

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: February 5, 2016

SUBJECT: SB 1442 – Quinn Amendment (Quinn JCR-CA-SB1442)

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

SB 1442 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to generally limit the credit to 75% of the amount allowed under current law.

The Quinn Amendment (Quinn JCR-CA-SB1442) to SB 1442 amends the introduced version of SB 1442 by changing the effective date of the credit from “for tax year 2017 and subsequent years” to “investments made in qualified depreciable property or a net increase in the number of full-time equivalent employees on or after July 1, 2016”.

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 employees¹. Generally, the credit is one percent of the amount of investment in depreciable property or \$500.00 per new job². 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 (4) years following the year of qualification and to the extent not used in those years in order to each of the fifteen (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.

Under this measure, the credit is three quarters of one percent of the amount of investment in depreciable property or \$375.00 per new job subject to the doubling rules outlined below². The carryover features outlined above remain available under this measure.

There is no impact to income tax collections in FY17 or FY18 as a result of this measure. Preliminary Tax Year 2014 data suggest the Oklahoma Investment/New Jobs Credit has significant amounts of unused carryover available to be used in future tax years. The 75% limitation proposed in this measure would not have any short term effect on income tax collections. There is a potential unknown positive effect on income tax credits in the future when the unused carryover credits have been exhausted.

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

² Credits double (2% of the amount of investment in depreciable property or \$1,000 per new job) if the entity is located in an enterprise zone or if the initial investment is in excess of \$40 million.