

ENGROSSED SENATE
BILL NO. 1537

By: Paddack and Lawler of the
Senate

and

Hilliard of the House

[revenue and taxation - tax credits relating to the
provision of community services - codification -
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 2357.77 of Title 68, unless
there is created a duplication in numbering, reads as follows:

As used in this act:

1. "Business firm" means any business entity authorized to do
business in this state which is subject to the state income tax
imposed by the provisions of Section 2355 of Title 68 of the
Oklahoma Statutes, any individual subject to the state income tax
imposed by the provisions of Section 2355 of Title 68 of the
Oklahoma Statutes, any national banking association, state bank,
trust company or savings and loan association paying an annual tax
on its net income pursuant to the provisions of Section 2370 of
Title 68 of the Oklahoma Statutes, or any insurance company paying
the premium tax imposed pursuant to the provisions of Section 624
of Title 36 of the Oklahoma Statutes;

2. "Community services" means:

- a. the conduct of activities which meet a demonstrated
community need and which are designed to achieve
improved educational and social services for Oklahoma
children and their families, and which are coordinated

- with communities including, but not limited to, social and human services organizations that address the causes of poverty through programs and services that assist low income persons in the areas of employment, food, housing, emergency assistance and health care,
- b. crime prevention, and
 - c. health care services;

3. "Crime prevention" means any nongovernmental activity which aids in the prevention of crime;

4. "Community service organization" means any organization performing community services in this state and which:

- a. has obtained a ruling from the Internal Revenue Service of the United States Department of the Treasury that such organization is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code,
- b. is incorporated in this state or another state as a nonstock, nonprofit corporation,
- c. has been designated as a community development corporation by the United States government under the provisions of Title VII of the Economic Opportunity Act of 1964, or
- d. is chartered by the United States Congress;

5. "Contribution" means and includes the donation of cash, services or property other than used clothing in an amount or value of Two Hundred Fifty Dollars (\$250.00) or more. Stocks and bonds contributed shall be valued at the stock market price on the date of transfer. Services contributed shall be valued at the standard billing rate for not-for-profit clients. Personal property items contributed shall be valued at the lesser of their fair market value or cost to the donor and may be inclusive of costs incurred in making the contribution, but shall not include sales tax.

Contributions of real estate are allowable for credit only when title thereto is in fee simple absolute and is clear of any encumbrances. The amount of credit allowable shall be based upon the lesser of two current independent appraisals conducted by state licensed appraisers; and

6. "Health care services" includes, but is not limited to, the following:

- a. services provided by local health departments, city, county or district hospitals, city or county nursing homes, or other residential institutions,
- b. preventive health care services offered by a community service organization including, but not limited to, immunizations, prenatal care, the postponement of entry into nursing homes by home health care services, and community based services for persons with a disability,
- c. mental health services,
- d. indigent health care,
- e. physician or health care worker recruitment,
- f. health education,
- g. emergency medical services,
- h. services provided by rural health clinics,
- i. integration of health care services,
- j. home health services, and
- k. services provided by rural health networks; and

7. "Rural community" means any city having a population of fewer than fifteen thousand (15,000) persons located in a county that is not part of a standard metropolitan statistical area as defined by the United States Department of Commerce or its successor agency. However, any such city located in a county defined as a standard metropolitan statistical area shall be deemed a rural community if a substantial number of persons in such county

derive their income from agriculture and, in any county where there is only one city within the county which has a population of more than fifteen thousand (15,000) persons and which classifies as a standard metropolitan statistical area, all other cities in that county having a population of fewer than fifteen thousand (15,000) persons shall be deemed a rural community. As used in this paragraph, population figures shall be based upon the most recent federal decennial census.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.78 of Title 68, unless there is created a duplication in numbering, reads as follows:

For taxable years commencing after December 31, 2006, any business firm which makes a contribution to a community service organization or governmental entity which engages in the activities of providing community services, shall be allowed a credit against the tax imposed by Section 2355 or Section 2370 of Title 68 of the Oklahoma Statutes or Section 624 of Title 36 of the Oklahoma Statutes, if the contribution is for the provision of services approved in a proposal pursuant to the provisions of Section 4 of this act.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.79 of Title 68, unless there is created a duplication in numbering, reads as follows:

The amount of credit allowed pursuant to Section 2 of this act shall not exceed seventy percent (70%) of the total amount contributed during the taxable year by the business firm to a community service organization or governmental entity for programs approved to provide community services in a rural community pursuant to the provisions of Section 4 of this act. The amount of credit allowed pursuant to the provisions of Section 2 of this act shall not exceed fifty percent (50%) of the total amount contributed during the taxable year by the business firm to a

community service organization or governmental entity for other programs approved pursuant to the provisions of Section 4 of this act. If the amount of the credit allowed by this section exceeds the taxpayer's tax liability against which the credit is claimed, such excess amount shall be carried forward for a period not to exceed five (5) tax years.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.80 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. The Incentive Approval Committee created in Section 3603 of Title 68 of the Oklahoma Statutes shall annually review and approve or disapprove each proposal of providers of community services to provide services, in conjunction with soliciting contributions eligible for the tax credit provided for in this act. No proposal for crime prevention shall be approved without the endorsement of one or more agencies of local government within the area in which crime prevention is to be provided. The proposal shall set forth the program to be conducted, why the program is needed, the estimated amount to be invested in the program and the plans for implementing the program.

B. The Oklahoma Department of Commerce and the Oklahoma Tax Commission are hereby authorized to promulgate rules to implement the provisions of this act.

C. Criteria for evaluating such proposals and establishing priorities for such proposals shall include:

1. Proposals that provide for enhanced services for children and families, crime prevention and health care shall receive priority over proposals relating to other subjects;

2. Proposals that will result in additional or improved capital or infrastructure for community service organizations shall receive priority over proposals relating to operations;

3. Proposals by community service organizations that utilize a greater percentage of their contributions directly for community services shall receive priority over proposals by organizations utilizing a greater percentage for administrative expenses; and

4. Proposals that will provide additional or enhanced community services in a rural community shall receive priority over proposals that provide such services in other geographic areas of the state.

D. In addition to the criteria specified in subsection C of this section, the Department shall develop a system for comparing proposals based upon the following:

1. Capability of the community service organization to adequately administer the project;

2. Degree to which the area or population to be served has demonstrated a need for the project;

3. Ability of the community service organization to provide the proposed services over time;

4. Readiness of the community organization to proceed with the project in a timely manner;

5. Demonstrated community support or public support for the project; and

6. Evidence of support from donors.

The Department shall evaluate and prioritize proposals according to the criteria specified in this section.

E. In no event shall the total amount of credits allowed under this section exceed Four Million Five Hundred Thousand Dollars (\$4,500,000.00) for any one fiscal year. The Committee may approve any proposal in whole or in part, subject to the limitations specified in this act. In no event shall the credit exceed Five Thousand Dollars (\$5,000.00) for any individual taxpayer for any one taxable year, nor shall the credit exceed Fifty Thousand

Dollars (\$50,000.00) for any taxpayer other than individual for any one taxable year.

SECTION 5. This act shall become effective November 1, 2006.

Passed the Senate the 28th day of February, 2006.

Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____,
2006.

Presiding Officer of the House
of Representatives