

STATE OF OKLAHOMA

1st Session of the 50th Legislature (2005)

HOUSE BILL 1342

By: Cox

AS INTRODUCED

An Act relating to revenue and taxation; authorizing tax credit equal to loan payments made for educational debt; increasing amount of limit of credit based on each year repayment of debt is made; providing for eligibility for credit; requiring individual to be resident of Oklahoma; prohibiting claiming of credit if individual leaves state; requiring person to be current on payments to be eligible; authorizing Oklahoma Tax Commission to prescribe forms to claim credit; defining term; authorizing tax credit for amount of salary paid to employee by employer; limiting amount of credit; limiting duration of credit; reducing amount of credit under certain circumstances; limiting total amount of credit; authorizing Oklahoma Tax Commission to prescribe forms to claim credit; defining term; 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 2357.101 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. For taxable years beginning after December 31, 2005, there shall be allowed against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes, a credit equal to:

1. Twenty-five percent (25%) of the amount paid by an individual during the first year of repayment of principal or interest or both of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma;

2. Thirty percent (30%) of the amount paid by an individual during the second year of repayment of principal or interest or both

of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma;

3. Thirty-five percent (35%) of the amount paid by an individual during the third year of repayment of principal or interest or both of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma;

4. Forty percent (40%) of the amount paid by an individual during the fourth year of repayment of principal or interest or both of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma;

5. Forty-five percent (45%) of the amount paid by an individual during the fifth year of repayment of principal or interest or both of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma; and

6. Fifty percent (50%) of the amount paid by an individual during the sixth year, and all subsequent years, of repayment of principal or interest or both of indebtedness incurred for the cost of the individual to attend a four-year college or university in the State of Oklahoma.

B. An individual shall only be eligible for the credit provided in subsection A of this section if the person has received an undergraduate or graduate degree from a four-year college or university in the State of Oklahoma.

C. In order to claim the credit provided for in subsection A of this section, the individual must be a resident of the State of Oklahoma during the tax year for which the credit is claimed.

D. Payments made by an individual after the individual changes residence from the State of Oklahoma during a tax year shall not be eligible for the tax credit provided for in subsection A of this section.

E. An individual may only claim the credit provided for in subsection A of this section if the individual was current on the repayment of the indebtedness at the end of the taxable year for which the credit is claimed.

F. The Oklahoma Tax Commission shall prescribe forms to be used for the purpose of claiming the credit provided in subsection A of this section.

G. For the purposes of this section, "indebtedness" shall include a guaranteed student loan, a loan extended by a private financial institution or other form of credit for which the credit claimant is legally obligated to repayment and is used to pay for the costs of tuition, books and supplies to attend a four-year college or university in the State of Oklahoma.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.102 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. For taxable years beginning after December 31, 2005, there shall be allowed against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes, a credit equal to twenty-five (25%) of the median salary paid by an employer to an employee during the first twelve (12) months of employment.

B. If an employee is employed by the employer eligible for the credit provided in subsection A of this section for a period of less than twelve (12) months, the amount of the credit provided in subsection A of this section shall be reduced to eight and three-tenths (8.3%) percent of the median salary paid by an employer to an employee.

C. In no event shall the amount of the credit exceed the tax liability of the taxpayer.

D. The Oklahoma Tax Commission shall prescribe forms to be used for the purpose of claiming the credit provided in subsection A of this section.

E. As used in this section, "employee" means an individual that has received an undergraduate or graduate degree from the four-year college or university located within the State of Oklahoma within the twelve (12) months prior to employment with the employer.

SECTION 3. This act shall become effective January 1, 2006.

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