

**Bill Summary**  
1<sup>st</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB 746</b>
<b>Version:</b>	<b>CS1</b>
<b>Request No.:</b>	<b>1795</b>
<b>Author:</b>	<b>Sen. Smalley</b>
<b>Date:</b>	<b>02/18/2019</b>

**Committee Substitute (CS)**

SB 746 creates an income tax credit for qualified software or cybersecurity employees beginning January 1, 2020, and ending December 31, 2029. The measure provides a maximum of \$2,200.00 to an employee with a bachelor's degree or higher and \$1,800.00 to an employee with an associate's degree or a credential from a qualified program or institution. The credit is not refundable. The measure also adds federal employees meeting a GS-5 requirement to "compensation." No employer may claim the credit for qualified software or cybersecurity employees without first receiving certification from the Department of Commerce. Claimants may not simultaneously claim this credit and the credit for employees authorized by the Oklahoma Equal Opportunity Scholarship Act. Total claims for the credit are capped at \$5 million.

Prepared by: Kalen Taylor

**MEMORANDUM**

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**OKLAHOMA TAX COMMISSION**  
TAX POLICY AND RESEARCH

DATE: February 16, 2019

SUBJECT: SB 746 - Committee Substitute (Req. No. 57-1-1795)

TO: Joe Gappa, Deputy Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

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The Committee Substitute (Req. No. 57-1-1795) for SB 746 proposes to enact a new income tax credit for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The credit will be either \$2,200.00 or \$1,800.00, depending upon the level of education<sup>1</sup> the qualified individual has attained, and is available for a period of seven (7) years. Credits claimed but not used may be carried over, in order, for five (5) years.

A qualified employee is any person **first** employed in this state by or first contracting in this state with a qualified employer on or after the effective date of this act, who has either been awarded an undergraduate or graduate degree by an institution, or has been awarded a two-year associates degree by an institution or a software or cybersecurity credential from a qualified program or institution. In order to be eligible to claim the proposed credit a taxpayer must first be certified by the Oklahoma Department of Commerce as meeting the qualifications for the applicable tax year.

This measure also proposes to cap<sup>2</sup> the credits at \$5,000,000.00 beginning with tax year 2020, but there is a two-year look back period, so effectively the cap will not occur until tax year 2022.

It is unknown how many potential qualified employees will claim this credit or at what dollar level in tax year 2020. There is an unknown potential negative fiscal impact, beginning as early as FY20, if withholding or estimated tax remittances are changed as a result of this credit<sup>3</sup>.

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<sup>1</sup> The credit will be \$2,200.00 for a qualified employee who has been awarded an undergraduate or graduate degree from an institution. The credit will be \$1,800.00 for a qualified employee who has been awarded a two-year associates degree or a credential from a qualified program or institution.

<sup>2</sup> For the tax year beginning January 1, 2020, and each tax year thereafter, the total amount of credits authorized by this section used to offset tax shall be adjusted annually to limit the annual amount of credits to Five Million Dollars (\$5,000,000.00). The Tax Commission shall annually calculate and publish by the first day of the affected year a percentage by which the credits authorized by this section shall be reduced so the total amount of credits used to offset tax does not exceed Five Million Dollars (\$5,000,000.00) per year. The formula to be used for the percentage adjustment shall be Five Million Dollars (\$5,000,000.00) divided by the credits claimed in **the second preceding year**.

<sup>3</sup> There are superfluous definitions of "compensation" and "qualifying industries" that do not appear relevant to credit eligibility or calculation.