

**BILL SUMMARY**  
1<sup>st</sup> Session of the 58<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2860</b>
<b>Version:</b>	<b>CS</b>
<b>Request Number:</b>	<b>7773</b>
<b>Author:</b>	<b>Rep. Wallace</b>
<b>Date:</b>	<b>3/1/2021</b>
<b>Impact:</b>	<b>Quality Jobs Incentive Act</b>

**Tax Commission:**

**Net Benefit to the State**

**Research Analysis**

The committee substitute for HB 2860 creates the Oklahoma Remote Quality Jobs Incentive Act with the stated intent to provide incentives to attract growth industries and sectors to Oklahoma to employ remote workers.

The measure provides for quarterly incentive payments for a ten-quarter period for qualifying proxy establishments, which are defined as an establishment that attracts remote workers to the state or a public trust that benefits an area where new jobs that qualify under the Act are created. Proxy establishments must meet certain qualifications to receive payments, including proof of basic health benefits plans for its remote workers and meeting a certain threshold of employees and wages. Proxy establishments that receive these incentive payments are not eligible to receive credits or exemptions provided by the Oklahoma Quality Jobs Program Act, the Small Employer Quality Jobs Incentive Act or the 21<sup>st</sup> Century Quality Jobs Incentive Act.

Finally, the measure directs the Department of Commerce and the Tax Commission to promulgate rules necessary to implement the Act and requires the Department to prepare a report triennially to be submitted to the President Pro Tempore of the Senate, the Speaker of the House and the Governor no later than March 1, 2023, and every three years thereafter. The report may be used for the purpose of determining whether to continue or sunset the Act.

Prepared By: Emily McPherson

**Fiscal Analysis**

Analysis provided by the Tax Commission:

HB 2860 proposes to enact the *Oklahoma Remote Quality Jobs Incentive Act*.

Under this measure, proxy establishments that attract remote workers<sup>1</sup> to Oklahoma with the purpose of increasing the state's population would be eligible to receive quarterly incentive payments for a ten quarter period provided the remote workers meet certain wage and health insurance requirements. The amount of rebate payments is equal to the net benefit rate multiplied by the actual gross payroll of new direct jobs<sup>2</sup> for a calendar quarter, subject to verification by the Oklahoma Employment Security Commission. This measure also provides for the establishment of a special fund within the State Treasury designated the *Oklahoma Remote Quality Jobs Incentive Payment Fund* which would allow income tax revenue withheld<sup>3</sup> by the Tax Commission to be deposited and subsequently paid as rebates.

In order to be eligible for the rebates, proxy establishments are required to:

- Have an annual gross payroll for new direct jobs projected by the Oklahoma Department of Commerce to equal or exceed \$1.5 million within 1 year of the first complete calendar quarter following the start date; and
- Have a number of full-time-equivalent employees working an average of 30 or more hours per week in the new direct jobs equal to or in excess of 80% of the total number of new direct jobs.

This measure is similar to the Oklahoma's Quality Jobs Program<sup>4</sup> which offers qualifying companies quarterly cash rebates for up to 5 percent of newly created taxable payroll for up to 10 years. In order to qualify for the rebates, a company must operate in an eligible industry and meet requirements related to the amount of payroll associated with new jobs created, health insurance coverage, and wages. The Department of Commerce prepares a project profile to calculate two key factors in Quality Jobs Program benefits: the net benefit rate and the maximum benefit amount.

The net benefit rate cannot exceed 5%. Incentive payments may not exceed the estimated net direct state benefits. Therefore there should be no impact on income tax collections.

<sup>1</sup> "Remote workers" refers to work flexibility arrangements under which an employee performs the duties and responsibilities of the employee's position (and other authorized activities) from an approved work site other than the location from which the employee would otherwise work, which shall not be located within the physical boundaries of the State of Oklahoma. The remote worker should also not have lived in the State of Oklahoma in the previous 12 months.

<sup>2</sup> New direct jobs include full-time-equivalent employment in Oklahoma of remote workers who are employed by an establishment other than the proxy establishment which has qualified to receive incentive payments for attracting remote workers to the state. Such jobs held by remote workers could not exist in this state prior to the date of approval by the Oklahoma Department of Commerce of the application of the proxy establishment. A job shall be deemed to have existed in this state prior to approval of an application if the activities and functions for which the particular job exists have been ongoing at any time within six (6) months prior to such approval.

<sup>3</sup> The amount withheld and deposited shall equal the sum of an amount determined by multiplying the net benefit rate provided by the Department of Commerce by the gross payroll as determined pursuant to the provisions of *Oklahoma Remote Quality Jobs Incentive Act*.

<sup>4</sup> One difference between this measure and the current Oklahoma Quality Jobs Program is the location of the employer. Under this proposal, the employee works remotely in Oklahoma for an employer in another state. The existing Oklahoma Quality Jobs Program is designed for both the employer and employee to be located in Oklahoma.

Prepared By: Mark Tygret

### **Other Considerations**

None.

