

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 22, 2021

**BILL NUMBER:** SB 915 **STATUS AND DATE OF BILL:** Committee Substitute 2/19/21

**AUTHORS:** House n/a Senate Howard & Hall

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

**PROPOSAL:** New Law

The Committee Substitute for SB 915 proposes to enact a new income tax “deduction against the tax imposed in Section 2355 of Title 68 of the Oklahoma Statutes” for accredited investors in qualified venture capital and growth funds, qualified special purpose investment vehicles and qualified Oklahoma-based startups, as defined by the United States Securities and Exchange Commission (SEC) in 17 CFR, Section 230.501 (Regulation D). The Oklahoma Department of Commerce shall determine the investments that qualify for the deduction. This is effective for tax year 2022 and subsequent tax years.

**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.

FY 23: Unknown decrease in income tax collections.

Feb. 22, 2021

DATE

Rick Miller

DIVISION DIRECTOR

mck

2/22/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/22/21

DATE

[Signature]

FOR THE COMMISSION

*The estimated 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 – SB 915 [Comm. Sub] – Prepared 2/22/21

The Committee Substitute for SB 915 proposes to enact a new income tax “deduction against the tax imposed in Section 2355 of Title 68 of the Oklahoma Statutes”<sup>1</sup> for accredited investors in qualified venture capital and growth funds, qualified special purpose investment vehicles and qualified Oklahoma-based startups, as defined by the United States Securities and Exchange Commission (SEC) in 17 CFR, Section 230.501 (Regulation D). The Oklahoma Department of Commerce (Commerce) shall determine the investments that qualify for the deduction. This is effective for tax year 2022 and subsequent tax years.

This new deduction will be authorized under a program created within Commerce and will be known as the *Oklahoma Back a Business* program. As part of the *Oklahoma Back a Business* program, Commerce must maintain a list of Oklahoma qualified investments for which the tax deduction may be sought.

Commerce is to use the following guidelines when considering if an investment is qualified for the proposed income tax deduction:

- The primary location of the entity;
- The number of employees located or to be located in this state;
- Revenues generated;
- The type and amount of investment being sought;
- The current capitalization level and strategy; and
- The industry classification.

Accredited investors seeking the proposed income tax deduction must apply to Commerce for a tax deduction certificate detailing the level of investment in an Oklahoma qualified investment. Commerce must review the application to ensure it meets the requirements of the program and forward it to the Oklahoma Tax Commission (Commission)

The Commission must report annually to Commerce the number and amount of tax deductions granted. Additionally, upon completion of the report, the Commission must deliver a copy of the report to the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

Commerce is authorized to promulgate rules to enforce the provisions of this proposal. There is no data available to estimate the amount that will be potentially invested nor in how many entities. The proposed deduction will result in an unknown decrease in income tax collections, potentially as early as tax year 2022. It is likely taxpayers may reduce their withholding or estimated tax payments; the impact to revenue could occur as early as FY22.

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<sup>1</sup> It is assumed this measure enacts a new deduction from Oklahoma adjusted gross income, and not a credit against the tax imposed in Section 2355 of Title 68 of the Oklahoma Statutes.