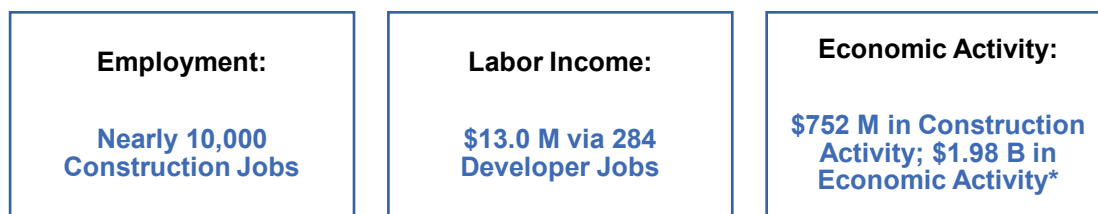


Department of Commerce Studies of Program Impacts

The Oklahoma Coalition of Affordable Housing commissions economic impact reports of the Oklahoma Affordable Housing Tax Credit Program by the Department of Commerce, most recently in 2025. The studies focus on the impacts of construction activities as well as the impacts of maintaining the housing units in Oklahoma.

According to the 2025 report, the allocation of \$39.3 million in state credits between 2015 and 2024 provided for the construction and renovation of 5,762 housing units across 71 developments in 75 locations, representing 40 communities and 33 counties across Oklahoma.²⁸ These projects are estimated to provide significant contributions to Oklahoma's state and regional economies, including:

Figure 4: Estimated Economic Impacts of State Tax Credits Allocated, 2015-2024



Source: Oklahoma Department of Commerce, Oklahoma's Affordable Housing Act Tax Credit – Economic Impact 2025

* \$1.98 billion in economic activity 2017-2024

The study notes that construction and long-term employment impacts will increase as more projects receive funding from the Oklahoma Affordable Housing Act and the total incentives will increase along with the increase in eligible investments.²⁹

The study also states that the analysis does not consider additional social benefits produced as a result of the program (which may also have positive financial or economic impacts). Examples cited include:

- The value of reliable, safe, and affordable housing for low-income families, which may lead to improved education outcomes for children;
- Reduced spending from seniors being able to live in non-assisted living senior communities longer; and
- Reduction of homelessness and related resource and service needs, such as health care and law enforcement.

As noted in the report, “the benefits of these secondary effects are significant, sometimes difficult to measure, and should be carefully considered when designing, reforming, or addressing the effectiveness of each program.”

PFM Analysis of Economic and Fiscal Impacts

For this analysis, PFM uses the IMPLAN economic impact software, a proprietary model. PFM has obtained a license for use of the IMPLAN model for these evaluations. IMPLAN uses Social Accounting Matrices (SAMs) to capture the actual dollar amounts of all business transactions taking place in a regional economy, as reported each year by businesses and government agencies. The IMPLAN model identifies three kinds of economic effects: direct, indirect, and induced. The project team then translates the combined economic

²⁸ Oklahoma Department of Commerce, “Oklahoma's Affordable Housing Act Tax Credit: Economic Impact 2024,” (May 2025). Accessed electronically at <https://affordablehousingcoalition.org/ECONOMIC-IMPACT-REPORT>

²⁹ The 2025 Report considers only allocations made during 2015-2024 and does not forecast future awards. It does include “forward funding” from 2022 that OHFA allocated in November 2021 to COVID-19 deals.



effects into state tax revenue for comparison purposes. A detailed summary of the IMPLAN economic impact methodology is provided in **Appendix B**.

To estimate the fiscal impact to Oklahoma state revenues from the program, the project team analyzed the economic activity of the program through the use of IMPLAN impact analysis software. This analysis is similar to the Department of Commerce Analysis however it assumes some economic leakage for portions of construction costs spent outside of Oklahoma and assumes that real estate management jobs are indirect and induced impacts of the construction activity. Additionally, the PFM analysis includes the economic impact of the program between 2021 and 2025. The resulting analysis indicates lower total economic activity, for the purposes of evaluating the incentive program.

The following table illustrates the economic activity and state tax revenue associated with the State Affordable Housing Tax Credit program.

Table 7: Economic and Fiscal Impact of State Affordable Housing Tax Credits, 2021-2025

Impact Type	Employment	Labor Income	Value Added	Economic Output	State Tax
Direct	3,937	\$264,514,529	\$344,650,506	\$754,416,859	
Indirect	1,486	\$100,073,385	\$181,486,034	\$336,168,291	
Induced	1,198	\$67,035,754	\$130,998,221	\$229,942,769	
Total	6,620	\$431,623,668	\$657,134,761	\$1,320,527,918	\$23,860,650

It is estimated that 3,937 direct jobs are created by the investments in housing, paying \$264.5 million in cumulative wages over the five year study period, 2021-2025. These are temporary jobs that end with the completion of the construction activity. During this period, another 2,684 jobs were supported through indirect business to business spending and induced spending by construction employees.

