

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: May 5, 2016

BILL NUMBER: SB 1582 **STATUS AND DATE OF BILL:** Introduced 5/4/16

AUTHORS: House Sears & Casey Senate Jolley & Treat

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

PROPOSAL: Amendatory

SB 1582 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to limit the amount of credit for various periods by implementing a \$25,000,000 annual cap for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018.

EFFECTIVE DATE: November 1, 2016

REVENUE IMPACT:

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

FY 17: Projected \$14,000,000 increase in income tax collections.

ADMINISTRATIVE IMPACT:

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

FY 17: No additional cost or savings to the Tax Commission are anticipated due to this proposed legislation.

May 5, 2016
DATE

Rick Miller
DIVISION DIRECTOR

mck

DATE

REECE WOMACK, ECONOMIST

5/5/16
DATE

Jerry Mintz
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT – SB 1582 [Introduced] Prepared May 5, 2016

SB 1582 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to limit the amount of credit for various periods by implementing a \$25,000,000 annual cap for tax years beginning on or after January 1, 2016 and ending on or before December 31, 2018.

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.

The impact is an estimated \$14,000,000 increase in income tax collections in FY17.

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 \$1000.00 per new job) if the entity is located in an enterprise zone or if the initial investment is in excess of \$40 million.