

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	SB 893
Version:	ENGR
Request Number:	NA
Author:	Rep. Fetgatter
Date:	3/29/2021
Impact:	Tax Commission:

Unknown Decrease in Income Tax Collections

Research Analysis

SB 893 modifies the definition of *qualified employee* as it relates to the income tax credit for aerospace employees to include individuals who are licensed as a Professional Engineer by the State Board of Licensure for Professional Engineers and Land Surveyors. The measure also clarifies the definition of *qualified program* to provide that both the undergraduate and graduate programs of the same discipline of engineering at an institution shall be qualified if either program is ABET accredited.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Engrossed SB 893 proposes to amend 68 O.S. §2357.301 relating to the Credit for Employees in the Aerospace Sector and the Credit for Employers in the Aerospace Sector by changing the definitions of qualified employee² and qualified program³ beginning with tax years 2021 through 2025.

Under current law, the following income tax credits are allowed for tax years 2009 through 2025⁴:

1. A qualified aerospace employer is allowed an income tax credit for 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. A qualified aerospace employer is allowed an income tax credit for compensation paid to a qualified employee for the first through fifth years of employment. The credit is either 10% of compensation paid if the qualified employee graduated from an institution located in Oklahoma, or 5% of compensation paid if the qualified employee graduated from an institution located outside Oklahoma.
3. A qualified employee is allowed an income tax credit of up to \$5,000 per year for a period of time not to exceed 5 years. Any unused credit may be carried over to 5 subsequent taxable years.

The proposal expands the definition of qualified employee to include engineers licensed as a Professional Engineer by the Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors pursuant to 59 O.S. §475.15. The definition of qualified program is also expanded to mean a program at an institution that includes a graduate or undergraduate program accredited by the Engineering Accreditation Commission of the Accreditation Board of Engineering and Technology (ABET). Both the undergraduate and graduate programs of the same discipline of engineering at an institution shall be part of the qualified program if either program is ABET accredited.

The number of additional engineers who may be considered qualified employees for the aerospace employee and employer credits as a result of the proposal is unknown. As a result, an unknown decrease in income tax collections may occur beginning in FY22 when the 2021 income tax returns are filed.

² Qualified employee means 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 Qualified program means a program that has been accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET) and that awards an undergraduate or graduate degree.

⁴ Oklahoma Tax Commission records indicate the total amount claimed for employee and employer combined credits for tax year 2019 was approximately \$21.8 million, of which \$9.2 million was used to offset tax.

Prepared By: Mark Tygret

Other Considerations

None.