New state tax revenues generated by the housing investment activity is \$23.8 million. These tax revenues represent \$1.21 for each dollar of program incentive cost. When combined with the social and cultural benefits of providing secure and affordable housing for thousands of Oklahoma residents, the affordable housing tax credit program is revenue neutral for the State of Oklahoma.

Effect on Business Behavior

As previously noted, SB 1990 requires the incentive evaluations to consider “the extent to which the incentive changes business behavior, including whether the business receiving the incentive would likely have taken any action required to receive the incentive in the absence of such incentive.”

Business location, hiring and investment decisions rely on a combination of considerations, including market factors, worker availability, infrastructure, access to suppliers and customers, and a reasonable cost structure, which can include taxes. Incentives that lower costs, provide capital, or offer services are one factor among many that can influence business behavior.

The extent to which an incentive changes an individual business's behavior has been widely debated. Since incentives are just one factor among many influencing any given business decision, incentives rarely, if ever, are 100 percent responsible for a given investment. At the same time, it is unlikely that an incentive had absolutely no impact at all.

Based on a review of 30 different studies, Timothy J. Bartik of the W.E. Upjohn Institute estimated incentives probably affect between 2 percent and 25 percent of incented firms making business location, expansion, or



job retention decisions.³⁰ However, a discretionary incentive that includes a robust application and review process and requires regular reporting on milestone achievement is likely to affect behavior differently than a statutory tax break with few accountability mechanisms. Incentive programs with these design features may have a greater effect on investment decisions.³¹ While it is difficult to quantify the impact of an incentive to an individual firm's decision making, evidence does suggest that certain factors do influence both business choice and incentive effectiveness. Nevertheless, Bartik concluded, "Overall, the research literature on incentives' "but for" effects is not as rigorous as one might hope."³²

Given the challenges of determining the specific extent to which an individual incentive changes individual business behavior, the evaluations consider the factors that are most likely to indicate that the incentive influenced business decisions. These include:

- **Features of the incentive offer.** The relative size of the incentive benefit affects its impact^{33,34} as do the incentive type and structure, leverage generated, timing of the application, and whether a firm is a first-time or repeat incentive recipient.^{35,36}
- **Firm attributes.** Cost-sensitive or efficiency-seeking operations (such as manufacturing, call centers, and distribution centers) and foreign investors have also been found to be more likely to be influenced by the availability of incentives, as are companies for whom the incentive meets a specified need, such as project financing or support services.³⁷
- **Details obtained in the application process or built into project eligibility requirements** that indicate need for or value of the incentive to the individual business.
- **Consideration of multiple investment locations.** Companies that have credibly considered multiple locations that are able to meet their operational needs or have functions that are mobile (that is, they do not need to locate in a specific place in order to meet their operational needs) are more likely to value state and local incentives in their decision process.^{38,39,40}
- **Changes in desired outcomes documented by compliance and evaluation procedures.**

These factors indicate but do not definitively determine whether a business receiving the incentive would likely have taken any action required to receive the incentive in the absence of such incentive. Because the incentive's precise impact on individual business decisions and therefore the outcomes generated cannot be known, the Fiscal and Economic Impact Analysis for each evaluation also estimates, when data availability

³⁰ Bartik, Timothy J. "But For' Percentages for Economic Development Incentives: What percentage estimates are plausible based on the research literature?" W.E. Upjohn Institute for Employment Research. 2018.

³¹ "Michigan Business Development Program Effectiveness Study." W.E. Upjohn Institute and Center for Regional and Economic Competitiveness. January 2019.

³² Bartik, 2018.

³³ James, 2013.

³⁴ Bartik, Timothy J. "Who Benefits from Economic Development Incentives? How Incentive Effects on Local Incomes and the Income Distribution Vary with Different Assumptions about Incentive Policy and the Local Economy." W.E. Upjohn Institute Technical Report No. 18-034. 2018.

³⁵ Foley, 1992.

³⁶ Lenihan, et al. "Developing an Evaluative Framework for Industrial Policy in Ireland: Fulfilling the Audit Trail or an Aid to Policy Development." Quarterly Economic Commentary. 2005.

³⁷ Tavares-Lehmann, 2016.

³⁸ James, Sebastian. "Tax and Non-Tax Incentives and Investments: Evidence and Policy Implications." Investment Climate Advisory Services of the World Bank Group. 2013.

³⁹ Jensen, Nathan M. "Exit Options in Firm-Government Negotiations: An Evaluation of the Texas Chapter 313 Program." Washington Center for Equitable Growth Working Paper series. 2017.

