

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 3115</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>10331</b>
<b>Author:</b>	<b>Rep. Hill</b>
<b>Date:</b>	<b>2/6/2020</b>
<b>Impact:</b>	<b>Tax Commission:</b>
	<b>Potential Negative Revenue Impact</b>

**Research Analysis**

HB3115, as introduced, amends the eligibility standards for a tax credit program for vehicle or automotive parts manufacturers by expanding the program to any eligible company operating in the state that is also undergoing business expansion or hiring new engineering positions. Currently, a qualified manufacturer must have been first placed in operation after November 1, 2019 to receive the tax credits.

Prepared By: Quyen Do

**Fiscal Analysis**

From the Tax Commission:

Beginning with tax year 2019, SB 1585 (2018) enacted three income tax credits available for qualified employers<sup>1</sup> and qualified employees<sup>2</sup>:

1. An income tax credit for a qualified employer for tuition reimbursement to a qualified employee. The amount of the credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. An income tax credit allowed for a qualified employer for compensation paid to a qualified employee. The amount of the credit is 10% of the compensation paid for the first through fifth years of employment in the qualified industry if the qualified employee graduated from an institution located in this state; or 5% if the qualified employee graduated from an institution located outside this state. The credit cannot exceed \$12,500 for each qualified employee annually.
3. An income tax credit for a qualified employee of up to \$5,000 per year for a period of time not to exceed five years. Any credit claimed, but not used, may be carried over up to five subsequent taxable years.

The two credits available to employers (based on tuition reimbursement and compensation paid) are subject to an annual cap of \$3 million. The credit available to employees is subject to an annual cap of \$2 million. The cap requires a two year look back to calculate. This effectively renders the cap ineffective for the first two tax years (2019 and 2020). If the credits claimed in 2019 exceed the cap<sup>3</sup>, the Tax Commission will calculate a percentage by which the credits claimed in 2021 shall be reduced.

There is a potential negative revenue impact, beginning as early as FY 21, as a result of this measure.

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<sup>1</sup> Vehicle manufacturing entities first placed in operation in this state after November 1, 2018, and automotive parts manufacturing entities first placed in operation in this state after November 1, 2019.

<sup>2</sup> "Qualified employee" means any person, regardless of the date of hire, employed in this state by or contracting in this state with a qualified employer on or after January 1, 2018, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in vehicle manufacturing in this state immediately preceding employment or contracting with a qualified employer.

<sup>3</sup> Tax year 2019 income tax returns are due April 15, 2020.

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### **Other Considerations**

None.

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