BILL SUMMARY
2nd Session of the 56th Legislature

Bill No.:	**HB 1036**
Version:	**JCR**
Request Number:	**15029**
Author:	**Rep. Wallace**
Date:	**2/26/2018**
Impact:	**Tax Commission:**
	FY-19: $0

Research Analysis

HB1036XX, as introduced, established an annual cap equal to $2 million for the railroad rehabilitation tax credit effective tax year 2018. The measure directs the Oklahoma Tax Commission to use a percentage adjustment formula to determine a percentage by which the credits authorized are to be reduced to satisfy the $2 million annual cap. In the event that the total tax credits authorized exceed the annual cap, the commission will permit any excess, but must factor the excess into the percentage adjustment formula for subsequent years.

Prepared By: Quyen Do

Fiscal Analysis

From the tax Commission:

Under current law an income tax credit is allowed for an eligible taxpayer's qualified railroad reconstruction or replacement expenditures. The tax credit is equal to fifty percent (50%) of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures, but is limited to the product of Six Thousand Dollars ($6,000.00) and the number of miles of railroad track owned or leased within this state by the eligible taxpayer as of the close of the taxable year, provided the taxpayer may only claim one third (1/3) of the credit in any one taxable period. The credit may be carried over for five (5) succeeding taxable years. This credit is transferable. Effective January 1, 2016 the total credit is further reduced by twenty five percent (25%) of the amount allowed.

Preliminary calendar year 2016 data for this credit shows $447,000 was used to offset tax. An analysis of the preliminary 2016 credits shows that all $447,000 of the tax expenditure was processed prior to July 1, 2017. Assuming similar tax credit amounts and filing date patterns for tax year 2018, the $2 million cap will not affect FY19 or FY20.

Prepared By: Mark Tygret

Other Considerations

None.