

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 14, 2015

BILL NUMBER: SB 387 **STATUS AND DATE OF BILL:** Introduced 01/21/2015

AUTHORS: House n/a Senate Newberry

TAX TYPE (S): Ad Valorem **SUBJECT:** Exemption

PROPOSAL: Amendatory

The measure proposes to amend Section 2902 of Title 68 by providing a definition of base payroll¹ and initial payroll² applicable to initial applications for the five year ad valorem exemption filed on or after January 1, 2012. This Section is amended further to specifically provide an exclusion for any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers³ from the payroll calculation for exemption qualification purposes.

EFFECTIVE DATE: January 1, 2016

REVENUE IMPACT:

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

FY 16: Unknown
FY 17: Unknown

ADMINISTRATIVE IMPACT:

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

FY 16: None

Feb. 17, 2015 Rick Miller cjc
DATE DIVISION DIRECTOR

DATE REECE WOMACK, ECONOMIST

DATE Tom Mat
FOR THE COMMISSION

1 "Base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll.
2 "Initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.
3 As reported by the Oklahoma Employment Security Commission.

ATTACHMENT TO FISCAL IMPACT – SB 387-[Introduced] Prepared February 14, 2015.

The measure proposes to amend Section 2902 of Title 68 by providing a definition of base payroll⁴ and initial payroll⁵ applicable to initial applications for the five year ad valorem exemption filed on or after January 1, 2012. This Section is amended further to specifically provide an exclusion for any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers⁶ from the payroll calculation for exemption qualification purposes.

Since the measure is effective January 1, 2016 and will only apply to exemption applications filed on or after that date, any additional amounts subject to reimbursement to local taxing jurisdictions cannot be quantified. Therefore, the effect of this proposal on reimbursement amounts for FY 16 and FY 17 is unknown.

4 "Base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll.

5 "Initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.

6 As reported by the Oklahoma Employment Security Commission.

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY DIVISION

Date: February 17, 2015
To: Rick Miller, Director
Tax Policy Division
From: Christy J Caesar
Tax Policy Analyst
Subject: SB 387 Introduced

This is in response to the request for an outline of our concerns regarding the proposed language in Senate Bill 387 which amends Section 2902 of Title 68 by providing a definition of base payroll¹ and initial payroll² applicable to initial applications for the five year ad valorem exemptions filed on or after January 1, 2012. This Section is amended further to specifically provide an exclusion for any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers³ from the payroll calculation for exemption qualification purposes.

Since the measure is effective January 1, 2016 and will only apply to exemption applications filed on or after that date, any additional amounts subject to reimbursement to local taxing jurisdictions cannot be quantified. Therefore, the effect of this proposal on reimbursement fund amounts for FY 16 and FY 17 is unknown.

If it is the intent of this measure to allow a company back in the five year program after failing to meet the payroll requirement as a result of inclusion of nonrecurring bonuses or other similar onetime payments in its payroll computation, Section 2902 of Title 68 will need to be amended to provide for this relief. This amended language should specifically state whether the company is to receive only years remaining in the original five years or is to receive all years lost due to failure to meet the payroll requirement for the reasons set forth above.

¹ "Base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll.

² "Initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.

³ As reported by the Oklahoma Employment Security Commission.