

SHORT TITLE: Revenue and taxation; Oklahoma Tourism Development Act; granting sales tax credits in connection with certain tourism development projects; duties of Tourism and Recreation Department and Tax Commission; effective date.

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

SENATE BILL NO. 762

By: Rabon

AS INTRODUCED

An Act relating to revenue and taxation; creating the Oklahoma Tourism Development Act; providing short title; specifying legislative findings; defining terms; specifying certain duties of Director of Oklahoma Department of Tourism and Recreation and Oklahoma Tourism and Recreation Commission; providing procedures for applying for and granting inducements to eligible companies and tourism attraction projects; requiring Director to promulgate certain rules; providing procedures for preliminary and final approval; specifying criteria and providing for adoption of standards therefor; providing for engaging of consultant for certain purposes and for payment of costs of certain reports; providing for appeal from decision of Director; providing procedures for entering into agreements with approved companies; specifying terms and provisions of such agreements; providing that agreement not be transferable or assignable without consent of Director; providing that approved company be liable for taxes, penalties and interest resulting from disallowance of sales tax credits; specifying certain duties of Oklahoma Tax Commission; granting sales tax credits to approved companies under certain circumstances; specifying amounts thereof; specifying time period within

which such credit memoranda may be issued;
providing certain limitations; providing that
approved company not be under obligation to refund
or return sales tax credit to person from whom
sales tax collected; requiring certain
certification; allowing promulgation of certain
rules, forms and instructions; granting certain
authority to Tax Commission; providing for
codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 50200 of Title 68, unless there
is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Oklahoma
Tourism Development Act".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 50201 of Title 68, unless there
is created a duplication in numbering, reads as follows:

The Legislature hereby finds:

1. That the general welfare and material well-being of the
citizens of the State of Oklahoma depend, in large measure, upon the
development of tourism attractions in this state;

2. That it is in the best interests of the citizens of this
state to induce the creation of new or the expansion of existing
tourism attractions within this state in order to advance the public
purposes of relieving unemployment by preserving and creating jobs
that would not exist if not for the inducements to be offered by
this state to approved companies, and by preserving and creating

sources of tax revenues for the support of public services provided by this state;

3. That the authority prescribed by this act, and the purposes to be accomplished under the provisions of this act, are proper governmental and public purposes for which public funds may be expended; and

4. That the inducement of the creation or expansion of tourism attraction projects is of paramount importance, mandating that the provisions of this act be liberally construed and applied in order to advance public purposes.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50202 of Title 68, unless there is created a duplication in numbering, reads as follows:

As used in this act:

1. "Agreement" means an agreement entered into pursuant to Section 6 of this act, by and between the Director and an approved company, with respect to a tourism attraction project;

2. "Approved company" means any eligible company that is seeking to undertake a tourism attraction project and is approved by the Director pursuant to Sections 5 and 6 of this act;

3. "Approved costs" means:

- a. obligations incurred for labor and to vendors, contractors, subcontractors, builders and suppliers in connection with the acquisition, construction, equipping and installation of a tourism attraction project,
- b. the costs of acquiring real property or rights in real property in connection with a tourism attraction project, and any costs incidental thereto,
- c. the costs of contract bonds and of insurance of all kinds that may be required or necessary during the course of the acquisition, construction, equipping and

installation of a tourism attraction project which is not paid by the vendor, supplier, contractor, or otherwise provided,

- d. all costs of architectural and engineering services including, but not limited to, estimates, plans and specifications, preliminary investigations, and supervision of construction and installation, as well as for the performance of all the duties required by or consequent to the acquisition, construction, equipping and installation of a tourism attraction project,
- e. all costs required to be paid under the terms of any contract for the acquisition, construction, equipping and installation of a tourism attraction project,
- f. all costs required for the installation of utilities in connection with a tourism attraction project including, but not limited to, water, sewer, sewage treatment, gas, electricity and communications, and including off-site construction of utility extensions paid for by the approved company, and
- g. all other costs comparable with those described in this paragraph;

4. "Director" means the Director of the Oklahoma Department of Tourism and Recreation or his or her designated representative;

5. "Eligible company" means any corporation, limited liability company, partnership, sole proprietorship, business trust or any other entity, operating or intending to operate a tourism attraction project, whether owned or leased, within this state that meets the standards promulgated by the Director pursuant to Section 4 of this act;

