

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 7, 2017

BILL NUMBER: SB 412 **STATUS AND DATE OF BILL:** Introduced 1/19/17

AUTHORS: House n/a Senate Loveless

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

PROPOSAL: New and Amended

SB 412 proposes to enact the Ignite Oklahoma Act, which creates a new income tax credit for taxable years beginning on or after January 1, 2018. The credit is for qualified investments in a qualified start-up business for which an eligibility statement has been issued by the Oklahoma Science and Technology Research and Development Board. The credit will be equal to fifty-five percent (55%) of the amount of the investment.

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: Unknown decrease in income tax collections

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 due to this proposed legislation.

Feb. 7, 2017
DATE

Rick Miller
DIVISION DIRECTOR

lrh

2-7-17
DATE

Beece Womack
BEECE WOMACK, ECONOMIST

2/7/17
DATE

Dan L...
FOR THE COMMISSION

SB 412 proposes to enact the Ignite Oklahoma Act, which creates a new income tax credit for taxable years beginning on or after January 1, 2018. The credit is for qualified investments in a qualified start-up business for which an eligibility statement has been issued by the Oklahoma Science and Technology Research and Development Board. The credit will be equal to fifty-five percent (55%) of the amount of the investment, subject to the following criteria:

- Credits may only be claimed to offset tax liability generated by a specific qualified investment for which the credits are being claimed and not any tax liability generated from other income of the taxpayer;¹
- Credits shall apply only to income not otherwise exempt under the Oklahoma Tax Code; and
- No taxpayer may claim in excess of Five Hundred Fifty Thousand Dollars (\$550,000.00) in total credits for a single tax year, provided; the total amount claimed by a taxpayer may be from a single investment or multiple investments.

Any credit claimed but not used in a taxable year may be carried forward to each of the twenty (20) subsequent taxable years.

"Eligibility statement" means a statement authorized and issued by the Oklahoma Science and Technology Research and Development Board that a specified investment into a start-up business meets applicable criteria and therefore qualifies for tax credits authorized pursuant to this section.

"Qualified investment" means a nonrefundable investment by an investor of at least Ten Thousand Dollars (\$10,000.00) for a single round in an offering where the total capital raise equals or exceeds Three Hundred Thousand Dollars (\$300,000.00) and the post-money valuation does not exceed Ten Million Dollars (\$10,000,000.00).

"Qualified start up business" means a business which, at the time of the taxpayer's initial investment:

- has been operational for less than thirty-six (36) months,
- has generated, during the preceding tax year, annual revenue in an amount less than Three Million Dollars (\$3,000,000.00) which would otherwise be subject to the provisions of Section 2355 of Title 68 of the Oklahoma Statutes,
- is not a holding company of any other entity,
- employs a majority of its employees and contractors in this state,
- is making an offering of equity or near-equity security and has been determined by the Oklahoma Science and Technology Research and Development Board as eligible,
- is not engaged in the business of oil and gas exploration, real estate development or sales, retail sales of food or clothing, farming, ranching, banking or lending, or investment of funds in other businesses; provided, this exclusion shall not apply to an otherwise qualified start-up business which provides goods or services including but not limited to new technology, equipment or techniques to excluded businesses, and
- makes a reasonable effort to maintain its principal location in the state for no less than thirty-six (36) months.

The enactment of this credit would have an unknown decrease in income tax collections for tax year 2018. No changes to withholding or estimated tax payments are anticipated, so the impact should occur when the 2018 income tax returns are filed in 2019.

¹ Limiting these credits to offset tax liability generated by a specific qualified investment for which the credits are being claimed and not any tax liability generated from other income of the taxpayer, may be problematic administratively.