

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

SB 1387
INT
Sen. Bergstrom
02/06/2020

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 28, 2020

BILL NUMBER: SB 1387 **STATUS AND DATE OF BILL:** Introduced 1/14/2020

AUTHORS: House n/a Senate Bergstrom

TAX TYPE (S): Sales and Withholding

SUBJECT: Oklahoma Community Economic Development Pooled Finance Act

PROPOSAL: Amendatory

SB 1387 modifies the Oklahoma Community Economic Development Pooled Finance Act (62 O.S. § 891.1 et seq), allowing a recapture of withholding taxes if a for-profit business entity participating in pooled financing pursuant to the Oklahoma Economic Development Pooled Finance Act ends operations in this state prior to the end of the expected repayment period.

EFFECTIVE DATE: November 1, 2020

REVENUE IMPACT:

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

FY 21: Potential minimal increase to state revenues.

FY 22: Potential minimal increase to state revenues.

<u>Jan. 28, 2020</u> DATE	<u>Rick Miller</u> DIVISION DIRECTOR	lrh
<u>1/28/2020</u> DATE	<u>Huan Gong</u> HUAN GONG, ECONOMIST	
<u>1/28/2020</u> DATE	<u>[Signature]</u> 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: SB 1387 [INTRODUCED] Prepared 1/28/2020

The Economic Development Pooled Finance Program was established in 2009 by the Oklahoma Community Economic Development Pooled Finance Act. The program supports economic development and public infrastructure projects for the purpose of attracting private investment, creating jobs, and developing infrastructure through a \$200 million pool of financing made available to for-profit entities for an economic development project, or two or more local governments for a local infrastructure project. Debt is issued by the Oklahoma Development Finance Authority to finance a project that receives approval from the Department of Commerce. The debt is repaid by the recipient either through captured withholding taxes generated by a for-profit entity receiving funding, or a new tax or tax increase levied by the local governments receiving funding.

The Tax Commission's role is to capture the withholding taxes as detailed in the Department of Commerce's determination letter and deposit the tax monies into new fund accounts set up by the Office of Management and Enterprise Services at the State Treasurer's office.

SB 1387 amends 62 O.S. § 891.12 to allow a recapture of withholding taxes if a for-profit business entity participates in pooled financing and ends operations in Oklahoma prior to the end of the expected repayment period and 62 O.S. § 891.17 by adding a provision which requires the Department of Commerce to establish regular reporting requirements for determining the costs, benefits, awards made, award recipients and effectiveness of this program.

An unknown minimal positive revenue impact may occur if a for-profit business entity ends operations in Oklahoma prior to the end of the expected repayment period and repays the captured withholding taxes.