

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 9, 2021

BILL NUMBER: SB 936 **STATUS AND DATE OF BILL:** Introduced 1/21/2021

AUTHORS: House n/a Senate Hall

TAX TYPE (S): Quality Jobs **SUBJECT:** Other

PROPOSAL: Amendatory and Repealer

SB 936 consolidates and updates the existing five Oklahoma Quality Jobs incentives by repealing the *Small Employer Quality Jobs Act*; *21st Century Quality Jobs Incentive Act*; *Former Military Facility Development Act*; and *Oklahoma Federal Facilities Development Act* and combining them under the *Oklahoma Quality Jobs Program Act*.

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: No change in state revenues is expected due to this proposal.

Feb. 9, 2021
DATE

Pick Miller
DIVISION DIRECTOR

mck

2/9/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/10/21
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 – SB 936 [Introduced] Prepared 2/9/21

SB 936 consolidates and updates the existing five Oklahoma Quality Jobs incentives by repealing the *Small Employer Quality Jobs Act*; *21st Century Quality Jobs Incentive Act*; *Former Military Facility Development Act*; and *Oklahoma Federal Facilities Development Act* and combining them under the *Oklahoma Quality Jobs Program Act*.

This measure is a request bill from the Oklahoma Department of Commerce, which is the agency tasked with administering the provisions¹ of the various Quality Jobs (QJ) incentive programs. The analysis below has been provided by the Department of Commerce:

SB 936: Quality Jobs Simplification & Standardization

- Simplifies: Condenses the five incentive programs into one Quality Jobs Program.
 - Repeals: Small Employer QJ; 21st Century QJ; Former Military Facility Development; Federal Facilities Development Act
 - Amends: Quality Jobs Program to include components of each of the above.
- Standardizes: Industries, wages, years, and out-of-state sales requirements. All of these are different in each of the programs, which can be confusing.
 - Industry Standardization: QJ incentives require a company to compete in a qualifying industry, known as a “basic industry” and these industries have traditionally been those that have brought dollars to the state. These basic industries have been different between programs. SB 936 will standardize the industries, add a few industries that have similar workforce requirements, and allow industries to qualify in smaller rural economies. SB 936:
 - Brings 21 QJ industries into the QJ Program. These include Specialty Hospitals, Financial Investment and Financial Vehicles (Mutual Funds), Soundstages, Film Production, Performing Arts, Industrial Design, Advertising, and Public Relations.
 - Brings federal facilities where we attract from outside the state (from the Federal Facilities Development Act) and assists communities to build a facility for them.
 - Simplifies and Removes Duplication: Some industries showed up in multiple locations causing confusion – R&D services, datacenters, warehousing and distribution. Other industries had multiple threshold requirements that were simplified.
 - Includes industries that have similar characteristics to already qualifying industries. These include Credit Bureaus, Securities Dealers, Medical Management, Support Industries for Transportation, Professional Associations, and Instrument Repair.
 - Includes industries that further Oklahoma’s economic and workforce development goals including Greenhouses, Aquaculture, and Apprenticeship Training.
 - Wage Standardization: Wage thresholds were different across programs. SB 936 standardizes the required wage and allows the net benefit to be calculated based on wage.
 - Year Standardization: Small Employer and the Quality Jobs Program have different numbers of years allowed; SB 936 standardizes these to 10 years.
 - Out-of-state Sales Standardization: SQJ, QJ and 21QJ all have different requirements for the same industries. SB 936 standardizes these.

¹ The Oklahoma Tax Commission processes QJ rebates based on contracts that the Department of Commerce enters into under the provisions of the various QJ incentives.

- Removes provisions in the Quality Jobs Program that can no longer be used or could not be implemented. For example, qualified federal contracts and proxy establishments.
- Eliminates references to incentives that have been repealed or cannot be used (QIA).
- Ensures the jobs created are quality jobs by maintaining health insurance requirements and increasing state threshold wage from \$25,000 indexed to inflation to \$40,000 indexed to inflation.
- Introduces tiers based on population only. Rural areas have a lack of participation in many of the programs, especially the 21st Century program, and these areas have the greatest development challenges retaining workforce, developing infrastructure, and maintaining a tax base. Tiers impact out-of-state sales thresholds, payroll thresholds, and the net benefit rate (the point at which rates higher than 5% are allowed). Additional industries will now qualify in the smaller counties (Tier 1, 2 and 3 counties)
 - Tier 1 counties: < 10,000 people
 - Tier 2 counties: 10-30,000 people
 - Tier 3 counties: 30-60,000 people
 - Tier 4 counties: 60-300,000 people
 - Tier 5 counties: >300,000 people
- Eliminates provisions that cause some projects to qualify with low wages, or receive a high benefit rate with lower wages. Under current law, 75 of the 77 counties automatically qualify for higher benefit rates. Removing these provisions ensures the program will be revenue neutral.

The overall revenue neutral features of the Quality Jobs Incentive Programs are not changed by this consolidation; therefore, there is no additional revenue impact as a result of this measure.