

COMMITTEE AMENDMENT

HOUSE OF REPRESENTATIVES

State of Oklahoma

SPEAKER:

CHAIR:

I move to amend HB2131 _____
Of the printed Bill
Page _____ Section _____ Lines _____
Of the Engrossed Bill

By striking the Title, the Enacting Clause, the entire bill, and by
inserting in lieu thereof the following language:

AMEND TITLE TO CONFORM TO AMENDMENTS

Amendment submitted by: Jon Echols

Adopted: _____

Reading Clerk

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 PROPOSED COMMITTEE
4 SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2131

By: McCall

7
8 PROPOSED COMMITTEE SUBSTITUTE

9 An Act relating to state government; creating the
10 Oklahoma Tourism Development Act; stating legislative
11 findings; defining terms; providing for creation of
12 standards for applications for inducement to
13 companies and their tourism attraction projects;
14 providing application contents; directing the
15 Executive Director of the Oklahoma Tourism and
16 Recreation Department to review and preliminarily
17 approve applications under certain conditions;
18 requiring analyzation of data by consulting firm;
19 directing applicant company to pay cost of consultant
20 report; providing for creation of standards for
21 preliminary and final approval; requiring review of
22 consultant report; allowing for final approval under
23 certain conditions; authorizing agreements between
24 the Oklahoma Tourism and Recreation Department and
the approved company with respect to the tourism
project; providing for agreement provisions;
requiring written consent to transfer or assign
agreement; providing liability for certain payments
to the Oklahoma Tax Commission; requiring the
Executive Director provide copy of agreement to the
Tax Commission; directing Tax Commission to provide
inducement claim forms; providing sales tax credits
for projects with certain costs; requiring proof of
expenditures; limiting tax credit issuance to certain
time period; providing exceptions; authorizing sales
tax credit to be used for certain purpose; directing
promulgation of rules; authorizing Tax Commission to
obtain certain information; prohibiting granting of
sales tax credit after certain date; providing

1 exception; providing for codification; and providing
2 an effective date.

3
4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

5 SECTION 1. NEW LAW A new section of law to be codified
6 in the Oklahoma Statutes as Section 2391 of Title 68, unless there
7 is created a duplication in numbering, reads as follows:

8 This act shall be known and may be cited as the "Oklahoma
9 Tourism Development Act".

10 SECTION 2. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 2392 of Title 68, unless there
12 is created a duplication in numbering, reads as follows:

13 The Legislature hereby finds:

14 1. That the general welfare and material well-being of the
15 citizens of the State of Oklahoma depend, in large measure, upon the
16 development of tourism attractions in this state;

17 2. That it is in the best interests of the citizens of this
18 state to induce the creation of new or the expansion of existing
19 tourism attractions within this state in order to advance the public
20 purposes of relieving unemployment by preserving and creating jobs
21 that would not exist if not for the inducements to be offered by
22 this state to approved companies, and by preserving and creating
23 sources of tax revenues for the support of public services provided
24 by this state;

1 3. That the authority prescribed by this act, and the purposes
2 to be accomplished under the provisions of this act, are proper
3 governmental and public purposes for which public funds may be
4 expended; and

5 4. That the inducement of the creation or expansion of tourism
6 attraction projects is of paramount importance, mandating that the
7 provisions of this act be liberally construed and applied in order
8 to advance public purposes.

9 SECTION 3. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 2393 of Title 68, unless there
11 is created a duplication in numbering, reads as follows:

12 As used in the Oklahoma Tourism Development Act:

13 1. "Agreement" means an agreement entered into pursuant to
14 Section 6 of this act, by and between the Executive Director of the
15 Oklahoma Tourism and Recreation Department and an approved company,
16 with respect to a tourism attraction project;

17 2. "Approved company" means any eligible company that is
18 seeking to undertake a tourism attraction project and is approved by
19 the Executive Director pursuant to Sections 5 and 6 of this act;

20 3. "Approved costs" means:

21 a. obligations incurred for labor and to vendors,
22 contractors, subcontractors, builders and suppliers in
23 connection with the acquisition, construction,
24

- 1 equipping and installation of a tourism attraction
2 project,
- 3 b. the costs of acquiring real property or rights in real
4 property in connection with a tourism attraction
5 project, and any costs incidental thereto,
- 6 c. the costs of contract bonds and of insurance of all
7 kinds that may be required or necessary during the
8 course of the acquisition, construction, equipping and
9 installation of a tourism attraction project which are
10 not paid by the vendor, supplier or contractor, or
11 otherwise provided,
- 12 d. all costs of architectural and engineering services
13 including, but not limited to, estimates, plans and
14 specifications, preliminary investigations, and
15 supervision of construction and installation, as well
16 as for the performance of all the duties required by
17 or consequent to the acquisition, construction,
18 equipping and installation of a tourism attraction
19 project,
- 20 e. all costs required to be paid under the terms of any
21 contract for the acquisition, construction, equipping
22 and installation of a tourism attraction project,
- 23 f. all costs required for the installation of utilities
24 in connection with a tourism attraction project

