

STATE OF OKLAHOMA

1st Session of the 57th Legislature (2019)

COMMITTEE SUBSTITUTE  
FOR

HOUSE BILL NO. 1884

By: Fetgatter

COMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; amending Section 1, Chapter 317, O.S.L. 2018 (68 O.S. Supp. 2018, Section 2357.404), which relates to tax credits for employees of vehicle manufacturing companies; defining term; modifying definition; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 1, Chapter 317, O.S.L. 2018 (68 O.S. Supp. 2018, Section 2357.404), is amended to read as follows:

Section 2357.404 A. As used in this section:

1. "Vehicle manufacturing" and "automotive parts manufacturing" ~~means~~ mean a private or public company first placed in operation in this state after ~~the effective date of this act~~ November 1, 2019, which is engaged in the research, development, design and manufacture of motor vehicles or automotive parts manufacturing which may be driven on the avenues of public access. For purposes

1 of this section, "motor vehicle" does not include ~~buses~~, low-speed  
2 electric vehicles, ~~truck-tractors~~ or motor vehicles manufactured  
3 primarily for off-road use, such as primarily for use on a golf  
4 course;

5 2. "Compensation" means payments in the form of contract labor  
6 for which the payor is required to provide a Form 1099 to the person  
7 paid, wages subject to withholding tax paid to a part-time employee  
8 or full-time employee, or salary or other remuneration.

9 Compensation shall not include employer-provided retirement, medical  
10 or health-care benefits, reimbursement for travel, meals, lodging or  
11 any other expense;

12 3. "Institution" means an institution within The Oklahoma State  
13 System of Higher Education or any other public or private college or  
14 university that is accredited by a national accrediting body;

15 4. "Qualified employer" means a sole proprietor, general  
16 partnership, limited partnership, limited liability company,  
17 corporation, other legally recognized business entity, or public  
18 entity whose principal business activity involves the vehicle  
19 manufacturing as defined in this section;

20 5. "Qualified employee" means any person, regardless of the  
21 date of hire, employed in this state by or contracting in this state  
22 with a qualified employer on or after January 1, 2018, who has been  
23 awarded an undergraduate or graduate degree from a qualified program  
24 by an institution, and who was not employed in vehicle manufacturing

1 in this state immediately preceding employment or contracting with a  
2 qualified employer. Provided, the definition shall not be  
3 interpreted to exclude any person who was employed in vehicle  
4 manufacturing, but not as a full-time engineer, prior to being  
5 awarded an undergraduate or graduate degree from a qualified program  
6 by an institution or any person who has been awarded an  
7 undergraduate or graduate degree from a qualified program by an  
8 institution and is employed by a professional staffing company and  
9 assigned to work in vehicle manufacturing in this state;

10 6. "Qualified program" means a program that awards an  
11 undergraduate or graduate degree and that has been accredited by the  
12 Engineering Accreditation Commission of the Accreditation Board for  
13 Engineering and Technology (ABET); and

14 7. "Tuition" means the average annual amount paid by a  
15 qualified employee for enrollment and instruction in a qualified  
16 program. Tuition shall not include the cost of books, fees or room  
17 and board.

18 B. 1. Except as otherwise provided in subsection E of this  
19 section, for taxable years beginning after December 31, 2018, and  
20 ending before January 1, 2026, a qualified employer shall be allowed  
21 a credit against the tax imposed pursuant to Section 2355 of Title  
22 68 of the Oklahoma Statutes for tuition reimbursed to a qualified  
23 employee.

1        2. The credit authorized by this subsection may be claimed only  
2 if the qualified employee has been awarded an undergraduate or  
3 graduate degree within one (1) year of commencing employment with  
4 the qualified employer.

5        3. The credit authorized by this subsection shall be in the  
6 amount of fifty percent (50%) of the tuition reimbursed to a  
7 qualified employee for the first through fourth years of employment.  
8 In no event shall this credit exceed fifty percent (50%) of the  
9 average annual amount paid by a qualified employee for enrollment  
10 and instruction in a qualified program at a public institution in  
11 Oklahoma.

12        4. The credit authorized by this subsection shall not be used  
13 to reduce the tax liability of the qualified employer to less than  
14 zero (0).

