

Fiscal Impact
2nd Session of the 57th Legislature

Bill No.:
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Author:
Date:

SB 1715
INT
Sen. Pugh
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 1715 **STATUS AND DATE OF BILL:** Introduced 1/16/20

AUTHORS: House n/a Senate Pugh

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

PROPOSAL: Amendatory

SB 1715 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 adding instructor pilots as a qualified employee effective for tax year 2021 and subsequent years.

EFFECTIVE DATE: January 1, 2021

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

2/22/2020
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.

ATTACHMENT TO REVENUE IMPACT – SB 1715[Introduced] Prepared 2/21/20

SB 1715 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 adding instructor pilots as a qualified employee¹ effective for tax year 2021 and subsequent years. Under current law, there are three 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 five years. Any credit claimed, but not used, may be carried over up to five 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.

All of these credits are set to expire for tax years ending before January 1, 2025.

Under this proposal, the definition of qualified programs removes the ABET accreditation requirement and changes it to any program that awards undergraduate or graduate degrees in the field of engineering. It is unknown how many potential engineers would qualify initially in tax year 2021 under the new qualified program guidelines.² This measure would not only affect the credit for the employee, but the employer credits as well. The definition of qualified employee would also be expanded to include instructor pilots. Instructor pilot is defined as any person who is licensed as a Certified Flight Instructor by the Federal Aviation Administration (FAA) and is employed in Oklahoma in support of a contract with the federal government to provide instruction either live or on a flight simulator.

Data from the FAA shows a total of 1,376 flight instructors in Oklahoma as of December 30, 2018.³ It is unknown how many qualifying instructor pilots will be employed in Oklahoma on or after January 1, 2021; an unknown decrease in income tax collections would occur as early as FY21.

¹ A 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.

² For prior tax years, certain engineers 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. This measure would not affect their eligibility for the credit.

³ U.S. Civil Airmen Statistics, 2018; Table 5 Estimated Active Pilots and Flight Instructors by FAA Region and State December 31, 2018 - Federal Aviation Administration
https://www.faa.gov/data_research/aviation_data_statistics/civil_airmen_statistics/

If all 1,376 flight instructors contracted with the federal government, the estimated impact of this part of the proposed measure could result in a revenue decrease of at least \$6.9 million. There is no minimum amount of work or contract size required to qualify for the credit.