

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	SB 749
Version:	ENGR
Request Number:	NA
Author:	Rep. Hilbert
Date:	3/26/2019
Impact:	Tax Commission: No Anticipated Impact

Research Analysis

Engrossed SB749 creates the Public-Private Partner Development Pool (PPDP), which will consist of proceeds from bonds issued and sold by Oklahoma Development Finance Authority (ODFA) to help finance eligible infrastructure development projects. An eligible infrastructure development project must involve one or more eligible local governmental entity, a for-profit business and/or a federal government defense entity. For the purposes of the act, a federal government defense entity is defined as any U.S. Department of Defense installation in the state of Oklahoma including Fort Sill, Tinker Air Force Base, Altus Air Force Base, Vance Air Force Base and McAlester Army Ammunition Plant.

The measure requires 65 percent of the net proceeds from the PPDP to be used for the benefit of eligible local government entities with a population of less than 300,000 per municipality. The remaining 35 percent may be used by ODFA for the benefit of any and all eligible local government entities regardless of population.

The measure also directs the Oklahoma Department of Commerce (ODOC) to establish criteria for the funding of authorized infrastructure projects through the use of a scoring system. The scoring system must include an analysis of capital investment by public and private stakeholders, new direct job creation, salary and wage payments as a result of the job creation and the economic expansion of businesses that would benefit from the PPDP.

Interested local government entities are required to apply to the department for approval of pooled financing for an infrastructure project and obtain a determination letter from ODOC stating that the project will result in a positive net benefit rate. Projects with a positive net benefit rate allow the applying local government entity to capture withholding taxes associated with new jobs or existing jobs associated with the participating for-profit business entity. The Oklahoma Tax Commission is then required to determine applicable withholding taxes and deposit those funds into the Community Economic Development Pooled Finance Revolving Fund (CEDPF).

The measure also prohibits for-profit business from also claiming other tax and economic incentives such as incentive payments pursuant to the Economic Development Pool, the Oklahoma Quality Jobs Program Act or any investment tax credits during the period of time that withholding taxes are captured and diverted into the CEDPF revolving fund. Furthermore, for-profit businesses participating in the PPDP will not be subject to corporate income tax associated with the segregation and payment of withholding taxes to local governmental entities when such payments are made for the purpose of infrastructure development in the PPDP.

Prepared By: Quyen Do

Fiscal Analysis

Summary provided by the Tax Commission:

SB 749 proposes to amend Section 891.3 of Title 62 which relates to the definitions for the Oklahoma Community Economic Development Pooled Finance Act. Section 5 of this proposed measure relates to the Tax Commission's determination as to the capture and amount of withholding taxes attributable to the income of employees engaged in new direct jobs or existing jobs of business entities participating in a pooled financing pursuant to the Public-Private Partner Development Pool.

Section 1 proposes to amend Section 891.3 of Title 62 by adding the definition of "Federal government defense entities" and "Public-Private Partner Development Pool". "Federal government defense entities" means U.S. Department of Defense installations in the State of Oklahoma including Fort Sill, Tinker Air Force Base, Altus Air Force Base, Vance Air Force Base and McAlester Army Ammunition Plant. "Public-Private Partner Development Pool" means proceeds of obligations sold by the Oklahoma Development Finance Authority to provide resources for eligible local government entities to provide financing for infrastructure in conjunction with for-profit business entities and federal government defense entities or any other purpose authorized by this act. The proceeds from the Public-Private Partner Development Pool shall be for the purpose of providing financing for an eligible local government entity for an authorized infrastructure project located in this state that will benefit one or more business entities located in this state.

Section 5 proposes new law related to the Tax Commission's determination as to the capture and amount of withholding taxes attributable to the income of employees engaged in new direct jobs or existing jobs of business entities participating in a pooled financing pursuant to the Public-Private Partner Development Pool.

Any for-profit business entity that participates in the Public-Private Partner Development Pool may be required by the applicable local government entity to enter into such agreements as may be required between the entity, the local government entity, the Oklahoma Development Finance Authority (Authority) and the Oklahoma Tax Commission to provide for the segregation of withholding taxes. No for-profit business entity that participates from proceeds of obligation issued by the Authority from the Public-Private Partner Development Pool may receive or continue to receive incentive payments pursuant to Economic Development Pool, the Oklahoma Quality Jobs Program Act or claim any investment tax credits pursuant to Section 2357.4 of Title 68 (Tax Credit for Investments). For-profit business entities that participate in the Public-Private Partner Development Pool will not be subject to corporate income tax associated with the segregation and payment of withholding taxes to local government entities when such payment is made for the purpose of infrastructure development.

The Tax Commission shall determine with respect to the withholding taxes attributable to the income of employees engaged in new direct jobs or existing jobs for one or more for-profit business entities participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act the amount of such withholding taxes required to be deposited to the credit of the Community Economic Development Pooled Finance Revolving Fund. The Tax Commission shall make a deposit in the Community Economic Development Pooled Finance Revolving Fund in accordance with any applicable agreement entered into with one or more eligible local government entities in conjunction with participating for-profit business entities participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act.

No revenue impact on state revenues is expected due to this proposed legislation.

Other Considerations

None.

© 2019 Oklahoma House of Representatives, see Copyright Notice at www.okhouse.gov