

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 10, 2022

BILL NUMBER: SB 1477 STATUS AND DATE OF BILL: Introduced 1/20/22

AUTHORS: House n/a Senate Garvin

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 1477 amends 68 O.S. §2357.404 which relates to income tax credits for qualified employers and engineers in the vehicle manufacturing industry. This measure modifies the definitions of "vehicle manufacturing" and "automotive parts manufacturing"; the business entity no longer has to be first placed in operation after November 1, 2018 (vehicle manufacturing entities) and November 1, 2019 (automotive parts manufacturing entities) for tax years 2022 through 2025. Also, an employer must be undergoing a business expansion or engaged in the hiring of new engineering positions to meet the definition of a "qualified employer".

EFFECTIVE DATE: November 1, 2022

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: Potential negative impact on income tax collections.

Feb 11, 2022  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

2/11/2022  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/14/2022  
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 HB 1477 – [Introduced] Prepared: 2/10/22

SB 1477 amends 68 O.S. §2357.404 which relates to income tax credits for qualified employers and engineers in the vehicle manufacturing industry. This measure modifies the definitions of "vehicle manufacturing" and "automotive parts manufacturing"; the business entity no longer has to be first placed in operation after November 1, 2018 (vehicle manufacturing entities) and November 1, 2019 (automotive parts manufacturing entities) for tax years 2022 through 2025. Also, an employer must be undergoing a business expansion or engaged in the hiring of new engineering positions to meet the definition of a "qualified employer".

Under current law three income tax credits are available for qualified employers and qualified employees<sup>1</sup>.

1. An income tax credit for a qualified employer 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 allowed for a qualified employer 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 qualified industry 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 for a qualified employee 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.

The two credits available to employers (based on tuition reimbursement and compensation paid) are subject to an annual cap of \$3 million. The credit available to employees is subject to an annual cap of \$2 million.<sup>2</sup>

This measure modifies the definitions of "vehicle manufacturing" and "automotive parts manufacturing"; the business entity no longer has to be first placed in operation after November 1, 2018 (vehicle manufacturing entities) and November 1, 2019 (automotive parts manufacturing entities) for tax years 2022 through 2025.<sup>3</sup> This would effectively allow for qualified employers that were in Oklahoma before November 1, 2019 to claim the credits for tax years 2022 through 2025. A potential negative revenue impact is expected as early as FY23.

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<sup>1</sup> "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, 2018, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in vehicle manufacturing in this state immediately preceding employment or contracting with a qualified employer.

<sup>2</sup> Preliminary income tax data for 2019 shows minimal usage of this credit. Exact amounts are not disclosed due to confidentiality restrictions under 68 O.S. § 205.

<sup>3</sup> Also, an employer must be undergoing a business expansion or engaged in the hiring of new engineering positions to meet the definition of a "qualified employer".