

OKLAHOMA STATE SENATE
JOINT
COMMITTEE REPORT

April 30, 2018

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

SB 1585

By: David and Fields of the Senate and Wallace and Casey of the House

Title: Revenue and taxation; modifying documents required to be preserved and authenticated by Tax Commission. Effective date. Emergency.

Recommendation: **DO PASS AS AMENDED**

Aye: Bass, Bergstrom, Boggs, Brooks, Dossett, Dugger, Floyd, Griffin, Ikley-Freeman, Jech, Kidd, McCortney, Murdock, Pederson, Pemberton, Pugh, Rader, Rosino, Scott, Sharp, Shaw, Simpson, Sparks, Stanislawski, Thompson, Yen, Fields, David

Nay: Bice, Dahm, Daniels, Leewright, Paxton, Quinn, Smalley, Sykes

Pass:

Senator Kim David, Chair

Committee Substitute, motion by Senator DAVID - Adopted (Request No: 3671)

OKLAHOMA HOUSE OF REPRESENTATIVES
COMMITTEE REPORT

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET COMMITTEE

SB1585

By: Wallace et al of the House

David et al of the Senate

Title: Revenue and taxation; modifying documents required to be preserved and authenticated by Tax Commission. Effective date. Emergency.

Coauthored By:

Recommendation: **DO PASS AS AMENDED BY CS**

Amendments:

1. Committee Substitute Attached

 Chr.
Representative Kevin Wallace

YEAS: 16

Caldwell, Casey, Cockroft, Echols, Kannady, Kouplen, Lepak, Loring, O'Donnell, Osborn (L), Ownbey, Sanders, Sears, Virgin, Wallace, Watson

NAYS: 1

Stone

CONSTITUTIONAL PRIVILEGE: 0

STATE OF OKLAHOMA

2nd Session of the 56th Legislature (2018)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 1585

By: David and Fields of the
Senate

and

Wallace and Casey of the
House

COMMITTEE SUBSTITUTE

An Act relating to income tax credits; defining terms; providing for tax credit for certain tuition reimbursements; limiting amount of credit; prohibiting use of credit to reduce tax liability below a certain amount; providing maximum number of years to claim tax credit; providing tax credit for compensation to certain employees; providing maximum annual amount of credit; prohibiting use of credit to reduce tax liability below a certain amount; providing maximum number of taxable years for which credit can be claimed; providing tax credit for certain employees; providing maximum amount of credit; imposing maximum number of taxable years for which credit claimed; prohibiting use of credit to reduce tax liability below a certain amount; authorizing carryover for certain number of years; establishing caps on total amount of credits used annually for specified credits; requiring Oklahoma Tax Commission to calculate and publish certain information; specifying formula; prescribing procedure for specified circumstances; providing for codification; and providing 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 2357.404 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. As used in this section:

1. "Vehicle manufacturing" means a private or public company first placed in operation in this state after the effective date of this act, which is engaged in the research, development, design and manufacture of motor vehicles which may be driven on the avenues of public access. For purposes of this section, "motor vehicle" does not include buses, low-speed electric vehicles, truck-tractors or motor vehicles manufactured primarily for off-road use, such as primarily for use on a golf course;

2. "Compensation" means payments in the form of contract labor for which the payor is required to provide a Form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. Compensation shall not include employer-provided retirement, medical or health-care benefits, reimbursement for travel, meals, lodging or any other expense;

3. "Institution" means an institution within The Oklahoma State System of Higher Education or any other public or private college or university that is accredited by a national accrediting body;

4. "Qualified employer" means a sole proprietor, general partnership, limited partnership, limited liability company,

1 corporation, other legally recognized business entity, or public
2 entity whose principal business activity involves the vehicle
3 manufacturing as defined in this section;

4 5. "Qualified employee" means any person, regardless of the
5 date of hire, employed in this state by or contracting in this state
6 with a qualified employer on or after January 1, 2018, who has been
7 awarded an undergraduate or graduate degree from a qualified program
8 by an institution, and who was not employed in vehicle manufacturing
9 in this state immediately preceding employment or contracting with a
10 qualified employer. Provided, the definition shall not be
11 interpreted to exclude any person who was employed in vehicle
12 manufacturing, but not as a full-time engineer, prior to being
13 awarded an undergraduate or graduate degree from a qualified program
14 by an institution or any person who has been awarded an
15 undergraduate or graduate degree from a qualified program by an
16 institution and is employed by a professional staffing company and
17 assigned to work in vehicle manufacturing in this state;

18 6. "Qualified program" means a program that awards an
19 undergraduate or graduate degree and that has been accredited by the
20 Engineering Accreditation Commission of the Accreditation Board for
21 Engineering and Technology (ABET); and

22 7. "Tuition" means the average annual amount paid by a
23 qualified employee for enrollment and instruction in a qualified
24

1 program. Tuition shall not include the cost of books, fees or room
2 and board.

