

BILL SUMMARY
2nd Session of the 59th Legislature

Bill No.:	HB4038
Version:	SUBREC
Request Number:	10272
Author:	Rep. Townley
Date:	2/22/2024
Impact:	FY25: Estimated \$6.2 Million FY26: Estimated \$9.3 Million

Research Analysis

The subcommittee recommendation for HB4038 creates a temporary income tax credit for wages paid by a qualified manufacturer employer to a employee that was laid off by a qualified manufacturing employer. The credit is equal to 50% of the gross wages paid during a 365 day period, limited to \$12,500 per employee.

The measure also provides a temporary refundable income tax credit for qualified employees to reimburse them for up to \$5000 in commuting expenses to the location of a qualified manufacturing employer. The credit is the number miles traveled, up to 110 miles per day, multiplied by the state mileage reimbursement rate.

Both credits are claimable during tax year 2024 and 2025 for wages paid or travel occurring on or after June 1, 2024. The employee credit is capped at \$7 million per year and limited to \$14 million overall. The employer credit is capped at \$2.5 million per employer and limited to \$35 million overall.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, HB4038 creates a temporary income tax credit for wages paid by a qualified manufacturer employer to an employee that was laid off by a qualified manufacturing employer.

The measure also creates a temporary refundable income tax credit for qualified employees to reimburse them for commuting expenses to the location of a qualified manufacturing employer.

The subcommittee recommendation does not change the fiscal impact of the bill.

Analysis by the Oklahoma Tax Commission:

PCS for HB 4038 (Draft Req. No. 10222) proposes to create a refundable income tax credit for an **eligible employee** of up to \$5,000 per tax year for actual travel expenses incurred in commuting to the location of a qualified manufacturing plant of at least 110 miles per day, calculated at the rates provided for in the State Travel Reimbursement Act. The credit is effective for tax years beginning on or after July 1, 2024, and ending on or before January 1, 2026, and is limited to \$7 million in any tax year for an eligible employee.¹ Total credits claimed must not exceed \$14 million in the lifetime of the program.

In addition, the proposal creates a refundable income tax credit for 50% of the eligible wages paid by a qualified **manufacturing employer** to an eligible employee that was laid off by a qualified manufacturing employer, effective for tax years beginning July 1, 2024, and ending before January 1, 2026, for a period not to exceed 365 days. The credit is limited to \$12,500 for each employee, and total annual credits for each qualified manufacturing employer are further limited to \$2.5 million. Combined credits are capped at \$35 million for the lifetime of the program.

Beginning June 1, 2024, the proposed credits may be claimed for eligible wages paid or travel claimed on or after June 1, 2024. As drafted, it appears the proposed credits may only be claimed for tax year 2025, provided the credits may be claimed for wages paid or travel that occurred between July 1, 2024 – December 31, 2025.

Internet research indicates one Oklahoma tire manufacturing facility is planning employee lay-offs for 2024, affecting potentially 1,400 employees.² Research further indicates that the average annual manufacturing production salary in Oklahoma was approximately \$33,000 for 2023.³ **Based on this information, total estimated credits are expected to be \$6.2 million and \$9.3 million for FY 2025 and 2026, respectively.**⁴

Prepared By: Zach Penrod

Other Considerations

None.