

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                               STATE OF OKLAHOMA

3                               1st Session of the 56th Legislature (2017)

4 COMMITTEE SUBSTITUTE  
5 FOR  
6 HOUSE BILL NO. 1568

By: Echols of the House

and

Newberry of the Senate

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10                               COMMITTEE SUBSTITUTE

11           An Act relating to revenue and taxation; authorizing  
12           Department of Commerce to enter into certain  
13           negotiations with respect to purchase of tax credits;  
14           authorizing agreements; prescribing requirement for  
15           final approval; prescribing standards for contract;  
16           providing for effect of inability to reach agreement;  
17           requiring certain economic benefits; requiring final  
18           agreement to contain certain requirements; defining  
19           term; requiring notification to the Oklahoma Tax  
20           Commission; prescribing required information  
21           regarding purchased tax credits; requiring annual  
22           disclosure; authorizing return of funds; providing  
23           for computation of amount based on terms of  
24           agreement; providing for codification; and providing  
          an effective date.

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

SECTION 1.       NEW LAW       A new section of law to be codified  
in the Oklahoma Statutes as Section 2357.901 of Title 68, unless  
there is created a duplication in numbering, reads as follows:

1       A. The State of Oklahoma, through the Oklahoma Department of  
2 Commerce, shall establish a program that allows existing tax credits  
3 to be repurchased from owners of the outstanding credits to reduce  
4 the debt burden of the state.

5       B. Under the program, the Department of Commerce may enter into  
6 agreements for the purchase of tax credits as authorized by this  
7 section. Tax credits owned by a taxpayer company may be repurchased  
8 by the State of Oklahoma if such an agreement is in the best  
9 interest of the state and when the cost of repurchase of the credits  
10 is determined to be less than the benefit to the state through the  
11 resulting reinvestment of a negotiated percentage of the payment by  
12 the state to the owner of the tax credits as defined in subsection C  
13 of this section. Payments by the state to owners of the tax credits  
14 can be made in one (1) or over multiple years, depending on the  
15 terms of the agreement. Neither the state nor the owner of the tax  
16 credits shall have any obligation to the other if an agreement is  
17 not reached. The final approval for any tax credit purchase  
18 agreement shall be subject to the availability of funds appropriated  
19 by the Legislature.

20       C. The Department of Commerce shall require that the agreement  
21 negotiated between the tax credit owner and the Department of  
22 Commerce be beneficial to the interests of the State of Oklahoma and  
23 its citizens through increased investment by the owner of the tax  
24 credits in facilities, equipment and job creation resulting from the

1 use of some or all of the proceeds received for the cancellation of  
2 tax credits pursuant to the terms of the agreement.

3 D. No agreement shall be finalized unless the estimated direct  
4 state benefits resulting from the agreement exceed the estimated  
5 direct state costs. As used in this subsection, "estimated direct  
6 state benefits" means the revenues projected to accrue to the state  
7 as a result of new direct jobs or investment, additional tax  
8 revenues and the savings achieved through the purchase of  
9 outstanding but unclaimed tax credits. As used in this subsection,  
10 "estimated direct state costs" means the price paid to the owner of  
11 the tax credits for the credits which are surrendered and canceled  
12 pursuant to the terms of the agreement.

13 E. Within thirty (30) days of the finalization of any agreement  
14 for the repurchase of tax credits authorized by the provisions of  
15 this section, the former owner of the tax credits shall notify the  
16 Oklahoma Tax Commission on such form as the Commission may prescribe  
17 for that purpose, of the identity of the taxpayer, the type of tax  
18 credit, the total amount of tax credits, including any carryover  
19 credits, and such other information as the Tax Commission may  
20 require so that the tax credits repurchased cannot be used to reduce  
21 any future tax liability of the taxpayer or its successors in  
22 interest. The approved agreement between the tax credits owner and  
23 the state shall also be filed with the Commission.

1 F. The owner selling the tax credits to the State of Oklahoma  
2 shall file with the state on a yearly basis documenting the benefits  
3 to the state as defined in the agreement signed by the taxpayer and  
4 the Department of Commerce. The information required by this  
5 subsection shall be filed on a form prescribed by the Department of  
6 Commerce for such purpose not later than March 15 each year related  
7 to the economic benefits for the preceding calendar year.

8 G. If the former owner of the credits does not fulfill the  
9 terms of the approved agreement, the state may require the return of  
10 funds equal to the percentage of the agreement which was not  
11 completed by the former owner of the credits.

12 SECTION 2. This act shall become effective November 1, 2017.  
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14 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
15 03/02/2017 - DO PASS, As Amended and Coauthored.  
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