Schedule OR-LENDER Instructions
Lender's Tax Credit

OREGON DEPARTMENT OF REVENUE

2021

This publication is a guide, not a complete statement, of Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR). For more information, refer to the laws and rules at www.oregon.gov/dor.

What types of lenders can claim these credits?

These credits can be claimed by any bank, mortgage banking company, trust company, savings bank, or savings and loan association that maintains an office in Oregon and makes a qualified low-interest loan.

What types of loans qualify for the credit?

Energy conservation measures (loans made on or after January 1, 1982 and before January 1, 2012). ORS 317.112.

- The loan must be for the purchase and/or installation of items primarily designed to improve the efficiency of space heating and energy utilization of a dwelling. Please see Oregon Department of Energy (ODOE) Administrative Rule 330-060-010 for qualifying items. The term "dwelling" includes mobile homes, floating homes, and apartments, but does not include recreational vehicles.
- The loan must be made to the owner of an oil- or wood-heated dwelling.
- The borrower must have obtained an energy audit conducted by a fuel oil dealer, investor-owned utility, publicly owned utility, or through ODOE.
- A credit is not allowable to the extent the loan exceeds the following for a single dwelling unit:
  - —$2,000 to a corporation operating a nonprofit home for the elderly described in ORS 307.375, or
  - —$5,000.

Affordable housing (loans made on or after January 1, 1990 and before January 1, 2026). ORS 317.097.

For certifications issued before September 27, 2007 the following criteria apply:

- The loan can be made to a qualified borrower to finance construction, rehabilitation, or development of housing. To qualify, the project must receive certification from the Oregon Housing and Community Services Department (HCSD) that:
  - —It will be occupied by households earning less than 80 percent of the area median income, and
  - —The full amount of savings from the reduced interest rate provided by the lending institution is or will be passed on to the tenants in the form of reduced housing payments, regardless of other subsidies provided to the housing project.
- The loan can be made to individuals who participate in a community rehabilitation program. To qualify, the borrower must own the dwelling and be certified by a local government or its designated agent as having an income level of less than 80 percent of the area median income.
- The loan can be made to refinance an existing loan that meets the requirements listed above.
- The credit can be claimed over the shorter of the term of the loan or the period approved by HCSD not to exceed 20 years.
- The lending institution can sell the loan to a qualified assignee and retain the credit.

For certifications issued on or after September 27, 2007 the following criteria apply:

- The loan can be made to a qualified borrower to finance construction, development, acquisition, or rehabilitation of housing. To qualify, the project must receive certification from the HCSD that:
  - —It will be occupied by households earning less than 80 percent of the area median income, and
  - —The full amount of savings from the reduced interest rate provided by the lending institution is or will be passed on to the tenants in the form of reduced housing payments, regardless of other subsidies provided to the housing project.
- The loan can be made to a qualified borrower to finance construction, development, acquisition, or acquisition and rehabilitation of a manufactured dwelling park. To qualify, the project must receive certification from the Oregon Housing and Community Services Department that the housing will be operated as a manufactured dwelling park for the time period that the credit will be allowed.
- The loan can be made to a qualified borrower to finance acquisition or acquisition and rehabilitation of housing consisting of a preservation project. To qualify, the project must receive certification from HCSD that:
  - —It will be occupied by households earning less than 80 percent of the area median income, and
  - —The housing has a rent assistance contract with the United States Department of Housing and Urban Development or the United States Department of Agriculture.

- The loan can be made to an individual who participates in a community rehabilitation program. To qualify, the borrower must own the dwelling and be certified by a local government or its designated agent as having an income level of less than 80 percent of the area median income.
- The loan can be made to refinance an existing loan that meets the requirements listed above.
- The credit can be claimed over the shorter of the term of the loan or the period approved by the Oregon Housing and Community Services Department not to exceed 20 years.
- The lending institution can sell the loan to a qualified assignee and retain the credit.

What interest rate can be charged on a qualified loan?

Energy conservation measures. The interest rate can't exceed 6.5 percent annually.

Affordable housing. The interest rate charged must be less than the market rate for a similar nonqualifying loan made at the same time under like terms and conditions as the qualifying loan.

How is the amount of credit computed?

Energy conservation measures. The credit is the difference between the interest charged at 6.5 percent on qualifying loans and the interest that would have been charged calculated as follows: For each qualifying loan, use the lesser of the interest rate set by ODOE prior to making the loan or the interest rate charged on nonqualifying loans made at the same time.

Note: For loans made after September 27, 1987 interest charged on any loan fee included in the body of the loan must be included in computing the credit.

Affordable housing. The credit is the difference between the finance charge (including the loan fee) for the loan and the market rate finance charge that would have been charged by the lender on similar nonqualifying loans made at the same time under like terms and conditions. The difference is limited to 4 percent of the average unpaid balance of the loan during the tax year for which the credit is claimed.

When can the credit be claimed?

Energy conservation measures. Taxable years and loans made beginning on or after January 1, 1982 and before January 1, 2012.

Affordable housing. Taxable years and loans made beginning on or after January 1, 1990 and before January 1, 2026.

What happens if the credit exceeds the tax?

Credits. For tax years beginning on or after January 1, 2001 a taxpayer claiming a credit against tax must claim the full amount of any credit that is allowed for the tax year, to the extent of the tax liability.

Energy conservation measures. Tax credits for loans made on or after September 29, 1991 are not refundable but are eligible for a 15-year carryforward.

Affordable housing. The excess credit allowed within the 4 percent limitation can be carried forward for up to five years. Unused credits from tax years starting before January 1, 1995, may be carried forward 5 years.

What evidence must the lender keep on file and provide with tax return to verify the claimed credit?

Energy conservation measures. The lender must retain a copy of the loan application and a copy of the energy audit and space heat certification. Also, provide a copy of the certification with your tax return.

Affordable housing. The lender must retain a copy of the loan application and a copy of the certificate issued by HCSD, a local government entity, or its designated agent. Also, provide a copy of the certification with your tax return.

In addition, for all qualifying loans, the lender must prepare and retain a list of all loans made (by type) and show each borrower's name, address, and Social Security number (SSN) or federal identification number (provided the borrower has signed an authorization to disclose this information) and the amount and date of the loan. If the borrower has not signed a disclosure authorization, then the loan number should be entered in lieu of name, address, and SSN or federal identification number.

Do you have questions or need help?

www.oregon.gov/dor
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questions.dor@dor.oregon.gov

Contact us for ADA accommodations or assistance in other languages.