

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	HB 2556
Version:	INT
Request Number:	8357
Author:	Rep. Dank
Date:	2/10/2014
Impact:	Dependent on Legislative Action
	Credits Not Reauthorized:
	Potential Base Expansion Resulting in
	Positive Revenue:
	FY-17 – Up to \$30.8 Million
	FY-18 – Up to \$44.7 Million

Research Analysis

Introduced HB2556 places an indefinite moratorium on the following tax credits beginning June 30, 2016:

- Home Office Credit for Foreign Insurer (36 OS 621.5)
- Investment/New Jobs Credit (68 OS 2357.4)
- Credit for Energy Assistance Fund Contribution (68 OS 2357.6)
- Coal Production Credit (68 OS 2357.11)
- Credit for Investment in Qualified Clean Burning Motor Vehicle Fuel Property (68 OS 2357.22)
- Oklahoma Agriculture Producers Credit (68 OS 2357.25)
- Child Care Service Provider Credit (68 OS 2357.27)
- Credit for Electricity Generated by Zero Emission Facilities (68 OS 2357.32B)
- Credit for Qualified Historical Rehabilitation Expenditures (68 OS 2357.41)
- Credit for Cancer Research Contribution (68 OS 2357.45)
- Credit Biomedical Research Contribution (68 OS 2357.45)
- Credit for the Construction of Energy Efficient Homes (68 OS 2357.46)
- Credit for Wages Paid to Injured Employees (68 OS 2357.47)
- Credit for Modification Expenses Paid for Employee (68 OS 2357.47)
- Credit for Qualified Recycling Facility (68 OS 2357.59)
- Poultry Litter Credit (68 OS 2357.100)
- Film and Music Production Credit (68 OS 2357.101)
- Credit for Railroad Reconstruction (68 OS 2357.104)
- Computer Industry Credit (68 OS 2357.201)
- Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act (68 OS 2370)

Each credit may be reauthorized by the Legislature using the criteria proposed in HJR1079, provided the resolution is approved by a majority vote of the people.

Prepared By: Quyen Do

Fiscal Analysis

Prior analysis by the Insurance Department indicates insurance home office credit claims against the insurance premium tax totaled in excess of \$16.8 million in 2012.

Tax Commission analysis:

Sections 2 through 19 prohibit the utilization of any credit (including carryover) for any period after June 30, 2016, unless the Legislature passes a measure, enacted into law in the manner prescribed by the Oklahoma Constitution, to reauthorize the ability to claim the credit. Assuming the Legislature fails to reenact the credits, the table below reflects the anticipated savings as a result of the credits no longer being claimed or used:

Cite	Credit	Amount ¹
68 O.S. § 2357.4	Oklahoma Investment/New Jobs Credit	\$16,800,000
68 O.S. § 2357.6	Credit for Energy Assistance Fund Contribution ²	\$0
68 O.S. § 2357.11	Coal Credit	\$278,000
68 O.S. § 2357.22	Credit for Investment in Clean-Burning Motor Vehicle Property	\$1,800,000
68 O.S. § 2357.22	Credit for Investment in Qualified Electric Motor Vehicle Property ³	\$0
68 O.S. § 2357.25	Oklahoma Agricultural Producers Credit ⁴	\$0
68 O.S. § 2357.27	Credit for Entities in the Business of Providing Child Care Services	\$80,000
68 O.S. § 2357.32A	Credit for Electricity Generated by Zero-Emission Facilities	\$2,500,000
68 O.S. § 2357.32B	Advanced Wind Turbines ⁵	\$0
68 O.S. § 2357.41	Credit for Qualified Rehabilitation Expenditures	\$447,000
68 O.S. § 2357.45	Credit for Biomedical Research Contribution	\$455,000
68 O.S. § 2357.45	Credit for Cancer Center Contribution ⁶	\$266,000

68 O.S. § 2357.46	Credit for the Construction of Energy Efficient Homes	\$4,200,000
68 O.S. § 2357.47	Credit for Wages Paid to an Injured Employee	\$20,000
68 O.S. § 2357.47	Credit for Modification Expenses Paid for an Injured Employee	\$1,000
68 O.S. § 2357.59	Credit for Qualified Recycling Facility ⁷	\$0
68 O.S. § 2357.100	Poultry Litter Credit ⁸	\$0
68 O.S. § 2357.101	Film or Music Project Credit	\$16,000
68 O.S. § 2357.104	Credit for Railroad Modernization	\$960,000
68 O.S. § 2357.201	Computer Industry Credit ⁹	\$0
68 O.S. § 2370	Credit for Financial Institutions Making Loans under Rural Economic Development Loan Act	\$0
	TOTAL	\$27,823,000

Revenue Impact:

If the Legislature does not reauthorize these credits, and they are eliminated on June 30, 2016, an increase in income tax collections of \$13,912,000 for FY17 and an increase of \$27,823,000 for FY18 are expected. (No change in income tax collections is expected for FY15 or FY16). The elimination of the carryover provisions will result in an additional positive impact for FY17 and FY18, in an unknown amount. If the Legislature reauthorizes these credits, no additional impact is expected.

¹ Oklahoma Tax Commission Form 511CR Data for tax years 2008-2011

² Credit for Energy Assistance Fund Contributions was repealed on January 1, 2014.

³ Credit for Investment in Qualified Electric Motor Vehicle Property sunsetted on July 1, 2010, with a 5 year carryover; no additional impact as a result of eliminating this credit.

⁴ Oklahoma Agricultural Producers Credit sunsetted on December 31, 2009, with a 6 year carryover; no additional impact as a result of eliminating this credit.

⁵ Credit for Manufacturers of Advanced Small Wind Turbines sunsetted on December 31, 2012, with a 10 year carryover; no additional impact as a result of eliminating this credit.

⁶ For the Credit for Cancer Research Contribution, only one (1) year of data is available (2011); this was the first year the credit was available.

⁷ Credit for Qualified Recycling Facility sunsetted on December 31, 1999 with a 14 year carryover period; no additional impact.

⁸ Poultry Litter Credit sunsetted on December 31, 2013, with a 5 year carryover; no additional impact.

⁹ Computer Industry Credit sunsetted on December 31, 2013; no additional impact as a result of eliminating this credit.

Prepared By: Mark Tygret

Other Considerations

None.