

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: May 10, 2018

BILL NUMBER: HB 1568 **STATUS AND DATE OF BILL:** Enrolled Bill 5/3/18

AUTHORS: House Echols and Cockroft Senate Thompson

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

House Bill 1568 authorizes the Department of Commerce to establish a program that allows outstanding tax credits to be purchased by the State of Oklahoma from owners of the outstanding credits.

EFFECTIVE DATE: November 1, 2018

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 19: -0-

FY 20: Unknown

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 19: -0-

May 10, 2018
DATE

5-10-18
DATE

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DATE

Rick Miller
DIVISION DIRECTOR

Reece Womack
REECE WOMACK, ECONOMIST

Jimmy M. T.
FOR THE COMMISSION

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House Bill 1568 authorizes the Department of Commerce to establish a program that allows outstanding tax credits¹ to be purchased by the State of Oklahoma from owners of the outstanding credits.

The Oklahoma Department of Commerce will be authorized to enter into agreements for the purchase and/or surrender and cancellation of Oklahoma tax credits. Tax credits owned by a taxpayer may be purchased by the State of Oklahoma if such an agreement is in the best interest of the State and when the cost to purchase the credits is determined to be less than the benefit to the State through an agreement to reinvest a negotiated percentage of the payment by the State to the owner of the tax credits. Payments by the State to owners of the tax credits can be made in one year or over multiple years. The final approval for any tax credit purchase agreement shall be subject to the availability of funds appropriated by the Legislature.

The agreement negotiated between the tax credit owner and the Department of Commerce must be beneficial to the interests of the State of Oklahoma through increased investment by the owner of the tax credits in facilities, equipment and job creation resulting from the use of proceeds for the purchase and/or surrender and cancellation of tax credits, and the agreement must result in a net benefit to the State.²

Within thirty (30) days of the finalization of any agreement for the purchase and/or surrender and cancellation of tax credits, the former owner of the tax credits must file a copy of the agreement with the Tax Commission disclosing the identity of the taxpayer, the type of tax credit, the total amount of tax credits, including any carryover credits and such other information as the Tax Commission may require.

The owner selling the tax credits to the State of Oklahoma must file a report with the Department of Commerce on a yearly basis, not later than March 15, documenting the benefits to the state. If the former owner of the credits does not fulfill the terms of the approved agreement, the State may require the return of funds equal to the percentage of the agreement which was not completed by the former owner of the credits.

The specific terms of each purchase agreement, including the timetable of the payments by the State to the owners of the tax credits, is unknown. The final approval for any tax credit purchase agreement is subject to the availability of funds appropriated by the Legislature; therefore, no revenue impact in state revenues due to this proposed legislation.

¹ "Outstanding tax credits" means credits against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes which have been claimed, but not used, by a taxpayer and are eligible to be carried forward to a tax year during which a payment will be made pursuant to an agreement authorized by this section.

² The estimated direct state benefits resulting from the agreement must exceed the estimated direct state costs.

"Estimated direct state benefits" means the revenues projected to accrue to the State as a result of new direct jobs or investment, additional tax revenues and the savings achieved through the purchase of outstanding but unclaimed tax credits. "Estimated direct state costs" means the price paid to the owner of the tax credits for the credits which are surrendered and canceled pursuant to the terms of the agreement.