1 including, but not limited to, water, sewer, sewage
2 treatment, gas, electricity and communications, and
3 including off-site construction of utility extensions
4 paid for by the approved company, and

5 g. all other costs comparable with those described in
6 this paragraph;

7 4. "Director" means the Executive Director of the Oklahoma
8 Tourism and Recreation Department or the Executive Director's
9 designated representative;

10 5. "Eligible company" means any corporation, limited liability
11 company, partnership, sole proprietorship, business trust or any
12 other entity, operating or intending to operate a tourism attraction
13 project, whether owned or leased, within this state that meets the
14 standards promulgated by the Executive Director pursuant to Section
15 4 of this act;

16 6. "Final approval" means the action taken by the Executive
17 Director authorizing the eligible company to receive inducements
18 under Section 7 of this act;

19 7. "Increased state sales tax liability" means that portion of
20 an approved company's reported state sales tax liability resulting
21 from taxable sales of goods and services to its customers at the
22 tourist attraction which exceeds the reported state sales tax
23 liability for sales to its customers for the same month in the
24 calendar year immediately preceding the certification;

1 8. "Inducements" means the sales tax credit as prescribed in
2 Section 7 of this act;

3 9. "Preliminary approval" means the action taken by the
4 Executive Director conditioned upon final approval by the Executive
5 Director upon satisfaction by the eligible company of the
6 requirements of this act;

7 10. a. "Tourism attraction" means:

- 8 (1) a cultural or historical site,
- 9 (2) a recreational or entertainment facility,
- 10 (3) an area of natural phenomena or scenic beauty,
- 11 (4) a theme park,
- 12 (5) an amusement or entertainment park,
- 13 (6) an indoor or outdoor play or music show,
- 14 (7) a botanical garden,
- 15 (8) a cultural or educational center, or
- 16 (9) a destination hotel whose location and amenities,
17 including but not limited to upscale dining,
18 recreation and entertainment, make the hotel
19 itself a destination for tourists;

20 b. A tourism attraction shall not include:

- 21 (1) lodging facilities, unless:
 - 22 (a) the facilities constitute a portion of a
 - 23 tourism attraction project and represent
 - 24 less than fifty percent (50%) of the total

1 approved costs of the tourism attraction
2 project, or

3 (b) the lodging facilities are a part of a
4 destination hotel,

5 (2) facilities that are primarily devoted to the
6 retail sale of goods, unless the goods are
7 created at the site of the tourism attraction
8 project or if the sale of goods is incidental to
9 the tourism attraction project,

10 (3) facilities that are not open to the general
11 public,

12 (4) facilities that do not serve as a likely
13 destination where individuals who are not
14 residents of this state would remain overnight in
15 commercial lodging at or near the tourism
16 attraction project,

17 (5) facilities owned by the State of Oklahoma or a
18 political subdivision of this state, or

19 (6) facilities established for the purpose of
20 conducting legalized gambling. However, a
21 facility regulated under the Oklahoma Horse
22 Racing Act, Sections 200 through 209 of Title 3A
23 of the Oklahoma Statutes, shall be a tourism
24 attraction for purposes of this act for any

1 approved project as outlined in subparagraph a of
2 this paragraph or for an approved project
3 relating to pari-mutuel racing at the facility
4 and not for establishing a casino or for offering
5 casino-style gambling; and

6 11. "Tourism attraction project" or "project" means:

- 7 a. the acquisition, including the acquisition of real
8 estate by leasehold interest with a minimum term of
9 ten (10) years, construction and equipping of a
10 tourism attraction, and
11 b. the construction and installation of improvements to
12 facilities necessary or desirable for the acquisition,
13 construction and installation of a tourism attraction,
14 including, but not limited to:

15 (1) surveys, and

16 (2) installation of utilities, which may include:

17 (a) water, sewer, sewage treatment, gas,
18 electricity, communications and similar
19 facilities, and

20 (b) off-site construction of utility extensions
21 to the boundaries of the real estate on
22 which the facilities are located, all of
23 which shall be used to improve the economic
24 situation of the approved company in a

1 manner that shall allow the approved company
2 to attract tourists.

