

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
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Author:
Date:

SB 1461
INT
Sen. Standridge
02/24/2020

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 21, 2020

BILL NUMBER: SB 1461 **STATUS AND DATE OF BILL:** Introduced 1/15/20

AUTHORS: House N/A Senate Standridge

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

PROPOSAL: Amendatory

SB 1461 proposes to amend 68 O.S. § 2357.301 relating to the Credit for Employees in Aerospace Sector and the Credit for Employers in Aerospace Sector by changing the definition of a qualified program and qualified employee effective for tax year 2020¹ and subsequent years. The credits are set to expire for tax years ending before January 1, 2025.

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: Unknown decrease in income tax collections.

FY 22: Unknown decrease in income tax collections.

Feb. 22, 2020
DATE

Rick Miller
DIVISION DIRECTOR

mck

2/24/2020
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/24/2020
DATE

[Signature]
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.

¹ This measure does not specify a tax year, but is effective November 1, 2020

ATTACHMENT TO REVENUE IMPACT – SB 1461[Introduced] Prepared 2/21/20

SB 1461 proposes to amend 68 O.S. § 2357.301 relating to the Credit for Employees in Aerospace Sector and the Credit for Employers in Aerospace Sector by changing the definition of a qualified program and qualified employee² effective for tax year 2020 and subsequent years. The credits are set to expire for tax years ending before January 1, 2025. Under current law, there are three (3) aerospace income tax credits:

1. An income tax credit is allowed for a qualified employer in the aerospace sector 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 is allowed for a qualified employer in the aerospace 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 aerospace sector 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 is allowed for a *qualified employee* in the aerospace sector of up to \$5,000 per year for a period of time not to exceed 5 years. Any credit claimed, but not used, may be carried over up to 5 subsequent taxable years.

Qualified programs are programs that are accredited by the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology (ABET) and that award undergraduate or graduate degrees.

Under this proposal, a “qualified program” will now include graduate degrees from a program where only the undergraduate degree from that program is EAC/ABET accredited. This measure would also allow engineers licensed as a Professional Engineer³ by the State Board of Licensure for Professional Engineers and Land Surveyors under 59 O.S. § 475.15 to qualify for the credit. It is expected that additional engineers may now qualify for this credit but the amount is unknown.⁴ This measure would not only affect the credit for the employee, but also the employer credits as well.

Based on the unknown potential number of employees that may qualify under this proposal, an unknown decrease in income tax collections could occur as early as FY21.

² Qualified employee is defined as 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, 2009, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in the aerospace sector in this state immediately preceding employment or contracting with a qualified employer.

³ Completion of one of the following shall be considered as minimum evidence that the applicant has fulfilled the education requirement for certification as an Engineer Intern or licensure as a Professional Engineer:

- (i) a bachelor's degree in engineering from an EAC/ABET-accredited program, or the equivalent, which may include a bachelor's degree in engineering from a degree program accredited by the Canadian Engineering Accreditation Board (CEAB) or signatories of the Washington Accord, a bachelor's degree in engineering from a program that meets the NCEES Engineering Education Standard, or a bachelor's degree in engineering from a program that, upon evaluation, does not meet the NCEES Engineering Education Standard, but deficiencies outlined in the degree evaluation have been corrected with further education approved by the Board,
- (ii) a bachelor's degree in a Board approved related science degree program which meets the Board's statutory definition of a related science degree,
- (iii) a master's degree in engineering from an institution that offers EAC/ABET-accredited programs,
- (iv) a master's degree in engineering from an EAC/M-ABET-accredited program, or
- (v) an earned doctoral degree in engineering acceptable to the Board.

⁴ Engineers who have been denied the income tax credit under 68 O.S. § 2357.301 et seq. due to having an engineering degree that does not meet the EAC/ABET requirements under current law, will still not qualify for this credit under this proposal.