

1 STATE OF OKLAHOMA

2 2nd Session of the 56th Legislature (2018)

3 COMMITTEE SUBSTITUTE
4 FOR

5 SENATE BILL NO. 923

By: Thompson of the Senate

and

6 Osborn (Leslie) of the
7 House

8
9 COMMITTEE SUBSTITUTE

10 An Act relating to Small Employer Quality Jobs
11 Incentive Act; amending 68 O.S. 2011, Section 3904,
12 as amended by Section 28, Chapter 227, O.S.L. 2013
13 (68 O.S. Supp. 2017, Section 3904), which relates to
14 incentive payments; modifying requirements for
15 incentive payments; and providing an effective date.

16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

17 SECTION 1. AMENDATORY 68 O.S. 2011, Section 3904, as
18 amended by Section 28, Chapter 227, O.S.L. 2013 (68 O.S. Supp. 2017,
19 Section 3904), is amended to read as follows:

20 Section 3904. A. An establishment which meets the
21 qualifications specified in the Small Employer Quality Jobs
22 Incentive Act may receive quarterly incentive payments for a seven-
23 year period from the Oklahoma Tax Commission pursuant to the
24 provisions of the Small Employer Quality Jobs Incentive Act in an
amount equal to the net benefit rate multiplied by the actual gross

1 taxable payroll of new direct jobs as verified by the Tax
2 Commission.

3 B. In order to receive incentive payments, an establishment
4 shall apply to the Oklahoma Department of Commerce. The application
5 shall be on a form prescribed by the Department and shall contain
6 such information as may be required by the Department to determine
7 if the applicant is qualified. The establishment may apply for an
8 effective date for a project, which shall not be more than twelve
9 (12) months from the date the application is submitted to the
10 Department.

11 C. Before approving an application for incentive payments, the
12 Department must first determine that the applicant meets the
13 following requirements:

14 1. Be engaged in a basic industry;

15 2. Has no more than ~~ninety~~ five hundred (500) full-time
16 employees in this state on the date of application nor an average of
17 more than ~~ninety~~ five hundred (500) full-time employees in this
18 state during the four calendar quarters immediately preceding the
19 date of application;

20 3. Has a projected minimum employment, as determined by the
21 Department, of new direct jobs within twelve (12) months of the date
22 of application, or after July 1, 2011, within twenty-four (24)
23 months of the date of application, as follows:
24

- a. if the establishment is located in a municipality with a population less than three thousand five hundred (3,500) persons, as determined by the Department of Commerce based on the most recent U.S. Department of Commerce data, or if the establishment is located in an unincorporated area and the largest municipality within twenty (20) miles of the establishment is such a municipality, ~~five~~ new direct jobs equal to five percent (5%) of the company's full-time employment at the date of application,
- b. if the establishment is located in a municipality with a population of three thousand five hundred (3,500) persons or more but less than seven thousand (7,000) persons, as determined by the Department of Commerce based on the most recent U.S. Department of Commerce data, or if the establishment is located in an unincorporated area and the largest municipality within twenty (20) miles of the establishment is such a municipality, ~~ten~~ new direct jobs equal to seven and one-half percent (7.5%) of the company's full-time employment at the date of the application, and
- c. if the establishment is located in a municipality with a population of seven thousand (7,000) persons or more, as determined by the Department of Commerce

1 based on the most recent U.S. Department of Commerce
2 data, or if the establishment is located in an
3 unincorporated area and the largest municipality
4 within twenty (20) miles of the establishment is such
5 a municipality, ~~fifteen~~ new direct jobs equal to 10
6 percent (10%) of the company's full-time employment at
7 the date of application.

8 Provided, for an establishment engaged in software publishing as
9 defined or classified in the NAICS Manual under Industry Group No.
10 5112, data processing, hosting and related services as defined or
11 classified in the NAICS Manual under Industry Group No. 5182,
12 computer systems design and related services as defined or
13 classified in the NAICS Manual under Industry Group No. 5415,
14 scientific research and development services as defined or
15 classified in the NAICS Manual under Industry Group No. 5417,
16 medical and diagnostic laboratories as defined or classified in the
17 NAICS Manual under Industry Group No. 6215 or testing laboratories
18 as defined or classified in the NAICS Manual under U.S. Industry No.
19 541380, the projected minimum employment requirements of this
20 paragraph must be achieved within thirty-six (36) months of the date
21 of application;