⁴⁰ Tavares-Lehmann, et al. "Rethinking Investment Incentives: Trends and Policy Options." 2016.



allows, a breakeven level at which the total benefits from the incentive program would have to be attributable to the incentive in order for the State to break even on its investment.

Applying But for Considerations on the Affordable Housing Tax Credit

- **Features of the Incentive Offer:** The credit is discretionary and competitive, awarded through a twice-annual application process that requires market studies, financial feasibility analysis, and board approval. Credit amounts are tied to demonstrated project need and capped at the federal LIHTC allocation for the same project, meaning awards are sized to close genuine financing gaps rather than provide blanket benefits. This structure is significantly more likely to influence developer behavior than an automatic statutory credit, as developers must affirmatively demonstrate that the credit is necessary to make a project financially viable.
- **Firm Attributes:** Affordable housing developers operate in a structurally thin-margin environment where rents are capped below market rates by design, making them highly cost-sensitive and capital-constrained. Unlike market-rate developers who can price to cost, affordable housing developers cannot recover rising construction and financing costs through rents, creating a genuine and documented financing gap that the credit is specifically designed to fill. This is one of the stronger "but for" cases among incentive recipients, as the credit targets a class of activity that routinely cannot proceed without supplemental capital.
- **Details Obtained in the Application Process:** The application requires extensive documentation including a market study, underwriting package, contractor scope of work, evidence of site control, and a fiscal needs assessment for rehabilitation projects. OHFA conducts a financial feasibility analysis before making any allocation decision and has the authority to award less than the amount applied for. This process generates meaningful evidence that each awarded project required the credit to be feasible, distinguishing it from programs where eligibility is established by form alone.
- **Consideration of Multiple Investment Locations:** Unlike mobile business investment decisions, affordable housing development is inherently site-specific. The relevant "but for" question is not whether a developer would build in a different state, but whether a specific project would be built at all without the state credit, or whether a developer would pursue market-rate development on the same site instead. Because the state credit functions as a gap-filler layered on top of the federal LIHTC, the practical alternative for most projects is not to build elsewhere but to not build affordable housing at all.
- **Changes in Desired Outcomes Documented by Compliance Procedures:** The program includes a robust compliance framework tied to the federal LIHTC, including a 15-year compliance period with proportionate recapture of state credits if federal credits are recaptured. OHFA monitors all placed-in-service projects for ongoing compliance with affordability provisions, and the program is subject to mandatory five-year legislative review. Between 2021 and 2025, the program funded 3,518 units across 27 projects, with unit production increasing each year, providing documented evidence that credit awards are translating into the affordable housing outcomes the program is designed to produce.

Of the factors the research literature identifies as most likely to indicate that an incentive changes business behavior, the Affordable Housing Tax Credit satisfies nearly all of them. The credit is discretionary and competitive, sized to documented financing gaps rather than awarded automatically, and targeted at a class of development that is structurally unable to proceed without supplemental capital. The relevant "but for" question is not whether a developer would locate elsewhere, but whether an affordable housing project would be built at all, and the application process, financial feasibility review, and compliance framework together generate meaningful evidence that awarded projects required the credit to be viable. Between 2021 and 2025, 3,518 units across 27 projects were placed in service, with production increasing each year, providing



documented confirmation that credit awards are producing the outcomes the program is designed to generate.



Goals, Strategy, and Competitive Considerations



Strategic Plan Alignment

The Affordable Housing Tax Credit aligns with Oklahoma's 2025 Strategic Plan primarily through the "Relevant Incentives" pillar, one of the five pillars identified as driving economic growth. The strategic plan calls for incentives that remain competitive with other states while protecting taxpayer dollars, and the Affordable Housing Tax Credit reflects this balance by design. The program leverages private capital by piggybacking on the federal LIHTC structure rather than functioning as a standalone subsidy, operates under a fixed annual cap of \$4 million, and incorporates a recapture mechanism tied to the federal program to ensure noncompliance triggers proportionate recovery of state credits. This mirrors the same guardrails built into other incentives highlighted in the strategic plan, such as the Quality Jobs Program and the Governor's Quick Action Closing Fund, both of which require that projects be "benefit positive" to ensure a net return to the state.

The program also supports the "Ready Workforce" pillar, which identifies a skilled workforce as a primary factor in business site selection and calls for collaborative efforts between communities, educational institutions, and businesses to build a workforce pipeline. Affordable housing availability is a foundational condition for meeting this goal, as the strategic plan separately identifies "Collaborating on Residential Development" as a regional development strategy, noting that a mismatch between workforce needs and available, affordable housing can constrain a community's ability to support business growth. By expanding the supply of affordable rental units, the Affordable Housing Tax Credit indirectly reinforces the housing stability communities need to retain and attract workforce for business recruitment efforts.

