

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 12, 2017

BILL NUMBER: SB 120 **STATUS AND DATE OF BILL:** Introduced 1/10/17

AUTHORS: House n/a Senate David

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

PROPOSAL: Amendatory

SB 120 proposes to amend 68 O.S. §§ 2357.301-304 (Credit for Employees in Aerospace Sector and the Credit for Employers in Aerospace Sector) by extending the sunset date to tax years ending before January 1, 2026.

EFFECTIVE DATE: November 1, 2017

REVENUE IMPACT:

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

FY 18: -0-

FY 19: -0-

ADMINISTRATIVE IMPACT:

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

FY 18: No additional cost or savings to the Tax Commission anticipated due to this proposed legislation.

<u>Jan. 17, 2017</u> DATE	<u>Rick Miller</u> DIVISION DIRECTOR	<u>mck</u>
<u>1-18-17</u> DATE	<u>Reece Womack</u> REECE WOMACK, ECONOMIST	
<u>1/20/17</u> DATE	<u>Dan Cass</u> FOR THE COMMISSION	

ATTACHMENT TO FISCAL IMPACT - SB 120 [Introduced] Prepared January 12, 2017

SB 120 proposes to amend 68 O.S. §§ 2357.301-304 (Credit for Employees in Aerospace Sector and the Credit for Employers in Aerospace Sector) by extending the sunset date to tax years ending before January 1, 2026.

CURRENT LAW:

Under current law, there are three (3) aerospace income tax credits:

1. An income tax credit is allowed for a qualified employer in the aerospace sector for tuition reimbursement to a qualified employee. The amount of the credit is fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. An income tax credit is allowed for a qualified employer in the aerospace for compensation paid to a qualified employee. The amount of the credit is ten percent (10%) of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located in this state; or five percent (5%) if the qualified employee graduated from an institution located outside this state. The credit cannot exceed Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified employee annually.
3. An income tax credit is allowed for a qualified employee in the aerospace sector of up to Five Thousand Dollars (\$5,000.00) per year for a period of time not to exceed five (5) years. Any credit claimed, but not used, may be carried over up to five (5) subsequent taxable years.

All of these credits are set to expire for tax years ending before January 1, 2018.

PROPOSED LAW:

This measure proposes to extend the sunset date for the three (3) income tax credits for the aerospace sector to tax years ending before January 1, 2026.

REVENUE IMPACT:

No change to income tax collections are anticipated due to this measure¹.

¹For tax year 2014, the tax expenditure of the credits above is as follows: Tuition reimbursement \$0; Employer Compensation \$1,989,000; and Employee Credit \$5,079,000. Source: Oklahoma Tax Commission Tax Expenditure Report 2015-2016; published October 2016.