

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** January 5, 2021

**BILL NUMBER:** SB 266 **STATUS AND DATE OF BILL:** Introduced 1/5/2021

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

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

**PROPOSAL:** Amendatory

SB 266 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 definition of qualified employee and of qualified program, beginning with tax year 2021<sup>1</sup>.

**EFFECTIVE DATE:** November 1, 2021

### REVENUE IMPACT:

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

FY 22: Unknown decrease in income tax collections.

Feb. 4, 2021

DATE

Rick Miller

DIVISION DIRECTOR

bdf

2/4/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/5/21

DATE

JDL

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.*

<sup>1</sup> The proposal does not specify a tax year; however, the effective date for the proposal is November 1, 2021.

## ATTACHMENT TO REVENUE IMPACT - SB 266 [Introduced] Prepared 1/5/2021

SB 266 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 definition of qualified employee<sup>2</sup> and qualified program<sup>3</sup>, beginning with tax year 2021.

Under current law, the following income tax credits are allowed for tax years 2009 through 2025<sup>4</sup>:

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 (aerospace) 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 is expected for FY22 when the 2021 income tax returns are filed.

---

<sup>2</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, 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.

<sup>3</sup> 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.

<sup>4</sup> 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.