6. "Final approval" means the action taken by the Director authorizing the eligible company to receive inducements under Section 7 of this act;

7. "Increased state sales tax liability" means that portion of an approved company's reported state sales tax liability resulting from taxable sales of goods and services to its customers at the tourist attraction for any monthly sales tax reporting period after the approved company provides the certification required by subsection B of Section 7 of this section, which exceeds the reported state sales tax liability for sales to its customers for the same month in the calendar year immediately preceding such certification;

8. "Inducements" means the sales tax credit as prescribed in Section 7 of this act;

9. "Preliminary approval" means the action taken by the Director conditioned upon final approval by the Director upon satisfaction by the eligible company of the requirements of this act;

10. a. "Tourism attraction" means:

- (1) a cultural or historical site,
- (2) a recreational or entertainment facility,
- (3) an area of natural phenomenon or scenic beauty,
- (4) a theme park,
- (5) an amusement or entertainment park,
- (6) an indoor or outdoor play or music show,
- (7) a botanical garden, or
- (8) a cultural or educational center.

b. A tourism attraction shall not include:

- (1) lodging facilities, unless the facilities constitute a portion of a tourism attraction project and represent less than fifty percent

(50%) of the total approved costs of the tourism attraction project,

- (2) facilities that are primarily devoted to the retail sale of goods, unless the goods are created at the site of the tourism attraction project or if the sale of goods is incidental to the tourism attraction project,
- (3) facilities that are not open to the general public,
- (4) facilities that do not serve as a likely destination where individuals who are not residents of this state would remain overnight in commercial lodging at or near the tourism attraction project,
- (5) facilities owned by the State of Oklahoma or a political subdivision of this state, or
- (6) facilities established for the purpose of conducting legalized gambling. However, a facility regulated under Section 200 et seq. of Title 3A of the Oklahoma Statutes shall be a tourism attraction for purposes of this act for any approved project as outlined in subparagraph a of this paragraph or for an approved project relating to pari-mutuel racing at the facility and not for establishing a casino or for offering casino-style gambling; and

11. "Tourism attraction project" or "project" means:

- a. the acquisition, including the acquisition of real estate by leasehold interest with a minimum term of ten (10) years, construction, and equipping of a tourism attraction, and

- b. the construction and installation of improvements to facilities necessary or desirable for the acquisition, construction, and installation of a tourism attraction, including, but not limited to:
 - (1) surveys,
 - (2) installation of utilities, which may include:
 - (a) water, sewer, sewage treatment, gas, electricity, communications, and similar facilities, and
 - (b) off-site construction of utility extensions to the boundaries of the real estate on which the facilities are located,
- all of which are to be used to improve the economic situation of the approved company in a manner that shall allow the approved company to attract tourists.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50203 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. The Director, with approval of the Oklahoma Tourism and Recreation Commission, shall establish standards for the making of applications for inducements to eligible companies and their tourism attraction projects by the promulgation of rules in accordance with the Administrative Procedures Act.

B. With respect to each eligible company making an application to the Director for inducements, and with respect to the tourism attraction project described in the application, the Director shall make inquiries and request materials of the applicant that shall include, but shall not be limited to:

- 1. Marketing plans for the project that target individuals who are not residents of this state;
- 2. A description and location of the project;

3. Capital and other anticipated expenditures for the project that indicate that the total cost of the project shall exceed Five Hundred Thousand Dollars (\$500,000.00) and the anticipated sources of funding therefor;

4. The anticipated employment and wages to be paid at the project;

5. Business plans which indicate the average number of days in a year in which the project will be in operation and open to the public; and

6. The anticipated revenues and expenses generated by the project.

Based upon a review of these materials, if the Director determines that the eligible company and the tourism attraction project may reasonably be expected to satisfy the criteria for final approval in subsection C of this section, then the Director may consider granting a preliminary approval of the eligible company and the tourism attraction project pursuant to subsection B of Section 5 of this act.