3 B. 1. Except as otherwise provided in subsection E of this
4 section, for taxable years beginning after December 31, 2018, and
5 ending before January 1, 2026, a qualified employer shall be allowed
6 a credit against the tax imposed pursuant to Section 2355 of Title
7 68 of the Oklahoma Statutes for tuition reimbursed to a qualified
8 employee.

9 2. The credit authorized by this subsection may be claimed only
10 if the qualified employee has been awarded an undergraduate or
11 graduate degree within one (1) year of commencing employment with
12 the qualified employer.

13 3. The credit authorized by this subsection shall be in the
14 amount of fifty percent (50%) of the tuition reimbursed to a
15 qualified employee for the first through fourth years of employment.
16 In no event shall this credit exceed fifty percent (50%) of the
17 average annual amount paid by a qualified employee for enrollment
18 and instruction in a qualified program at a public institution in
19 Oklahoma.

20 4. The credit authorized by this subsection shall not be used
21 to reduce the tax liability of the qualified employer to less than
22 zero (0).

23 5. No credit authorized by this subsection shall be claimed
24 after the fourth year of employment.

1 C. 1. Except as otherwise provided in subsection E of this
2 section, for taxable years beginning after December 31, 2018, and
3 ending before January 1, 2026, a qualified employer shall be allowed
4 a credit against the tax imposed pursuant to Section 2355 of Title
5 68 of the Oklahoma Statutes for compensation paid to a qualified
6 employee.

7 2. The credit authorized by this subsection shall be in the
8 amount of:

9 a. ten percent (10%) of the compensation paid for the
10 first through fifth years of employment in vehicle
11 manufacturing if the qualified employee graduated from
12 an institution located in this state, or

13 b. Five percent (5%) of the compensation paid for the
14 first through fifth years of employment in vehicle
15 manufacturing if the qualified employee graduated from
16 an institution located outside this state.

17 3. The credit authorized by this subsection shall not exceed
18 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified
19 employee annually.

20 4. The credit authorized by this subsection shall not be used
21 to reduce the tax liability of the qualified employer to less than
22 zero (0).

23 5. No credit authorized pursuant to this subsection shall be
24 claimed after the fifth year of employment.

1 D. 1. Except as otherwise provided in subsection F of this
2 section, for taxable years beginning after December 31, 2018, and
3 ending before January 1, 2026, a qualified employee shall be allowed
4 a credit against the tax imposed pursuant to Section 2355 of Title
5 68 of the Oklahoma Statutes of up to Five Thousand Dollars
6 (\$5,000.00) per year for a period of time not to exceed five (5)
7 years.

8 2. The credit authorized by this subsection shall not be used
9 to reduce the tax liability of the taxpayer to less than zero (0).

10 3. Any credit claimed, but not used, may be carried over, in
11 order, to each of the five (5) subsequent taxable years.

12 E. 1. For any tax year during which the credit is allowed, the
13 total amount of credits authorized by subsections B and C of this
14 section used to offset tax shall be adjusted annually to limit the
15 annual amount of credits to Three Million Dollars (\$3,000,000.00).
16 The Tax Commission shall annually calculate and publish a percentage
17 by which the credits authorized by subsections B and C of this
18 section shall be reduced so the total amount of credits used to
19 offset tax does not exceed Three Million Dollars (\$3,000,000.00) per
20 year. The formula to be used for the percentage adjustment shall be
21 Three Million Dollars (\$3,000,000.00) divided by the credits claimed
22 in the second preceding year.

23 2. Pursuant to paragraph 1 of this subsection, in the event the
24 total tax credits authorized by subsections B and C of this section

1 exceed Three Million Dollars (\$3,000,000.00) in any tax year, the
2 Tax Commission shall permit any excess over Three Million Dollars
3 (\$3,000,000.00), but shall factor such excess into the percentage
4 adjustment formula for subsequent years.

5 F. 1. For any tax year during which the credit is allowed, the
6 total amount of credits authorized by subsection D of this section
7 used to offset tax shall be adjusted annually to limit the annual
8 amount of credits to Two Million Dollars (\$2,000,000.00). The Tax
9 Commission shall annually calculate and publish a percentage by
10 which the credits authorized by subsection D of this section shall
11 be reduced so the total amount of credits used to offset tax does
12 not exceed Two Million Dollars (\$2,000,000.00) per year. The
13 formula to be used for the percentage adjustment shall be Two
14 Million Dollars (\$2,000,000.00) divided by the credits claimed in
15 the second preceding year.

16 2. Pursuant to paragraph 1 of this subsection, in the event the
17 total tax credits authorized by subsection D of this section exceed
18 Two Million Dollars (\$2,000,000.00) in any tax year, the Tax
19 Commission shall permit any excess over Two Million Dollars
20 (\$2,000,000.00), but shall factor such excess into the percentage
21 adjustment formula for subsequent years.

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

23

24 56-2-3671 JCR 4/30/2018 7:42:57 PM