

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	SB 746
Version:	CS
Request Number:	8668
Author:	Rep. Pfeiffer
Date:	4/24/2019
Impact:	Tax Commission:

Potential Impact:
State Revenue Decrease of \$2.56 Million in FY-21

Research Analysis

The committee substitute for SB746 creates an income tax credit for qualified software or cybersecurity employee first employed or contracting in the state on or after November 1, 2019. The credit amount is \$2200 per year for up to seven years for any qualified employee with a bachelor's or higher degree or \$1800 per year for up to seven years for those with an associate's degree or certificate from an accredited program at a technology center. The credit can be claimed beginning tax year 2020 through tax year 2029 and is subject to a \$5 million annual cap beginning tax year 2022.

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Fiscal Analysis

Updated Tax Commission analysis includes:

The Proposed Floor Substitute for SB 746 proposes to enact a nonrefundable income tax credit for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The credit will be either \$2,200 or \$1,800, depending upon the employee's level of education and is available for a period of seven (7) years.

A "qualified software or cybersecurity employee" means any person employed by a qualifying employer in a qualifying industry on or after the effective date of this measure, who has met certain educational requirements.

An employer may apply to the Oklahoma Tax Commission for qualification as a "qualified employer". The qualified employer must be in a "qualifying industry" and pay all employees a "qualifying compensation" for the county in which the qualified employer has its primary Oklahoma address in order for the qualified software or cybersecurity employees to qualify for the tax credit.

This measure caps the credits at \$5 million beginning with tax year 2022.

A "degree-producing institution" is defined as any college or university that has accredited programs from ABET.

"Accredited program" is defined as:

- An undergraduate or graduate cybersecurity, information technology, computer science and engineering or software engineering degree program accredited by the Computing Accreditation Commission (CAC) or the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology (ABET) offered at a degree-producing institution, or
- A software, cybersecurity, programming, software programming, coding, application development, computer science or information technology program requiring more than eight hundred (800) hours of class time.

There are 81 ABET certified accredited programs in the United States :

- Thirty-nine (39) institutions have accredited information technology programs
- Two (2) institutions have accredited cybersecurity programs.
- Eleven (11) institutions have accredited computer science and engineering programs
- Twenty-nine (29) institutions have accredited software engineering degree programs.

Nine Oklahoma colleges or universities are ABET accredited institutions; however only one offers an accredited program degree:

- Oklahoma State University Institute of Technology, Bachelor of Technology in Information Technology

Data from Oklahoma Department of Career and Technology Education shows that in the past five (5) years an average of 1,377 career tech certificates were conferred (eligible for \$1,800 credit) in potentially qualifying fields of studies. Data from Oklahoma State University Institute of Technology shows 37 Bachelor of Technology degrees were conferred (eligible for the \$2,200 credit). These combined certificates and degrees suggest a potential revenue decrease of \$2.56 million in tax year 2020 and a potential decrease in revenue of \$5.12 million in tax year 2021. **The potential impact is a decrease of state revenue of \$2.56 million in FY 21.**

If the credits claimed in year 2021 exceed \$5 million, the credits authorized in tax year 2023 will be reduced as a result of the cap.

¹ The amount of the credit is \$2,200 for a qualified software or cybersecurity employee who has been awarded a bachelor's or higher degree from an accredited program at a degree-producing institution, or \$1,800 for a qualified software or cybersecurity employee who has been awarded an associate's degree from an accredited program at a degree-producing institution or a credential or certificate from an accredited program at a technology center.

² "Qualified industry" means a qualified employer whose activities are defined or classified in the most recent North American Industry Classification System (NAICS) manual under U.S. Sector Nos. 21, 22, 31-33, 48, 51, 52, 54, 55, 62 and 92.

³ "Qualifying compensation" is the average annualized wages paid by a qualifying employer which is at least one hundred ten percent (110%) of the average county wage for the county in which the employer is located as that percentage is determined by the Oklahoma Department of Commerce based on the most recent U.S. Department of Commerce data; or, for federal employees, such employees shall meet a GS-5 or equivalent initial hiring threshold in lieu of the wage requirement. For the purposes of this definition, annual wages shall not include employer-provided health care or retirement benefits.

⁴ The Tax Commission is required to calculate and publish the percentage by which the authorized credits will be reduced so the total credits used to offset tax do not exceed \$5 million per year. The formula to be used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding year.

⁵ <http://main.abet.org/aps/Accreditedprogramsearch.aspx>

⁶ <https://go.osuit.edu/advancement/research/sites/go.osuit.edu.advancement.research/files/media/factbook-2018.pdf>

⁷ It is unknown how many additional employees will relocate to Oklahoma and qualify for the credit.

Other Considerations

None.

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