C. After granting a preliminary approval, the Director shall engage the services of a competent consulting firm which shall submit to the Director a report analyzing the data made available by the eligible company and which shall collect and analyze additional information necessary to determine that, in the independent judgment of the consultant, the tourism attraction project:

1. Shall attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of this state;

2. Shall have costs in excess of Five Hundred Thousand Dollars (\$500,000.00);

3. Shall have a significant and positive economic impact on this state considering, among other factors, the extent to which the tourism attraction project will compete directly with existing tourism attractions in this state, and the amount by which increased

tax revenues from the tourism attraction project will exceed the sales tax credit allowed pursuant to Section 7 of this act;

4. Shall produce sufficient revenues and public demand to be operating and open to the public on a regular and persistent basis; and

5. Shall not adversely affect existing employment in this state.

D. The eligible company shall pay for the cost of the consultant's report and shall cooperate with the consultant and provide all of the data that the consultant deems necessary to make a determination of this section.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50204 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. The Director, with the approval of the Oklahoma Tourism and Recreation Commission, shall establish standards for preliminary approval and final approval of eligible companies and their projects by the promulgation of rules in accordance with the Administrative Procedures Act.

B. The Director may give preliminary approval by designating an eligible company as a preliminarily approved company and preliminarily authorizing the undertaking of the tourism attraction project.

C. The Director shall review the report of the consultant prepared pursuant to subsection C of Section 4 of this act and other information that has been made available to the Director in order to assist the Director in determining whether the tourism attraction project will further the purposes of this act.

D. The criteria for final approval of eligible companies and tourism attraction projects shall include, but shall not be limited to, the criteria set forth in subsection C of Section 4 of this act.

E. After a review of the relevant materials, the consultant's report, other information made available to the Director, and completion of other inquiries, the Director may give final approval to the eligible company's application for a tourism attraction project and may grant to the eligible company the status of an approved company. The decision reached by the Director may be appealed by the eligible company to the Oklahoma Tourism and Recreation Commission. The decision of the Oklahoma Tourism and Recreation Commission shall constitute the final administrative decision of the Oklahoma Department of Tourism and Recreation.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50205 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Upon granting final approval, the Director may enter into an agreement with an approved company with respect to its tourism attraction project. The terms and provisions of each agreement shall include, but shall not be limited to:

1. The amount of approved costs, which shall be determined by negotiations between the Director and the approved company;

2. A date certain by which the approved company shall have completed the tourism attraction project. Within three (3) months of the completion date, the approved company shall document the actual cost of the tourism attraction project through a certification of such costs by an independent certified public accountant acceptable to the Director; and

3. The following provisions:

a. the term of the agreement shall be ten (10) years from the later of:

(1) the date of the final approval of the tourism attraction project, or

(2) the completion date specified in the agreement, if such completion date is within two (2) years

of the date of the final approval of the tourism attraction project. However, the term of the agreement may be extended for up to two (2) additional years by the Director, with the advice and consent of the Oklahoma Tax Commission, if the Director determines that the failure to complete the tourism attraction project within two (2) years resulted from:

- (a) unanticipated and unavoidable delay in the construction of the tourism attraction project,
 - (b) an original completion date for the tourism attraction project, as originally planned, which will be more than two (2) years from the date construction began, or
 - (c) a change in business ownership or business structure resulting from a merger or acquisition,
- b. in any sales tax reporting period during which an agreement is in effect, if the increased state sales tax liability of the approved company exceeds the state sales tax credit available to the approved company, then the approved company shall pay the excess to this state as sales tax,
- c. within forty-five (45) days after the end of each calendar year, the approved company shall supply the Director with such reports and certifications as the Director may request demonstrating to the satisfaction of the Director that the approved company is in compliance with the provisions of this act, and
- d. the approved company shall not receive a credit against the sales tax imposed by Section 1350 et seq.

of Title 68 of the Oklahoma Statutes with respect to any calendar year if:

- (1) in any calendar year following the fourth year of the agreement, the tourism attraction project fails to attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of this state, or
- (2) in any calendar year following the first year of the agreement, the tourism attraction project is not operating and open to the public on a regular and consistent basis.

B. The agreement shall not be transferable or assignable by the approved company without the written consent of the Director.

C. If the approved company utilizes sales tax credits which are subsequently disallowed, then the approved company will be liable for the payment to the Oklahoma Tax Commission of all taxes resulting from the disallowance of the credits plus applicable penalties and interest.