3 SECTION 4. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 2394 of Title 68, unless there
5 is created a duplication in numbering, reads as follows:

6 A. The Executive Director of the Oklahoma Tourism and
7 Recreation Department, with approval of the Oklahoma Tourism and
8 Recreation Commission, shall establish standards for the making of
9 applications for inducements to eligible companies and their tourism
10 attraction projects by the promulgation of rules in accordance with
11 the Administrative Procedures Act.

12 B. With respect to each eligible company making an application
13 to the Executive Director for inducements, and with respect to the
14 tourism attraction described in the application, the Executive
15 Director shall make inquiries and request materials of the applicant
16 that shall include, but shall not be limited to:

17 1. Marketing plans for the project that target individuals who
18 are not residents of this state;

19 2. A description and location of the project;

20 3. Capital and other anticipated expenditures for the project
21 that indicate that the total cost of the project shall exceed the
22 minimum amount set forth in subsection C of this section and the
23 anticipated sources of funding therefor;

1 4. The anticipated employment and wages to be paid at the
2 project;

3 5. Business plans which indicate the average number of days in
4 a year in which the project will be in operation and open to the
5 public, if applicable; and

6 6. The anticipated revenues and expenses generated by the
7 project.

8 Based upon a review of these materials, if the Executive
9 Director determines that the eligible company and the tourism
10 attraction may reasonably be expected to satisfy the criteria for
11 final approval in subsection C of this section, then the Executive
12 Director may consider granting a preliminary approval of the
13 eligible company and the tourism attraction project pursuant to
14 subsection B of Section 5 of the Oklahoma Tourism Development Act.

15 C. For a tourism attraction project, after granting a
16 preliminary approval, the Executive Director shall engage the
17 services of a competent consulting firm which shall submit to the
18 Executive Director a report analyzing the data made available by the
19 eligible company and which shall collect and analyze additional
20 information necessary to determine that, in the independent judgment
21 of the consultant, the tourism attraction project will:

22 1. Attract at least twenty-five percent (25%) of its visitors
23 from among persons who are not residents of this state;

1 2. Have costs in excess of Five Hundred Thousand Dollars
2 (\$500,000.00);

3 3. Have a significant and positive economic impact on this
4 state considering, among other factors, the extent to which the
5 tourism attraction project will compete directly with existing
6 tourism attractions in this state, and the extent to which the
7 tourism attraction project will be revenue-neutral to the State of
8 Oklahoma, meaning the amount by which increased tax revenues from
9 the tourism attraction project will exceed the sales tax credit
10 allowed pursuant to Section 7 of this act;

11 4. Produce sufficient revenues and public demand to be
12 operating and open to the public on a regular and persistent basis;
13 and

14 5. Not adversely affect existing employment in this state.

15 D. The eligible company shall pay for the cost of the
16 consultant's report and shall cooperate with the consultant and
17 provide all of the data that the consultant deems necessary to make
18 a determination pursuant to this section.

19 SECTION 5. NEW LAW A new section of law to be codified
20 in the Oklahoma Statutes as Section 2395 of Title 68, unless there
21 is created a duplication in numbering, reads as follows:

22 A. The Executive Director of the Oklahoma Tourism and
23 Recreation Department, with the approval of the Oklahoma Tourism and
24 Recreation Commission, shall establish standards for preliminary

1 approval and final approval of eligible companies and their projects
2 by the promulgation of rules in accordance with the Administrative
3 Procedures Act.

4 B. The Executive Director may give preliminary approval by
5 designating an eligible company as a preliminarily approved company
6 and preliminarily authorizing the undertaking of the tourism
7 attraction project.

8 C. The Executive Director shall review the report of the
9 consultant prepared pursuant to subsection C of Section 4 of the
10 Oklahoma Tourism Development Act and other information that has been
11 made available to the Executive Director in order to assist the
12 Executive Director in determining whether the tourism attraction
13 project will further the purposes of this act.

14 D. The criteria for final approval of eligible companies and
15 tourism attraction projects shall include, but shall not be limited
16 to, the criteria set forth in subsection C of Section 4 of this act.