The strategic plan also outlines measurable goals including "Direct New Jobs" and "Encourage New Private Investment," both of which the Affordable Housing Tax Credit contributes to directly. A 2026 Urban Institute study found that LIHTC-financed projects completed in Oklahoma between 2019 and 2023 supported more than 4,000 job-years statewide and generated \$3.40 in total economic output for every dollar of tax credit equity invested. Tax revenues from those projects are projected to exceed \$126 million across construction and 10 years of operations, demonstrating the kind of measurable fiscal return the strategic plan expects from state incentive programs.

Macroeconomic Impacts and Competitive Advantage

The Affordable Housing Tax Credit also contributes to macroeconomic outcomes through its geographic distribution, though the program's design does not include a statutory mechanism comparable to a population-based set-aside to ensure broad distribution across the state. Since 2015, the program has funded 71 development projects across 33 of Oklahoma's 77 counties, reflecting meaningful reach beyond the Oklahoma City and Tulsa metro areas. Because OHFA's competitive application process considers organizational capacity and market demand rather than a mandated geographic allocation, the program's distributional effects are a byproduct of the applicant pool and scoring criteria rather than a designed structural feature.

Additionally, the program is structured to conform closely to the federal LIHTC framework, with the state credit allocated to a project capped at the amount of the federal credit for that same project. This model, common among the 24 states that operate their own LIHTC programs, reduces administrative complexity by relying on the federal program's underwriting, eligibility, and compliance infrastructure rather than creating a parallel state-specific process. Rather than functioning as an independent subsidy, the state credit acts as a supplemental tool that helps make marginal projects financially feasible within the existing federal allocation system. The program's modest scale, reliance on the federal credit structure, and demonstrated economic activity support a finding that the Affordable Housing Tax Credit provides a limited but positive contribution to the state's economic development goals, without independently constituting a decisive competitive advantage relative to peer states.



However, the intent of the program operates primarily at the project level: to help make specific affordable housing developments financially viable that would not otherwise attract private investment. The broader macroeconomic effects that flow from this activity, such as job creation, tax revenue, and economic output, are real but are best understood as downstream of the program's core purpose of closing individual project financing gaps, rather than as evidence that the credit itself functions as a macroeconomic competitive lever for the state.



Incentive Benchmarking



Benchmarking Introduction

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are ‘perfect peers’ – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis. It is rare that any two state incentive programs will be exactly the same, but the primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs, as is often the case with state affordable housing tax credits. These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentive benchmarking typically begins with bordering states because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

Peer State Incentives: Key Findings

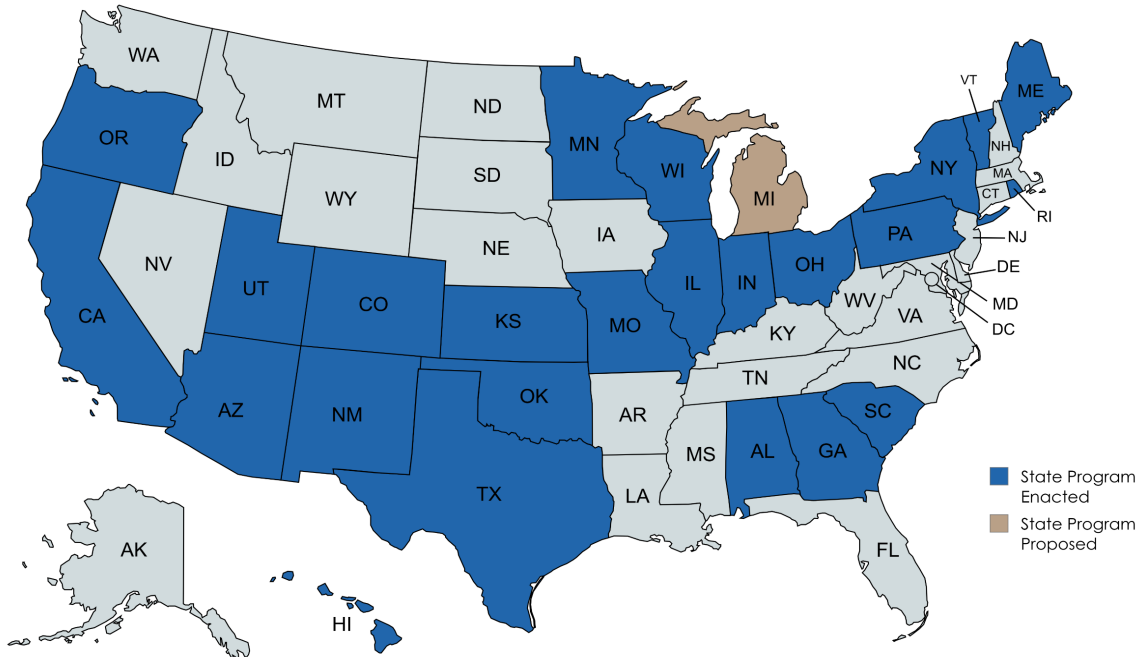
The following summarizes comparable programs offered in other states; a detailed comparison is provided in **Appendix A**.