D. The Director shall provide a copy of each agreement entered into with an approved company to the Oklahoma Tax Commission.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 50206 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Upon receiving notification from the Director that an approved company has entered into a tourism project agreement and is entitled to the sales tax credits provided by this act, the Oklahoma Tax Commission shall provide the approved company with such forms and instructions as are necessary to claim those credits.

B. An approved company whose agreement provides that it shall expend approved costs of more than Five Hundred Thousand Dollars (\$500,000.00) but less than One Million Dollars (\$1,000,000.00) shall be entitled to a credit if the company certifies to the

Oklahoma Tax Commission that it has expended at least Five Hundred Thousand Dollars (\$500,000.00) in approved costs, and the Director certifies that the approved company is in compliance with this act. The Oklahoma Tax Commission shall then issue a sales tax credit memorandum to the approved company granting a sales tax credit equal to ten percent (10%) of the approved costs. Subsequent requests for credit for additional certified approved costs in excess of Five Hundred Thousand Dollars (\$500,000.00) but less than One Million Dollars (\$1,000,000.00) shall result in a sales tax credit equal to ten percent (10%) of the approved costs.

An approved company whose agreement provides that it shall expend approved costs in excess of One Million Dollars (\$1,000,000.00) shall be entitled to a credit if the company certifies to the Oklahoma Tax Commission that it has expended at least One Million Dollars (\$1,000,000.00) in approved costs and the Director certifies that the approved company is in compliance with this act. The Oklahoma Tax Commission shall then issue a sales tax credit memorandum to the approved company granting a sales tax credit equal to twenty-five percent (25%) of the approved costs. The credit on all subsequent additional certified approved costs shall be equal to twenty-five percent (25%) of the costs.

The Oklahoma Tax Commission may require proof of expenditures. Additional credit memoranda may be issued as the approved company certifies additional expenditures of approved costs.

No sales tax credit memorandum shall be issued for any approved costs expended after the expiration of two (2) years from the date the agreement was signed by the Director and the approved company. However, the Director, with the advice and consent of the Oklahoma Tax Commission, may authorize sales tax credits for approved costs expended up to four (4) years from the date the agreement was signed if the Director determines that the failure to complete the tourism attraction project within two (2) years resulted from:

1. Unanticipated and unavoidable delay in the construction of the tourism attraction project;

2. An original completion date for the tourism attraction project, as originally planned, which will be more than two (2) years from the date construction began; or

3. A change in business ownership or business structure resulting from a merger or acquisition.

C. The credit memorandum issued pursuant to subsection B of this section may be used to offset a portion of the reported state sales tax liability of the approved company for all sales tax reporting periods following the issuance of the credit memorandum subject to the following limitations:

1. Only increased state sales tax liability as defined in this act may be offset by the issued credit;

2. a. an approved company whose agreement provides that it shall expend approved costs in excess of One Million Dollars (\$1,000,000.00) shall be entitled to use only ten percent (10%) of the amount of each issued credit to offset increased state sales tax liability during each calendar year, plus the amount of any unused credit carried forward from a prior calendar year, and
- b. an approved company whose agreement provides that it shall expend approved costs of more than Five Hundred Thousand Dollars (\$500,000.00) but less than One Million Dollars (\$1,000,000.00) shall be entitled to use only twenty percent (20%) of the amount of each issued credit to offset increased state sales tax liability during each calendar year, plus the amount of any unused credit carried forward from a prior calendar year; and

3. All issued credit memoranda shall expire at the end of the month following the expiration of the agreement as provided in Section 6 of this act.

D. The approved company shall have no obligation to refund or otherwise return any amount of this credit to the person from whom the sales tax was collected.

E. By April 1 of each year, the Oklahoma Tax Commission shall certify to the Director the state sales tax liability of the approved companies receiving inducements under this section, and the amount of state sales tax credits taken during the preceding calendar year.

F. The Oklahoma Tax Commission may promulgate rules as are necessary for the proper administration of this act. The Oklahoma Tax Commission may also develop such form and instructions as are necessary for an approved company to claim the sales tax credit provided by this act.

G. The Oklahoma Tax Commission shall have the authority to obtain any information necessary from the approved company and the Director to verify that approved companies have received the proper amounts of sales tax credits as authorized by this act. The Oklahoma Tax Commission shall demand the repayment of any credits taken in excess of the credit allowed by this act.

SECTION 8. This act shall become effective November 1, 1998.

46-2-1780

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