

ATTACHMENT TO FISCAL IMPACT – SB 10 [Introduced] Prepared February 2, 2009

SB 10 proposes to amend the Rural Venture Capital Formation Incentive Act by allowing a credit for Gross Production taxes for the acquisition of a legal entity under certain conditions. Under current law, the Rural Venture Credit cannot be used to offset Gross Production taxes and, the acquisition of another legal entity does not qualify for the credit.

The proposal is to allow an Oklahoma rural small business venture to acquire another legal entity provided the legal entity acquired is relocating from outside of Oklahoma to a location within this state, and within 12 months of the acquisition, the legal entity has resulted in at least 10 new direct jobs.

In 2005, the Oklahoma legislature approved the use of the Small Business Credit and Rural Venture Credit against gross production taxes, effective July 1, 2006. In 2006, the Oklahoma legislature revoked this provision, but allowed any person or entity that had obtained a favorable letter ruling prior to March 15, 2006, to use the credit against gross production taxes, provided the qualified investment was made prior to November 1, 2006.

Based on data from the Oklahoma Tax Commission's Apportionment of Statutory Revenues for the period of July 1, 2007 through June 30, 2008, \$1,168,445,111 was collected for gross production tax. The Oklahoma Tax Commission's Tax Expenditure Report for 2007 – 2008 estimates \$21,532,800 in tax credits for qualified investments in Oklahoma Small Business Capital Companies and Oklahoma Rural Small Business Capital Companies were taken against Oklahoma Gross Production and Petroleum Excise Tax.

We anticipate a potential negative impact due to the expansion of credit eligibility; however, we are unable to determine the amount of impact due to data restrictions on who might potentially claim the credit as amended.