

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 17, 2018

BILL NUMBER: SB 1001 **STATUS AND DATE OF BILL:** Introduced 1/12/18

AUTHORS: House n/a Senate Standridge

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

PROPOSAL: Amendatory

SB 1001 proposes to amend 68 O.S. § 2357.4 which relates to the *Investment / New Jobs Income Tax Credit*. This measure proposes to terminate this credit, effective for tax year 2018 and subsequent tax years.

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: -0-

ADMINISTRATIVE IMPACT:

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

FY 19: None

Feb. 16, 2018
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-16-18
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2-16-18
DATE

Jimmy Mott
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT – SB 1001[Introduced] Prepared January 17, 2018

SB 1001 proposes to amend 68 O.S. § 2357.4 which relates to the *Investment / New Jobs Income Tax Credit*. This measure proposes to terminate this credit, effective for tax year 2018 and subsequent tax years.

Under current law, manufacturers, entities engaged in aircraft maintenance and web search portal firms are eligible for a non-refundable income tax credit for either an investment in depreciable property or for the addition of full-time equivalent employees¹. Generally the credit is one percent of the amount of investment in depreciable property or \$500.00 per new job². The credit is allowed for the tax year the investment is made or when the increase in jobs occurs and is also allowed in each of the four subsequent years if the level of new employees is maintained or the qualified property is not sold, disposed of or transferred. Any credit allowed but not used may be carried over in order to each of the four (4) years following the year of qualification and to the extent not used in those years in order to each of the fifteen (15) years following the initial five-year period. To the extent not used, any credit from qualified depreciable property placed in service on or after January 1, 2000, may be utilized in subsequent tax years after the initial twenty-year period. Effective for tax years 2016 through 2018, there is a statewide cap of \$25 million dollars on this credit.

This measure would terminate the credit effective for tax year 2018 and subsequent tax years.

Terminating this credit effective for tax year 2018 and subsequent tax years would have no impact on Oklahoma income tax collections in the short term³. A review of tax year 2015 data indicates that approximately \$541 million in *Investment / New Jobs Income Tax Credit* were claimed; comprising of \$462 million in credits that were carried over from prior years and \$79 million in credits that were generated in tax year 2015. The total amount used to offset tax for 2015 was \$42.6 million – less than 10% of the unused carryover portion of the credit. Due to the large amounts of carryover, terminating the credit for tax year 2018 and subsequent tax years will have no impact on income tax collections in the short term.

¹ Web Search Portal firms are only eligible for the investment component of this credit.

² Credits double (2% of the amount of investment in depreciable property or \$1000.00 per new job) if the entity is located in an enterprise zone or if the initial investment is in excess of \$40 million.

³ The credits that have been earned prior to tax year 2018 and not used are not affected by this measure.