

BILL SUMMARY
2nd Session of the 57th Legislature

Bill No.:	HB 3887
Version:	INT
Request Number:	9940
Author:	Rep. Wallace
Date:	2/24/2020
Impact:	Tax Commission:

Revenue Decrease
Unknown Income Tax Decrease

Research Analysis

HB3887, as introduced, establishes the Oklahoma Remote Quality Jobs Incentive Act to provide incentive payments to qualified proxy establishments for attracting remote workers to the state. The measure creates payroll and jobs criteria for qualified establishments and vests program implementation duties with the Oklahoma Department of Commerce (ODOC) and Oklahoma Tax Commission (OTC). Qualified companies must be approved by the ODOC, estimate new payroll in excess of \$1.5 million in the first calendar year and designate at least 80 percent those new workers as full-time employees working an average of 30 hours or more per week.

Quarterly incentive payments may be rewarded to a qualified establishment for up to 10 quarters and will be determined by the following formula: (net benefit rate (%) determined by the ODOC) x (actual gross payroll of new direct jobs resulting from the hiring of remote workers).

The measure also creates the Oklahoma Remote Quality Jobs Incentive Payment Fund and directs the OTC to withhold a portion of state income taxes to deposit into the fund.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

Under this measure, proxy establishments that attract remote workers¹ to Oklahoma with the purpose of increasing the state's population would be eligible to receive rebates on the remote workers provided the remote workers meet certain wage and health insurance requirements. The amount of rebate payments is equal to the net benefit rate multiplied by the actual gross payroll of new direct jobs² for a calendar quarter, subject to verification by the Oklahoma Employment Security Commission. This measure also provides for the establishment of a special fund within the State Treasury designated the *Oklahoma Remote Quality Jobs Incentive Payment Fund* which would allow income tax revenue withheld³ by the Tax Commission to be deposited and subsequently paid as rebates.

In order to be eligible for the rebates, proxy establishments are required to:

- Have an annual gross payroll for new direct jobs projected by the Oklahoma Department of Commerce to equal or exceed \$1.5 million within 1 year of the first complete calendar quarter following the start date; and
- Have a number of full-time-equivalent employees working an average of 30 or more hours per week in the new direct jobs equal to or in excess of 80% of the total number of new direct jobs.

This measure is similar to the Oklahoma's Quality Jobs Program which offers qualifying companies quarterly cash rebates for up to 5 percent of newly created taxable payroll for up to 10 years. In order to qualify for the rebates, a company must operate in an eligible industry and meet requirements related to the amount of payroll associated with new jobs created, health insurance coverage, and wages. The Department of Commerce prepares a project profile to calculate two key factors in Quality Jobs Program benefits: the net benefit rate and the maximum benefit amount.

This measure does not define net benefit rate or provide a maximum benefit amount.

There is an unknown negative impact on income tax collections in FY 21.

¹ "Remote workers" refers to work flexibility arrangements under which an employee performs the duties and responsibilities of the employee's position (and other authorized activities) from an approved work site other than the location from which the employee would otherwise work, which shall not be located within the physical boundaries of the State of Oklahoma.

² New direct jobs include full-time-equivalent employment in Oklahoma of remote workers who are employed by an establishment other than the proxy establishment which has qualified to receive incentive payments for attracting remote workers to the state. Such jobs held by remote workers could not exist in this state prior to the date of approval by the Oklahoma Department of Commerce of the application of the proxy establishment. A job shall be deemed to have existed in this state prior to approval of an application if the activities and functions for which the particular job exists have been ongoing at any time within six (6) months prior to such approval.

³ The amount withheld and deposited shall equal the sum of an amount determined by multiplying the net benefit rate provided by the Department of Commerce by the gross payroll as determined pursuant to the provisions of *Oklahoma Remote Quality Jobs Incentive Act*.

Prepared By: Mark Tygret

Other Considerations

None.