

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 5, 2020

BILL NUMBER: HB 3115 STATUS AND DATE OF BILL: Engrossed 3/3/2020

AUTHORS: House Hill, Fetgatter and Waldron Senate Hall and Bergstrom

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

Engrossed HB 3115 amends 68 O.S. §2357.404 which relates to income tax credits for qualified employers and engineers in the vehicle manufacturing industry. This measure modifies the definitions of "vehicle manufacturing" and "automotive parts manufacturing"; the business entity no longer has to be first placed in operation in Oklahoma by a certain date. Also, an employer must be undergoing a business expansion or engaged in the hiring of new engineering positions to meet the definition of a "qualified employer".

EFFECTIVE DATE: Emergency – Upon Passage and Approval

REVENUE IMPACT:

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

FY 21: Potential negative impact on income tax collections.

Mar. 6, 2020

DATE

Puck Miller

DIVISION DIRECTOR

lrh

3/6/2020

DATE

Huan Gong

HUAN GONG, ECONOMIST

3/9/2020

DATE

JF

FOR THE COMMISSION

The 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.

ATTACHMENT TO REVENUE IMPACT HB 3115 – [Engrossed] Prepared: 3/5/20

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Beginning with tax year 2019, SB 1585 (2018) enacted three income tax credits available for qualified employers¹ and qualified employees²:

1. An income tax credit for a qualified employer for tuition reimbursement to a qualified employee. The amount of the credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. An income tax credit allowed for a qualified employer for compensation paid to a qualified employee. The amount of the credit is 10% of the compensation paid for the first through fifth years of employment in the qualified industry if the qualified employee graduated from an institution located in this state; or 5% if the qualified employee graduated from an institution located outside this state. The credit cannot exceed \$12,500 for each qualified employee annually.
3. An income tax credit for a qualified employee of up to \$5,000 per year for a period of time not to exceed five years. Any credit claimed, but not used, may be carried over up to five subsequent taxable years.

The two credits available to employers (based on tuition reimbursement and compensation paid) are subject to an annual cap of \$3 million. The credit available to employees is subject to an annual cap of \$2 million. The cap requires a two year look back to calculate. This effectively renders the cap ineffective for the first two tax years (2019 and 2020). If the credits claimed in 2019 exceed the cap³, the Tax Commission will calculate a percentage by which the credits claimed in 2021 shall be reduced.

There is a potential negative revenue impact, beginning as early as FY 21, as a result of this measure.

¹ Vehicle manufacturing entities first placed in operation in this state after November 1, 2018, and automotive parts manufacturing entities first placed in operation in this state after November 1, 2019.

² "Qualified employee" means any person, regardless of the date of hire, employed in this state by or contracting in this state with a qualified employer on or after January 1, 2018, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in vehicle manufacturing in this state immediately preceding employment or contracting with a qualified employer.

³ Tax year 2019 income tax returns are due April 15, 2020.