OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-FOURTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 12, 2014

BILL NUMBER: SB 1341 **STATUS AND DATE OF BILL:** Committee Substitute 2/12/14

AUTHORS: House Sears Senate Mazzei

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: Amendatory

SB 1341 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to sunset this credit effective for tax years beginning on or after January 1, 2017.

EFFECTIVE DATE: January 1, 2015

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 15: -0-
FY 16: -0-
FY 17: -0-
FY 18: Projected revenue increase of $16.815 million.

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 15: No additional costs or savings are expected as a result of this proposed legislation

Feb. 14, 2014 — Rick Miller — mck
DATE — DIVISION DIRECTOR

2-14-14 — Reece Womack
DATE — REECE WOMACK, ECONOMIST

2/14/14 — [signature]
DATE — FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 1341 [Committee Substitute] Prepared February 12, 2014

SB 1341 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to sunset this credit effective for tax years beginning on or after January 1, 2017.

Under current law, manufacturers, entities engaged in aircraft maintenance and web search portal firms are eligible for a non-refundable income tax credit for either an investment in depreciable property or for the addition of full-time equivalent employees[1]. Generally the credit is one percent of the amount of investment in depreciable property or $500.00 per new job.[2] The credit is allowed for the tax year the investment is made or when the increase in jobs occurs and is also allowed in each of the four subsequent years if the level of new employees is maintained or the qualified property is not sold, disposed of or transferred. Any credit allowed but not used may be carried over in order to each of the four years following the year of qualification and to the extent not used in those years in order to each of the 15 years following the initial five-year period. To the extent not used, any credit from qualified depreciable property placed in service on or after January 1, 2000, may be utilized in subsequent tax years after the initial twenty-year period.

In order to estimate the fiscal impact of sunsetting the credit, data from tax years 2008 through 2011 was analyzed. An average of $16.815 million was used to offset Oklahoma income tax annually. It is anticipated similar levels of usage of this credit may occur in tax year 2017. As such, the estimated impact for tax year 2017 is an increase in income tax collections of $16.815. No change to estimated tax or withholding is anticipated so the full impact should occur in FY18 when tax year 2017 income tax returns are filed.

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[1] Web Search Portal firms are only eligible for the investment component of this credit.

[2] Credits double if the entity is located in an enterprise zone or if the initial investment is in excess of $40 million.