

# OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 7, 2018

BILL NUMBER: SB 1068 STATUS AND DATE OF BILL: Introduced 1/16/18

AUTHORS: House n/a Senate McCortney

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 1068 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to limit the time period to carry over unused credits effective for tax year 2018 and subsequent 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. 7, 2018  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

2-7-18  
DATE

Reece Womack  
REECE WOMACK, ECONOMIST

2-7-18  
DATE

Jimmy White  
FOR THE COMMISSION

## **ATTACHMENT TO FISCAL IMPACT – SB 1068 [Introduced] Prepared February 7, 2018**

SB 1068 proposes to amend 68 O.S. § 2357.4 which relates to the Investment / New Jobs Income Tax Credit. This measure proposes to limit the time period to carry over unused credits effective for tax year 2018 and subsequent 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 employees<sup>1</sup>. Generally the credit is one percent of the amount of investment in depreciable property or \$500.00 per new job<sup>2</sup>. The credit, once established, 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 years following the year of qualification and to the extent not used in those years in order to each of the fifteen 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.

Under this measure, the time period to which the credit allowed but not used may be carried over is amended. Unused credits based on investment in qualified depreciable property may be carried over for five years after the year of qualification. Unused credits based on a net increase in employment may be carried over for ten years after the year of qualification.

There is no impact to income tax collections in FY19 or FY20 as a result of this measure. Preliminary tax year 2016 data suggest the Oklahoma Investment/New Jobs Credit has significant amounts of unused carryover available to be used in future tax years. The time limitation proposed in this measure would not have any short term effect on income tax collections. There is a potential unknown positive effect on income tax collections in the future when the unused carryover credit period has been exhausted.

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

<sup>2</sup> 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.