

1 ENGROSSED HOUSE
2 BILL NO. 3115

By: Hill, Fetgatter and Waldron
of the House

3 and

4 Hall and Bergstrom of the
5 Senate

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8 [revenue and taxation - income tax credits for
9 certain manufacturers -

10 emergency]
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14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY Section 1, Chapter 317, O.S.L.
16 2018, as amended by Section 1, Chapter 388, O.S.L. 2019 (68 O.S.
17 Supp. 2019, Section 2357.404), is amended to read as follows:

18 Section 2357.404 A. As used in this section:

19 1. "Vehicle manufacturing" and "automotive parts manufacturing"
20 mean a private or public company ~~first placed in operation in this~~
21 ~~state after November 1, 2019,~~ operating in the State of Oklahoma
22 which is engaged in the research, development, design and
23 manufacture of motor vehicles or automotive parts manufacturing
24 which may be driven on the avenues of public access. For purposes

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

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

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

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

14 4. "Qualified employer" means a sole proprietor, general
15 partnership, limited partnership, limited liability company,
16 corporation, other legally recognized business entity, or public
17 entity whose principal business activity involves the vehicle
18 manufacturing and is undergoing business expansion or engaged in the
19 hiring of new engineering positions 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~~ this title for tuition reimbursed to a
23 qualified 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~~ this title for compensation paid to a
22 qualified 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~~ this title of up to Five Thousand
22 Dollars (\$5,000.00) per year for a period of time not to exceed five
23 (5) years.

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. It being immediately necessary for the preservation
16 of the public peace, health or safety, an emergency is hereby
17 declared to exist, by reason whereof this act shall take effect and
18 be in full force from and after its passage and approval.

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1 Passed the House of Representatives the 3rd day of March, 2020.

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4 Presiding Officer of the House
of Representatives

5 Passed the Senate the ____ day of _____, 2020.

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8 Presiding Officer of the Senate