

Bill Summary
1st Session of the 57th Legislature

Bill No.:	SB 348
Version:	INT
Request No.:	886
Author:	Sen. Bice
Date:	01/16/2019

Bill Analysis

SB 348 removes the requirement for a tenant in a Small Business Incubator to make at least 75% of its gross sales constituting the principal business activity of the business to buyers located outside the state or to buyers whose principal business activity is conducted outside the state to qualify for the income tax exemption. The measure also repeals the tax exemption given to sponsors.

Prepared by: Kalen Taylor

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 9, 2019

BILL NUMBER: SB 348 **STATUS AND DATE OF BILL:** Introduced 1/15/19

AUTHORS: House n/a Senate Bice

TAX TYPE (S): Income Tax **SUBJECT:** Exemption

PROPOSAL: Amendatory and Repealer

SB 348 proposes to amend 74 O.S. §§ 5072 and 5078 and repeal 74 O.S. § 5075 relating to the *Small Business Incubators Incentives Act*, by eliminating the small business incubator sponsor income tax exemption beginning with tax year 2020 and removing the out-of-state sales requirement for tenants of small business incubators.

EFFECTIVE DATE: January 1, 2020

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 20: -0-

FY 21: Unknown positive impact¹

Feb. 9, 2019
DATE

Rich Miller
DIVISION DIRECTOR

mck

2-9-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

2-9-19
DATE

Jim Mint
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

¹ Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511, and therefore, the amount of income exempted under this expenditure item cannot be estimated. It is anticipated that the impact would be minimal.

ATTACHMENT TO REVENUE IMPACT – SB 348 [Introduced] Prepared February 9, 2019

SB 348 proposes to amend 74 O.S. §§ 5072 and 5078 and repeal 74 O.S. § 5075 relating to the *Small Business Incubators Incentives Act*.

Under current law income earned by a small business incubator sponsor from rental and service fees is exempt from income tax. This exemption is available for a period up to ten (10) years.

Tenants of small business incubators are exempt from income tax on the income earned as a result of the occupancy in the incubator. This exemption is available for a period up to ten (10) years. In order to qualify for this exemption in years six (6) through ten (10), the tenant must make at least seventy-five percent (75%) of its gross sales² to:

- out-of-state customers or buyers,
- to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or
- to the federal government.

This measure proposes to eliminate the small business incubator sponsor income tax exemption beginning with tax year 2020³. This measure also removes the out-of-state sales requirement for tenants of an incubator in years six (6) through ten (10) to qualify for the income tax exemption.

An unknown minimal positive revenue impact is expected. An estimate is not available because this exemption is commingled with several others on the Oklahoma income tax form 511, and therefore, the amount of income exempted under this expenditure item cannot be estimated.

² Gross sales must constitute the principal business activity of the business.

³ Section 1 removes sponsor from 74 O.S. § 5072 and Section 3 repeals 74 O.S. § 5075 which grants the sponsors income tax exemption.