17 E. After a review of the relevant materials, the consultant's
18 report, other information made available to the Executive Director,
19 and completion of other inquiries, the Executive Director may give
20 final approval to the eligible company's application for a tourism
21 attraction project and may grant to the eligible company the status
22 of an approved company. The decision reached by the Executive
23 Director may be appealed by the eligible company to the Tourism and
24 Recreation Commission. The decision of the Tourism and Recreation

1 Commission shall constitute the final administrative decision of the
2 Oklahoma Tourism and Recreation Department.

3 SECTION 6. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 2396 of Title 68, unless there
5 is created a duplication in numbering, reads as follows:

6 A. Upon granting final approval, the Executive Director of the
7 Oklahoma Tourism and Recreation Department may enter into an
8 agreement with an approved company with respect to its tourism
9 attraction project. The terms and provisions of each agreement
10 shall include, but shall not be limited to:

11 1. The amount of approved costs, which shall be determined by
12 negotiations between the Executive Director and the approved
13 company;

14 2. A date certain by which the approved company shall have
15 completed the tourism attraction project. Within three (3) months
16 of the completion date, the approved company shall document the
17 actual cost of the project through a certification of the costs by
18 an independent certified public accountant acceptable to the
19 Executive Director; and

20 3. The following provisions:

21 a. the term of the agreement shall be ten (10) years from
22 the later of:

23 (1) the date of the final approval of the tourism
24 attraction project, or

1 (2) the completion date specified in the agreement,
2 if the completion date is within two (2) years of
3 the date of the final approval of the tourism
4 attraction project. However, the term of the
5 agreement may be extended for up to two (2)
6 additional years by the Executive Director, with
7 the advice and consent of the Oklahoma Tax
8 Commission, if the Executive Director determines
9 that the failure to complete the tourism
10 attraction project within two (2) years resulted
11 from:

12 (a) unanticipated and unavoidable delay in the
13 construction of the tourism attraction
14 project,

15 (b) an original completion date for the tourism
16 attraction project, as originally planned,
17 which will be more than two (2) years from
18 the date construction began, or

19 (c) a change in business structure resulting
20 from a merger or acquisition,

21 b. in any tax year during which an agreement is in
22 effect, if the amount of sales tax to be remitted by
23 the approved company exceeds the sales tax credit
24 available to the approved company, then the approved

1 company shall pay the excess to this state as sales
2 tax,

3 c. within forty-five (45) days after the end of each
4 calendar year the approved company shall supply the
5 Executive Director with such reports and
6 certifications as the Executive Director may request
7 demonstrating to the satisfaction of the Executive
8 Director that the approved company is in compliance
9 with the provisions of the Oklahoma Tourism
10 Development Act, and

11 d. the approved company shall not receive an inducement
12 with respect to any calendar year if:

13 (1) in any calendar year following the fourth year of
14 the agreement, the tourism attraction project
15 fails to attract at least fifteen percent (15%)
16 of its visitors from among persons who are not
17 residents of this state, or

18 (2) in any calendar year following the first year of
19 the project or the tourism attraction project is
20 not operating and open to the public on a regular
21 and consistent basis.

22 B. The agreement shall not be transferable or assignable by the
23 approved company without the written consent of the Executive
24 Director.

1 C. If the approved company utilizes inducements which are
2 subsequently disallowed then the approved company will be liable for
3 the payment to the Tax Commission of all taxes resulting from the
4 disallowance of the inducements plus applicable penalties and
5 interest.

6 D. The Executive Director shall provide a copy of each
7 agreement entered into with an approved company to the Tax
8 Commission.

9 SECTION 7. NEW LAW A new section of law to be codified
10 in the Oklahoma Statutes as Section 2397 of Title 68, unless there
11 is created a duplication in numbering, reads as follows:

12 A. Upon receiving notification from the Executive Director of
13 the Oklahoma Tourism and Recreation Department that an approved
14 company has entered into a tourism project agreement and is entitled
15 to the inducements provided by the Oklahoma Tourism Development Act,
16 the Oklahoma Tax Commission shall provide the approved company with
17 forms and instructions as necessary to claim those inducements.

18 B. An approved company whose agreement provides that it shall
19 expend approved costs of more than Five Hundred Thousand Dollars
20 (\$500,000.00) for a tourism attraction project but less than One
21 Million Dollars (\$1,000,000.00) shall be entitled to a sales tax
22 credit if the company certifies to the Tax Commission that it has
23 expended at least the minimum amount in approved costs, and the
24 Executive Director certifies that the approved company is in

1 compliance with this act. The Tax Commission shall then issue a tax
2 credit memorandum to the approved company granting a sales tax
3 credit in the amount of up to ten percent (10%) of the approved
4 costs, but limited to the percent of the approved costs that will
5 result in the project being revenue-neutral to the State of Oklahoma
6 as determined by the Tax Commission. Subsequent requests for credit
7 for additional certified approved costs in excess of the minimum
8 amount for each project as listed in this subsection but less than
9 One Million Dollars (\$1,000,000.00) shall result in a sales tax
10 credit in the amount of up to ten percent (10%) of the approved
11 costs, but limited to the percent of the approved costs that will
12 result in the project being revenue-neutral to the State of Oklahoma
13 as determined by the Tax Commission. Sales tax credits allowed
14 pursuant to the provisions of this act shall not be transferable or
15 assignable.