As of 2025, as illustrated in the following figure, 24 states have enacted their own state-level LIHTC programs, while one state (Michigan) is currently considering (but has not yet enacted) them. 25 states do not currently offer state tax credits. Among Oklahoma’s neighboring states, Colorado, Kansas, Missouri, New Mexico and Texas offer state credits, while Arkansas does not.⁴¹

⁴¹ Novogradac, “2025 State Tax Credit Information.” Accessed electronically at <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/2025-state-tax-credit-information>



Figure 4: Comparable State LIHTC Programs



Created with mapchart.net

Source: Novogradac Affordable Housing Resource Center

While, as referenced previously, state affordable housing tax credit programs generally piggyback on the federal credit, states employ a variety of approaches to how their credits are structured and awarded. Key program parameters among the programs are described in the following:⁴²

- **Annual Allocation:** States typically employ one of two approaches to allocating state credits: setting a fixed dollar amount, or tying the allocation to the federal credit. Oklahoma uses the fixed-dollar approach, with an annual cap of \$4 million, placing it among the more modestly funded state programs. By comparison, California estimates \$625 million available in 2025, Georgia has approximately \$34.5 million, Colorado has \$33 million, and Missouri allocates roughly \$14.3 million for 9 percent projects and \$5 million for 4 percent projects. Even among states with smaller programs, Oklahoma's cap is relatively low: Alabama has \$5 million available annually, Indiana provides \$6 million, and Kansas and Utah each provide approximately \$8.9 million and \$10 million respectively.
- **Individual Award Amounts:** States vary in their approach to setting award amounts for individual projects. In Oklahoma, the state credit allocated to a project cannot exceed the federal credit allocation for the same project, though the two are no longer required to match dollar for dollar following changes enacted in 2022. Arkansas sets its state credit for a given project at a percentage

⁴² Novogradac, "2025 State Tax Credit Information." Accessed electronically at <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/2025-state-tax-credit-information>



of the federal credit amount for that project. Missouri structures its 4 percent state credit program separately from its 9 percent program, with the 4 percent program capped at \$5 million annually (\$50 million over 10 years). Indiana caps its state credit at the lesser of the development's anticipated federal 4 percent credit amount or \$6 million in aggregate.

- **Credit Period:** In alignment with the federal LIHTC, many state credits, including Oklahoma's, have a 10-year credit period. Other state programs use shorter terms: Illinois uses a one-year credit period, Maine also uses one year, California allows up to four years, and Colorado's program runs six years. Among programs similar in scale to Oklahoma's, Georgia, Missouri, Alabama, Kansas, New York, and Utah all use 10-year credit periods.
- **Compliance Period:** The compliance period during which time tax credit projects must continue to enforce affordability provisions generally extends far beyond the credit term. Like Oklahoma, Arkansas has a 15-year compliance period. In Massachusetts, the credit has a compliance period of 45 years, an example of a state whose program is much longer than the credit term (5 years).
- **Eligibility Requirements:** State programs vary considerably in the types of federal credits they support. Oklahoma's program currently supports 4 percent credits paired with bond financing. Several states – including Georgia, Missouri, New York, Utah, Colorado, Illinois, and Kansas – support both 9 percent and 4 percent projects. Alabama, South Carolina, and Pennsylvania limit their state credits to 9 percent projects. Maine and Vermont, like Oklahoma, support the 4 percent credits. California and New York both have broader eligibility frameworks and income targeting that differ from the federal baseline. California, for instance, requires developers who receive state credits to pay the state prevailing wage.

Other State Strategies to Address Affordable Housing Challenges

- The Massachusetts Local Initiative Program (LIP) encourages the creation of affordable housing by providing technical assistance to communities and developers who are working together to create affordable rental opportunities.⁴³ Unlike conventional housing subsidy programs in which a state or federal agency must approve every aspect of financing, design and construction, LIP allows most of these decisions to be made by the municipality.⁴⁴
- Some states, such as California and Oregon, now allow construction of small multi-family buildings, accessory dwelling units and other types of housing in areas previously zoned for single-family homes.⁴⁵ Texas passed legislation in 2025 aimed at easing the shortage of housing in the state, passing bills to allow developers to build multi-family housing on any land zoned for office, retail, or warehouse use without the need for a separate zoning change. A different law reduced the statewide minimum lot size in new single-family subdivisions in larger cities, allowing lots as small as 3,000 sq/ft.⁴⁶

⁴³ Commonwealth of Massachusetts, "Local Initiative Program." Accessed electronically at <https://www.mass.gov/service-details/local-initiative-program>

⁴⁴ LIP regulations and guidelines address program components that must be reviewed and approved by the Massachusetts Department of Housing and Community Development (e.g., incomes of households served, fair marketing, profit limitation and establishing long-term affordability for the units which are built).