15        5. No credit authorized by this subsection shall be claimed  
16 after the fourth year of employment.

17        C. 1. Except as otherwise provided in subsection E of this  
18 section, for taxable years beginning after December 31, 2018, and  
19 ending before January 1, 2026, a qualified employer shall be allowed  
20 a credit against the tax imposed pursuant to Section 2355 of Title  
21 68 of the Oklahoma Statutes for compensation paid to a qualified  
22 employee.

23        2. The credit authorized by this subsection shall be in the  
24 amount of:

- 1           a.    ten percent (10%) of the compensation paid for the  
2               first through fifth years of employment in vehicle  
3               manufacturing if the qualified employee graduated from  
4               an institution located in this state, or  
5           b.    Five percent (5%) of the compensation paid for the  
6               first through fifth years of employment in vehicle  
7               manufacturing if the qualified employee graduated from  
8               an institution located outside this state.

9           3.    The credit authorized by this subsection shall not exceed  
10   Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified  
11   employee annually.

12          4.    The credit authorized by this subsection shall not be used  
13   to reduce the tax liability of the qualified employer to less than  
14   zero (0).

15          5.    No credit authorized pursuant to this subsection shall be  
16   claimed after the fifth year of employment.

17          D.    1.   Except as otherwise provided in subsection F of this  
18   section, for taxable years beginning after December 31, 2018, and  
19   ending before January 1, 2026, a qualified employee shall be allowed  
20   a credit against the tax imposed pursuant to Section 2355 of Title  
21   68 of the Oklahoma Statutes of up to Five Thousand Dollars  
22   (\$5,000.00) per year for a period of time not to exceed five (5)  
23   years.  
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1        2. The credit authorized by this subsection shall not be used  
2 to reduce the tax liability of the taxpayer to less than zero (0).

3        3. Any credit claimed, but not used, may be carried over, in  
4 order, to each of the five (5) subsequent taxable years.

5        E. 1. For any tax year during which the credit is allowed, the  
6 total amount of credits authorized by subsections B and C of this  
7 section used to offset tax shall be adjusted annually to limit the  
8 annual amount of credits to Three Million Dollars (\$3,000,000.00).

9 The Tax Commission shall annually calculate and publish a percentage  
10 by which the credits authorized by subsections B and C of this  
11 section shall be reduced so the total amount of credits used to  
12 offset tax does not exceed Three Million Dollars (\$3,000,000.00) per  
13 year. The formula to be used for the percentage adjustment shall be  
14 Three Million Dollars (\$3,000,000.00) divided by the credits claimed  
15 in the second preceding year.

16        2. Pursuant to paragraph 1 of this subsection, in the event the  
17 total tax credits authorized by subsections B and C of this section  
18 exceed Three Million Dollars (\$3,000,000.00) in any tax year, the  
19 Tax Commission shall permit any excess over Three Million Dollars  
20 (\$3,000,000.00), but shall factor such excess into the percentage  
21 adjustment formula for subsequent years.

22        F. 1. For any tax year during which the credit is allowed, the  
23 total amount of credits authorized by subsection D of this section  
24 used to offset tax shall be adjusted annually to limit the annual

1 amount of credits to Two Million Dollars (\$2,000,000.00). The Tax  
2 Commission shall annually calculate and publish a percentage by  
3 which the credits authorized by subsection D of this section shall  
4 be reduced so the total amount of credits used to offset tax does  
5 not exceed Two Million Dollars (\$2,000,000.00) per year. The  
6 formula to be used for the percentage adjustment shall be Two  
7 Million Dollars (\$2,000,000.00) divided by the credits claimed in  
8 the second preceding year.

9 2. Pursuant to paragraph 1 of this subsection, in the event the  
10 total tax credits authorized by subsection D of this section exceed  
11 Two Million Dollars (\$2,000,000.00) in any tax year, the Tax  
12 Commission shall permit any excess over Two Million Dollars  
13 (\$2,000,000.00), but shall factor such excess into the percentage  
14 adjustment formula for subsequent years.

15 SECTION 2. This act shall become effective November 1, 2019.

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