16 An approved company whose agreement provides that it shall
17 expend approved costs in excess of One Million Dollars
18 (\$1,000,000.00) shall be entitled to a sales tax credit if the
19 company certifies to the Tax Commission that it has expended at
20 least One Million Dollars (\$1,000,000.00) in approved costs and the
21 Executive Director certifies that the approved company is in
22 compliance with this act. The Tax Commission shall then issue a tax
23 credit memorandum to the approved company granting a sales tax
24 credit in the amount of up to twenty-five percent (25%) of the

1 approved costs, but limited to the percent of the approved costs
2 that will result in the project being revenue-neutral to the State
3 of Oklahoma as determined by the Tax Commission. The credit on all
4 subsequent additional certified approved costs shall be in the
5 amount of up to twenty-five percent (25%) of the costs, but limited
6 to the percent of the approved costs that will result in the project
7 being revenue-neutral to the State of Oklahoma as determined by the
8 Tax Commission.

9 The Tax Commission shall require proof of expenditures prior to
10 issuing a tax credit memorandum to the approved company which may be
11 satisfied by a report from an independent certified public
12 accountant. Additional credit memoranda may be issued as the
13 approved company certifies additional expenditures of approved
14 costs.

15 No tax credit memorandum shall be issued for any approved costs
16 expended after the expiration of two (2) years from the date the
17 agreement was signed by the Executive Director and the approved
18 company. However, the Executive Director, with the advice and
19 consent of the Tax Commission, may authorize tax credits for
20 approved costs expended up to four (4) years from the date the
21 agreement was signed if the Executive Director determines that the
22 failure to complete the tourism attraction project within two (2)
23 years resulted from:

24

1 1. Unanticipated and unavoidable delay in the construction of
2 the tourism attraction;

3 2. An original completion date for the tourism attraction, as
4 originally planned, which will be more than two (2) years from the
5 date construction began; or

6 3. A change in business ownership or business structure
7 resulting from a merger or acquisition.

8 C. A sales tax credit allowed pursuant to the provisions of
9 this section may be used to offset a portion of the reported state
10 sales tax liability of the approved company for all sales tax
11 reporting periods following the issuance of the credit memorandum
12 subject to the following limitations:

13 1. Only increased state sales tax liability may be offset by
14 the issued credit;

15 2. An approved company whose agreement provides that it shall
16 expend approved costs in excess of One Million Dollars
17 (\$1,000,000.00) shall be entitled to use only ten percent (10%) of
18 the amount of each issued credit to offset increased state sales tax
19 liability during each calendar year, plus the amount of any unused
20 credit carried forward from a prior calendar year, and an approved
21 company whose agreement provides that it shall expend approved costs
22 of more than the minimum amount for each project as listed in this
23 subsection but less than One Million Dollars (\$1,000,000.00) shall
24 be entitled to use only twenty percent (20%) of the amount of each

1 issued credit to offset increased state sales tax liability during
2 each calendar year, plus the amount of any unused credit carried
3 forward from a prior calendar year; and

4 3. All issued credit memoranda shall expire at the end of the
5 month following the expiration of the agreement as provided in
6 Section 6 of the Oklahoma Tourism Development Act.

7 The approved company shall have no obligation to refund or
8 otherwise return any amount of this credit to the person from whom
9 the sales tax was collected.

10 D. The Tax Commission shall promulgate rules as are necessary
11 for the proper administration of the Oklahoma Tourism Development
12 Act. The Tax Commission may also develop forms and instructions as
13 necessary for an approved company to claim the sales tax credit
14 provided by this act.

15 E. The Tax Commission shall have the authority to obtain any
16 information necessary from the approved company and the Executive
17 Director to verify that approved companies have received the proper
18 amounts of tax credits as authorized by this act. The Oklahoma Tax
19 Commission shall demand the repayment of any credits taken in excess
20 of the credit allowed by this act.

21 F. No sales tax credit authorized by this section shall be
22 granted on or after January 1, 2021. Notwithstanding the foregoing,
23 an approved company that has entered into a tourism attraction
24 project agreement with the Tourism and Recreation Department

1 pursuant to Section 6 of this act prior to January 1, 2021, shall
2 continue to be entitled to claim any sales tax credit authorized by
3 this section as contemplated by the tourism project agreement.

4 SECTION 8. This act shall become effective November 1, 2017.

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6 56-1-7137 AMM 02/27/17

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