⁴⁵ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing, 2022." Accessed electronically at

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2022.pdf

⁴⁶ Pew Charitable Trusts, "New Texas Laws Put State on Path to Improved Housing Affordability," (July 10, 2025). Accessed at <https://www.pew.org/en/research-and-analysis/articles/2025/07/10/new-texas-laws-put-state-on-path-to-improved-housing-affordability>



Benchmarking Program Evaluations

Several studies, reports and evaluations exist regarding the efficacy and/or impacts of state affordable housing incentive programs. Although federal and state LIHTCs are widely popular, many are critical of their effectiveness as a tool relative to other approaches.

- A 2018 study by the Urban Institute found that, compared with other forms of housing assistance, the LIHTC as a tool, generally, is an economically inefficient method for producing affordable rental housing because the time consuming and complex process of allocating and awarding tax credits drives up the transaction costs of affordable rental housing deals. The report references a study from the State of Washington, which found that it frequently takes twice as long to put together a LIHTC-financed project than one that is market rate, in turn contributing to higher legal and other transaction costs.⁴⁷
- An October 2020 study of California's low-income housing tax credits, conducted by Smart Cities Prevail, examined who benefits from the program and how the State could better utilize the credits to address its ongoing housing crisis. Among the study's key findings were:⁴⁸
 - LIHTC subsidies disproportionately benefit wealth investors and often provide more subsidies than are needed to finance projects
 - Every \$1.00 in federal tax credits generates \$0.94 in affordable housing construction, and each \$1.00 in state tax credits generates \$0.80 for housing projects
 - LIHTCs deepen the economic burdens plaguing California's homebuilding workforce
- A 2022 evaluation of Georgia's low-income housing tax credit concluded that the state incentive costs Georgia \$362.2 million per year, absent the "but for" analysis of development. The report concluded that the federal LIHTC has a much larger positive economic impact on the state and that 25 percent of LIHTC units placed in service since the enactment of the incentive in 2000 are attributable to the state credit.⁴⁹
- A 2021 Report by the Missouri Accelerated Redemption Study Committee⁵⁰: In 2017, the Governor's Committee on Simple, Fair and Low Taxes found that the state's LIHTC returned \$0.42 of housing for every state dollar invested. The Committee recommended that the program be converted into a low-interest loan program for affordable housing construction. "This will result in the same amount of money being available for low-income housing construction, without wasting millions on well-connected insiders. Also, the Committee recommends that the state repurchase outstanding LIHTCs

⁴⁷ The Urban Institute, "The Low-Income Housing Tax Credit: How It Works and Who It Serves," (July 2018). Accessed electronically at <https://www.urban.org/research/publication/low-income-housing-tax-credit-how-it-works-and-who-it-serves>

⁴⁸ Smart Cities Prevail, "Low Income Housing Tax Credits: Assessing the Costs, Impacts and Policy Implications of Tax Subsidies for Affordable Housing," (October 2020). Accessed electronically at https://www.smartcitiesprevail.org/wp-content/uploads/2020/10/SS_LIHTC_HousingCrisis_report_Oct2020.pdf

⁴⁹ Andrew Young School Fiscal Research Center at Georgia State University, "Tax Incentive Evaluation: Georgia Low-Income Housing Tax Credit," (June 2022). Accessed electronically at <https://www.novoco.com/sites/default/files/atoms/files/georgia-lihtc-evaluation-06132022.pdf>

⁵⁰ Missouri Housing Development Corporation, "2021 Report of the Missouri Accelerated Redemption Study Committee," (June 22, 2021). Accessed electronically at <https://www.novoco.com/sites/default/files/atoms/files/missouri-lihtc-accelerated-pilot-program-report-06222021.pdf>



in exchange for state issued bonds, a proposal that may save Missouri taxpayers \$200-250 million over the next 10 years.”⁵¹

⁵¹ Missouri Governor’s Committee on Simple, Fair and Low Taxes, “Tax Credit Reform: Recommendations to Make Missouri a Best-in-Class State,” (June 30, 2017). Accessed electronically at https://www.novoco.com/sites/default/files/atoms/files/missouri_governor_committee_tax_reform_063017.pdf