22 4. Has or will have within twelve (12) months of the date of
23 application, or after July 1, 2011, within twenty-four (24) months
24 of the date of application, as determined by the Department, sales

1 of at least seventy-five percent (75%) of its total sales to out-of-
2 state customers or buyers, to in-state customers or buyers if the
3 product or service is resold by the purchaser to an out-of-state
4 customer or buyer for ultimate use, or to the federal government,
5 except that:

6 a. those establishments in the NAICS Manual under the
7 U.S. Industry No. 541710 or 541380 are excused from
8 the seventy-five percent (75%) out-of-state sales
9 requirement,

10 b. warehouses that serve as distribution centers for
11 retail or wholesale businesses shall be required to
12 distribute forty percent (40%) of inventory to out-of-
13 state locations, and

14 c. adjustment and collection services activities defined
15 or classified in the NAICS Manual under U.S. Industry
16 No. 561440 shall be required to have seventy-five
17 percent (75%) of loans to be serviced made by out-of-
18 state debtors;

19 5. Will pay the individuals it employs in new direct jobs an
20 average annualized wage which equals or exceeds:

21 a. one hundred twenty-five percent (125%) of the average
22 county wage of small employers located in that county
23 as that percentage is determined by the Department of
24 Commerce based on the most recent wage and employment

1 data from the Oklahoma Employment Security Commission
2 for the county in which the new direct jobs are
3 located. For purposes of this subparagraph, health
4 care premiums paid by the applicant for individuals in
5 new direct jobs shall be included in the annualized
6 wage, or

7 b. one hundred ten percent (110%) of the average county
8 wage of small employers located in that county as that
9 percentage is determined by the Department of Commerce
10 based upon the most recent wage and employment data
11 from the Oklahoma Employment Security Commission for
12 the county in which the new direct jobs are located.
13 For purposes of this subparagraph, health care
14 premiums paid by the applicant for individuals in new
15 direct jobs shall not be included in the annualized
16 wage, or

17 c. one hundred percent (100%) of the average county wage,
18 excluding health care premiums paid by the applicant
19 for individuals in new direct jobs if the county in
20 which the new jobs are located has:

21 (1) according to the most recent annual determination
22 by the Oklahoma Employment Security Commission, a
23 county unemployment rate more than ten percent
24

(10%) higher than the state unemployment rate,
and

(2) according to the most recent United States Census
Bureau Data, a county personal poverty rate above
fifteen percent (15%);

6. Has a basic health benefit plan which, as determined by the
Department, meets the elements established under divisions (1)
through (7) of subparagraph b of paragraph 1 of subsection A of
Section 3603 of this title and which will be offered to individuals
within twelve (12) months of employment in a new direct job;

7. Has not received incentive payments under the Oklahoma
Quality Jobs Program Act, the Saving Quality Jobs Act, or the Former
Military Facility Development Act; and

8. Is not qualified for approval of an application for
incentive payments under the Oklahoma Quality Jobs Program Act, the
Saving Quality Jobs Act, or the Former Military Facility Development
Act.

D. The Oklahoma Department of Commerce shall determine if an
applicant is qualified to receive the incentive payment. Upon
qualifying the applicant, the Department shall notify the Tax
Commission and shall provide it with a copy of the application, and
approval which shall provide the number of persons employed by the
applicant upon the date of approval and the maximum total incentives
which may be paid to the applicant during the seven-year period.

1 The Tax Commission may require the qualified establishment to submit
2 additional information as may be necessary to administer the
3 provisions of the Small Employer Quality Jobs Incentive Act. The
4 approved establishment shall report to the Tax Commission quarterly
5 to show its continued eligibility for incentive payments, as
6 provided in Section 3905 of this title. Establishments may be
7 audited by the Tax Commission to verify such eligibility. Once the
8 establishment is approved, an agreement shall be deemed to exist
9 between the establishment and the State of Oklahoma, requiring
10 incentive payments to be made for a seven-year period as long as the
11 establishment retains its eligibility and within the limitations of
12 the Small Employer Quality Jobs Incentive Act which existed at the
13 time of such approval. Any establishment which has been approved
14 for incentive payments prior to July 1, 2002, shall continue to
15 receive such payments pursuant to the laws as they existed prior to
16 July 1, 2002, for any period of time of the original five-year
17 period for such payments remaining after July 1, 2002.

18 SECTION 2. This act shall become effective November 1, 2018.
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