BILL SUMMARY
2nd Session of the 53rd Legislature

Bill No.:	**HB 2326**
Version:	**SUBREC**
Request Number:	**9734**
Author:	**Representative Lockhart**
Date:	**2/23/2012**
Impact:	**Pending**

Research Analysis

Subcommittee recommendation for HB 2326 creates the Rural Value Added Quality Jobs Act. In addition to outlining legislative intent and defining relevant terms, the measure stipulates that a qualifying establishment may receive quarterly incentive payments for a 10-year period. The payment amount will be equal to the net benefit rate multiplied by the actual gross payroll of new direct jobs for a calendar quarter, as verified by the Oklahoma Employment Security Commission. To qualify, an establishment must be located in a qualifying county, be engaged in basic industry, have a projected annual gross payroll for new direct jobs of at least $500,000 within the first three years, and meet the job creation requirement. However, an establishment which is otherwise qualified to receive incentive payments that locates in a county where a negative economic event has occurred within the 18-month period preceding the start date does not have to meet these requirements.

The establishment must submit an application to the Department of Commerce who will determine qualifications. The measure outlines additional requirements related to the average wage the establishment must pay for the new direct jobs, with the caveat that no average wage requirement will exceed $25,000 in any county. If the Department of Commerce determines that an applicant is qualified, a cost/benefit analysis is to be conducted. In no event can incentive payments, cumulatively, exceed the estimated net direct state benefits. HB 2326 also allows a municipality to claim up to 25% of an establishment's quarterly incentive payments when the establishment is located within the municipality. The municipality's claim may not exceed the amount paid by the municipality for direct water and sewer related infrastructure improvements, and the municipality and establishment must enter into a written agreement.

The measure also creates the Rural Value Added Quality Jobs Incentive Payment Fund and authorizes the Tax Commission to withhold a portion of income taxes for deposit into fund. The amount deposited is to equal the net benefit rate multiplied by the gross payroll. HB 2326 outlines provisions for filing payment claims with the Tax Commission. Pursuant to the measure, an establishment may also file for an extension of the initial filing date with the Department of Commerce based on an extraordinary adverse business circumstance that prevented the establishment from hiring as many new direct jobs as were projected.

The measure outlines circumstances under which payments will not be made and stipulates that if an establishment that is receiving payments expands, the establishment may apply for additional incentive payments. The measure also provides that an establishment receiving incentive payments may not apply for additional incentive payments for any new projects until 12 quarters after receipt of the first incentive payment, or until the establishment’s actual verified gross payroll for new direct jobs equals or exceeds $500,000 during any four-consecutive-calendar-quarter period, whichever comes first. An establishment which has suffered an extraordinary adverse business circumstance, as certified by the Incentive Approval Committee, may be allowed to voluntarily withdraw from the Rural Value Added Quality Jobs Act, repay to the Tax Commission the total amount of incentive payments received plus interest, and reapply to the Department of Commerce for a new incentive contract.

HB 2326 also outlines credits and exemptions that may not be claimed by a qualified establishment receiving incentive payments, or the establishment's contractors or subcontractors. A qualified establishment receiving incentive payments may also qualify for the investment tax credit, for investment made after January 1, 2013, with a determination letter from the Department of Commerce. The bill directs the Department of Commerce and Tax Commission to promulgate rules necessary and outlines certain violations and punishments. The measure also directs the Department of Commerce to report new jobs and a fiscal analysis of the costs and benefits of the program to the Governor, President Pro Tempore of the Senate, and Speaker of the House of Representatives no later than March 1, 2016 and every three years thereafter.

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Fiscal Analysis

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Other Considerations

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