Appendices



Appendix A: State Low Income Housing Tax Credit Programs

State	Estimated Credits Available in 2022 (\$ Millions)	Based on Federal LIHTC?	Credit Period (Compliance)	Type(s) of Credit	Certificated or Allocated?*
Oklahoma	\$4,000,000	Yes	10	4%	Allocated
Alabama	\$5,000,000	Yes	10	9%	Allocated
Arizona	4,000,000	Yes	10	9%, 4% and State	Allocated
California	\$625,000,000	Yes	4	9%, 4%	Both
Colorado	\$33,000,000	Yes	6	9%, 4%, and State	Allocated but able to be certificated when governmental owner
Georgia	\$34,520,127	Yes	10	9%, 4%	Allocated
Hawaii	\$4,161,900	Yes	5	The state LIHTC is 50% of the federal allocation for both 9% and 4% and is awarded in conjunction with the federal award.	Allocated
Illinois	\$27,344,222	Yes	1	9%, 4%	Allocated
Indiana	\$6,000,000	Yes	5	The aggregate state tax credit request per development must be less than or equal to the development's anticipated federal 4% LIHTC aggregate credit amount, with a cap of \$6 million	Both
Kansas	\$8,868,687	Yes	10	9%, 4%	Allocated
Maine	\$13,171,317	Yes	1	4%	Allocated
Minnesota	\$9,900,000	Yes	10	Deferred Loans	Certificated
Missouri	\$14,313,385 for 9%; \$5,000,000 (\$50,000,000 over 10 years) for 4%	Yes	10	9%, 4%	Allocated
New Mexico	\$6,000,000	Yes	Donors may claim any remaining balance against tax liabilities up to five years from certification.	State tax credits are available to individuals and businesses that provide donations to help build affordable housing in New Mexico. The credit is equal to up to 50 percent of the value of the donation. Donations may include land, buildings, cash, or services. Tax credits may be applied to state income tax, gross receipts tax and compensating tax burdens.	Both (allocated by the state and certificated to donors by Housing New Mexico)
New York	\$15,000,000	Yes	10	9%, 4%	Both
Ohio	\$112,500,000	Yes	10	4%	Allocated



State	Estimated Credits Available in 2022 (\$ Millions)	Based on Federal LIHTC?	Credit Period (Compliance)	Type(s) of Credit	Certificated or Allocated?*
Oregon (AWHTC)	\$16,750,000	Yes	10	9%, 4% , AWHTC (Agriculture Workforce Housing Tax Credit)	Certificated
Oregon (OAHTC)	\$35,000,000	Yes	Up to 20	OAHTCs (Oregon Affordable Housing Tax Credit)	Certificated
Pennsylvania	\$10,000,000	Yes	5	9%	Both
Rhode Island	\$30,000,000	Yes	5	4%	Both
South Carolina	\$16,000,000	Yes	10	9%	Allocated
Texas	\$2,500,000	Yes	10	Credit is against state franchise and insurance taxes	Certificated
Utah	\$10,000,000	Yes	10	9%, 4%	Allocated
Vermont	\$400,000	Yes	5	4%	Allocated
Wisconsin	\$7,000,000	Yes	6	4%	Both

Source: Novogradac Affordable Housing Resource Center: State LIHTC Program Descriptions

* State credits are either allocated credits – like federal LIHTCs – or certificated. In the allocated credits model, credits are awarded to developers who allocate the credits to an investor partner. Typically, this is done in the form of a limited partnership interest. Certificated credits are sold outright to taxpayers who take no ownership in the affordable housing development. For more information, see Novogradac's Affordable Housing Resource Center, accessed electronically at <https://www.novoco.com/resource-centers/affordable-housing-tax-credits>

** New Mexico tax credits may be applied to state income tax, gross receipts tax and compensating tax burdens



Appendix B: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (Impact Analysis for PLANning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the Event as defined by the user (i.e., a \$10 million order is a \$10 million direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes. Finally, the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.



