

**Fiscal Impact**  
2<sup>nd</sup> Session of the 57<sup>th</sup> Legislature

**Bill No.:**  
**Version:**  
**Author:**  
**Date:**

**SB 1790**  
**INT**  
**Sen. Leewright**  
**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 1790 **STATUS AND DATE OF BILL:** Introduced 1/16/2020

**AUTHORS:** House n/a Senate Leewright

**TAX TYPE (S):** Income **SUBJECT:** Deduction

**PROPOSAL:** New Law

SB 1790 proposes to allow a deduction for up to sixty percent of an equity investment in an eligible business by an investor, for taxable years beginning on or after January 1, 2021, and ending on December 31, 2029.

**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 revenue.  
FY 22: Unknown decrease in revenue.

<u>02-22-2020</u>	<u></u>	
DATE	DIVISION DIRECTOR	mk
<u>2/24/2020</u>	<u></u>	
DATE	HUAN GONG, ECONOMIST	
<u>2/22/2020</u>	<u></u>	
DATE	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 1790 [INTRODUCED] 2/21/2020

SB 1790 proposes to allow a deduction for up to sixty percent of an equity investment<sup>1</sup> in an eligible business by an investor, for taxable years beginning on or after January 1, 2021, and ending on December 31, 2029.

The deduction shall not exceed fifty percent of the net Oklahoma income tax liability of the investor after all other credits and deductions have been calculated, and any deduction not used in any taxable year may be carried forward for a total of five additional years.

Oklahoma income tax liability cannot be calculated prior to determining the allowable amount of the deduction if the amount of the deduction exceeds 50% of the tax liability. Each time the amount of the deduction is reduced (because the deduction amount exceeded 50% of the tax liability) the amount of the tax liability increases, thus increasing the amount allowed as a deduction. As this measure is drafted, this provision is not administrable by the Tax Commission.

“Eligible business” means a business establishment of any legal form that meets at least one of the following requirements:

- Operates in a technology-based industry<sup>1</sup> in this state,
- Is supported by federal small business innovation research grants in this state, or
- Is supported by technology development or seed capital investments made by the Oklahoma Center for the Advancement of Science and Technology.

To determine an investor’s eligibility for the equity investment incentive tax deduction, a business will submit an application to the Oklahoma Department of Commerce (Commerce). If Commerce approves the application,<sup>2</sup> the business will sign an equity investment incentive agreement with Commerce. Commerce will send the signed agreement to the Oklahoma Tax Commission and the investor will attach the signed agreement to their tax return.

The measure further provides:

“The total cumulative amount of tax deductions available in any calendar year shall not exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000.00). In the event the total reduction in tax liability authorized by this paragraph exceeds Seven Million Five Hundred Thousand Dollars (\$7,500,000.00) in any calendar year, the Tax Commission shall permit any excess over Seven Million Five Hundred Thousand Dollars (\$7,500,000.00) but shall factor such excess into the percentage for the following year.”

It is uncertain whether the amount of the *tax deduction* is limited to \$7.5 million (which results in an estimated decrease in income tax collections of \$228,750), or whether the *total reduction in tax liability* is capped at \$7.5 million.

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<sup>1</sup> “Equity investment” and “technology-based industry” are defined in the measure

<sup>2</sup> The Oklahoma Department of Commerce will determine if the business meets the definition of eligible business, and if the tax deduction is revenue neutral to the State of Oklahoma based on information submitted in the application.