

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 16, 2022

BILL NUMBER: SB 1858 **STATUS AND DATE OF BILL:** Committee Sub. 2/16/2022

AUTHORS: House NA Senate David

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

PROPOSAL: New Law

The Committee Substitute for SB 1858 proposes to create a new income tax credit for a qualified employer whose principal business activity involves hydrogen manufacturing. A qualified employer is allowed a credit for tuition reimbursed to a qualified employee who has been awarded an undergraduate or graduate degree within one year of commencing employment with the qualified employer. Effective for tax years 2023 through 2033, the credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment, not to exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a public Oklahoma institution. Unused credits may be carried forward for five subsequent tax years. In addition, a qualified employee is allowed a credit for certain compensation received from a qualified employer whose principal business activity involves hydrogen manufacturing, effective for tax years 2023 through 2033. No credit may be claimed after the fifth year of employment, and any unused credits may be carried forward for five subsequent tax years.

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: Unknown decrease in income tax revenue.

FY 24: Unknown decrease in income tax revenue.

Feb. 16, 2022
DATE

Rick Miller
DIVISION DIRECTOR

bdf

2/16/2022
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/17/2022
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.

The Committee Substitute for SB 1858 proposes to create a new income tax credit for a qualified employer whose principal business activity involves hydrogen manufacturing. A qualified employer is allowed a credit for tuition reimbursed to a qualified employee who has been awarded an undergraduate or graduate degree within one year of commencing employment with the qualified employer. Effective for tax years 2023 through 2033, the credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment, not to exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a public Oklahoma institution. Unused credits may be carried forward for five subsequent tax years.

In addition, a qualified employee is allowed a credit for compensation received from a qualified employer whose principal business activity involves hydrogen manufacturing. Effective for tax years 2023 through 2033, a qualified employee is allowed a credit equal to the amount of compensation received, not to exceed the following:

- \$2,500 for the first year of employment.
- \$2,000 for the second year of employment.
- \$1,500 for the third year of employment.
- \$1,000 for the fourth year of employment.
- \$500 for the fifth year of employment.

No credit may be claimed after the fifth year of employment, and any unused credits may be carried forward for five subsequent tax years.

The following definitions are provided:

- “Compensation” means payments in the form of contract labor for which the payor is required to provide a Form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. Compensation shall not include employer-provided retirement, medical or health-care benefits, reimbursement for travel, meals, lodging, or any other expense;
- “Hydrogen manufacturing industry” means establishments whose principal business activity involves hydrogen manufacturing, as defined or classified in the NAICS Manual under Industry Group No. 325120;¹
- “Institution” means an institution within The Oklahoma State System of Higher Education or any other public or private college or university that is accredited by a national accrediting body;
- “Qualified employer” means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves hydrogen manufacturing, as defined or classified in the NAICS Manual under Industry Group No. 325120;
- “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, 2023, who was not employed in the hydrogen manufacturing industry in this state immediately preceding employment or contracting with a qualified employer, and who has been either:
 - awarded an undergraduate or graduate degree from a qualified program by an institution, or
 - licensed as a professional engineer by the State Board of Licensure for Professional

¹ This industry comprises establishments primarily engaged in manufacturing industrial organic and inorganic gases in compressed, liquid, and solid forms (see <https://www.naics.com/naics-code-description/?code=325120>).

Engineers and Land Surveyors pursuant to 59 O.S. § 475.15.

Provided, the definition shall not be interpreted to exclude any person who was not a full-time engineer and was employed in the hydrogen manufacturing industry prior to being awarded an undergraduate or graduate degree from a qualified program by an institution or any person who has been awarded an undergraduate or graduate degree from a qualified program by an institution and is employed by a professional staffing company and assigned to work in the hydrogen manufacturing industry in this state;

- “Qualified program” means a program at an institution that includes a graduate or undergraduate 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. 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; and
- “Tuition” means the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. Tuition shall not include the cost of books, fees, or room and board.

Oklahoma Tax Commission records indicate 19 companies are operating in Oklahoma under NAICS Industry Group No. 325120 with a total of 614 reported employees. The number of employees who may be considered “qualified employees” under this proposal is unknown, and information is not available to determine related tuition reimbursement and compensation amounts. As a result, the expected revenue impact is an unknown decrease in income tax collections. This decrease may begin to occur in FY 23, and the full impact is expected for FY 24 when the 2023 returns are filed.