Appendix C: Oklahoma Affordable Housing Act - 68 OK Stat § 2357.403

- A. This act shall be known and may be cited as the "Oklahoma Affordable Housing Act".
- B. As used in this section:
 - 1. "Allocation year" means the year for which the Oklahoma Housing Finance Agency allocates credits pursuant to this section;
 - 2. "Eligibility statement" means a statement authorized and issued by the Oklahoma Housing Finance Agency certifying that a given project qualifies for the Oklahoma Affordable Housing Tax Credit authorized by this section. The Oklahoma Housing Finance Agency, under Title 330, Oklahoma Housing Finance Agency, Chapter 36, Affordable Housing Tax Credit Program Rules, shall promulgate rules establishing criteria upon which the eligibility statements will be issued. The eligibility statement shall specify the amount of Oklahoma Affordable Housing Tax Credits allocated to a qualified project. The Oklahoma Housing Finance Agency shall only authorize the tax credits created by this section to qualified projects which are placed in service after July 1, 2015, but which shall not be used to reduce tax liability accruing prior to January 1, 2016;
 - 3. "Federal low-income housing tax credit" means the federal tax credit as provided in Section 42 of the Internal Revenue Code of 1986, as amended;
 - 4. "Oklahoma Affordable Housing Tax Credit" means the tax credit created by this section;
 - 5. "Qualified project" means a qualified low-income building as that term is defined in Section 42 of the Internal Revenue Code of 1986, as amended; and
 - 6. "Taxpayer" means a person, firm or corporation subject to the tax imposed by Section 2355 of this title or an insurance company subject to the tax imposed by Section 624 or 628 of Title 36 of the Oklahoma Statutes or other financial institution subject to the tax imposed by Section 2370 of this title.
- C. For qualified projects placed in service after July 1, 2015, the amount of state tax credits created by this section which are allocated to a project shall not exceed that of the federal low-income housing tax credits for a qualified project. The total Oklahoma Affordable Housing Tax Credits allocated to all qualified projects for an allocation year shall not exceed Four Million Dollars (\$4,000,000.00). For purposes of this section, the "credit period" shall mean the period of ten (10) taxable years and "placed in service" shall have the same meaning as is applicable under the federal credit program. Reallocated and rolled over credits will count against the four-million-dollar limit of their original allocation year and not count against the limit of the year in which they are allocated.
- D. A taxpayer owning an interest in an investment in a qualified project shall be allowed Oklahoma Affordable Housing Tax Credits under this section for tax years beginning on or after January 1, 2016, if the Oklahoma Housing Finance Agency issues an eligibility statement for such project, which tax credit shall be allocated among some or all of the partners, members or shareholders of the taxpayer owning such interest in any manner agreed to by such partners, members or shareholders. Such taxpayer may assign its interest in the investment.
- E. An insurance company claiming a credit against state premium tax or retaliatory tax or any other tax imposed by Section 624 or 628 of Title 36 of the Oklahoma Statutes shall not be required to pay any additional retaliatory tax under Section 628 of Title 36 of the Oklahoma Statutes as a result of claiming the credit. The credit may fully offset any retaliatory tax imposed by Section 628 of Title 36 of the Oklahoma Statutes.
- F. The credit authorized by this section shall not be used to reduce the tax liability of the taxpayer to less than zero (\$0.00).



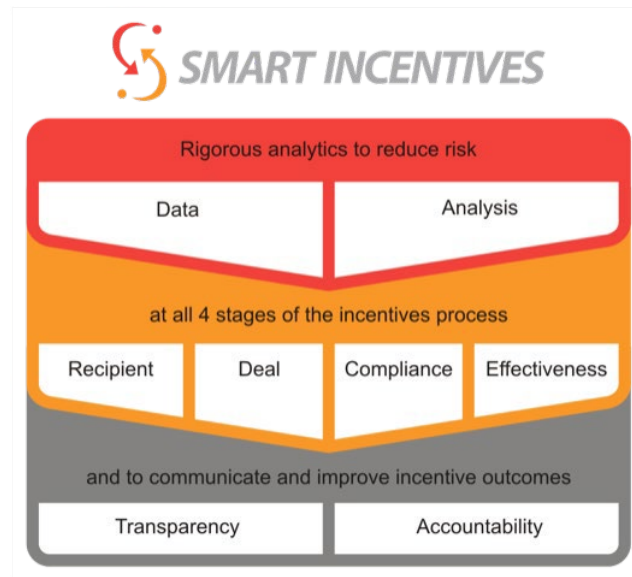
- G. Any credit claimed but not used in a taxable year may be carried forward two (2) subsequent taxable years.
- H. The owner of a qualified project eligible for the credit authorized by this section shall submit, at the time of filing the tax return with the Oklahoma Tax Commission, an eligibility statement from the Oklahoma Housing Finance Agency. In the case of failure to attach the eligibility statement, no credit under this section shall be allowed with respect to such project for that year until required documents are provided to the Tax Commission.
- I. If under Section 42 of the Internal Revenue Code of 1986, as amended, a portion of any federal low-income housing credits taken on a qualified project is required to be recaptured during the first ten (10) years after a project is placed in service, the taxpayer claiming Oklahoma Affordable Housing Tax Credits with respect to such project shall also be required to recapture a portion of such credits. The amount of Oklahoma Affordable Housing Tax Credits subject to recapture shall be proportionally equal to the amount of federal low-income housing credits subject to recapture.
- J. The Oklahoma Housing Finance Agency or the Oklahoma Tax Commission may require the filing of additional documentation necessary to determine the accuracy of a tax credit claimed.
- K. The Oklahoma Affordable Housing Act shall undergo a review every five (5) years by a committee of nine (9) persons, to be appointed three persons each by the Governor, President Pro Tempore of the Senate, and the Speaker of the House of Representatives.



Appendix D: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,⁵² it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

⁵² Three resources in particular were relied upon putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives>; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf



2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.
3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.
4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.
5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.
6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.
7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.
8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.
9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.
10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.