Bill No.:	**HB 2146**
Version:	**ENGR**
Author:	**Sen. Smalley**
Date:	**03/25/2019**

Fiscal Analysis

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 25, 2019

BILL NUMBER: HB 2146 **STATUS AND DATE OF BILL:** Engrossed Bill 3/7/19

AUTHORS: House Pfeiffer   Senate Smalley

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

PROPOSAL: New Law

HB 2146 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 or $1,800, depending upon the employee's level of education 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.

EFFECTIVE DATE: November 1, 2019

REVENUE IMPACT:

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

FY 20: Potential unknown decrease in state income tax revenue.
FY 21: Potential unknown decrease in state income tax revenue.

Mar. 25, 2019	*Rick Miller*	mck
DATE	DIVISION DIRECTOR	
3-25-2019	*Huan Gong*	
DATE	HUAN GONG, ECONOMIST	
3-25-19	*Tony White*	
DATE	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.

HB 2146 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 or $1,800, depending upon the employee's level of education[1] 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 associate's 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[2] the credits at $5 million 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 a potential unknown negative fiscal impact, beginning as early as FY20, if withholding or estimated tax remittances are changed as a result of this credit.[3]

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[1] The credit will be $2,200 for a qualified employee who has been awarded an undergraduate or graduate degree from an institution. The credit will be $1,800 for a qualified employee who has been awarded a two-year associates degree or a credential from a qualified program or institution.

[2] For tax year 2020 and subsequent tax years 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 $5 million. 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 $5 million per year. The formula to be used for the percentage adjustment shall be $5 million divided by the credits used in **the second preceding year.**

[3] There are superfluous definitions of "qualified industry" and "compensation" that do not appear relevant to credit eligibility or calculation.