



**BILL/VERSION:** SB 1395 / ENGROSSED

**ANALYST:** MK

**AUTHORS:** Sen. Rader & Rep. Pae

**DATE:** 2/17/2026

**TAX(ES):** Income

**SUBJECT(S):** Investment/New Jobs Credit

**EFFECTIVE DATE:** November 1, 2026

**Emergency**

**ESTIMATED REVENUE IMPACT:**

**FY27: \$0**

**FY28: Minimal potential increase in income tax collections.**

**ANALYSIS:** The Engrossed version SB 1395<sup>i</sup> proposes to amend 68 O.S. § 2357.4 (Investment/New Jobs Tax Credit) by:

- Eliminating the credit earned for job creation in manufacturing operations beginning in 2027.
- Limiting the current indefinite carryforward period for prospective capital investment credits to seven years, beginning in 2027.
- Creating an application process beginning with tax year 2027.

Under this proposal, the entity is required to submit an application to and receive approval from the Tax Commission prior to claiming the credit on the tax return. The application, as prescribed by the Tax Commission, will include the following information:

- The NAICS code that describes the primary business activity of the entity.
- The amount of unused, carried-forward and credit claimed.
- The average wage of new jobs created pursuant to the investment or creation of new jobs.
- The categories of investment, including amounts, for which the credit is applied: new facility, expansion of existing facility, upgrades to existing facility, and upgrades and replacement of equipment.

2/17/26  
DATE

Huan Gong  
DR. HUAN GONG, CHIEF TAX ECONOMIST

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Marie Schuble  
MARIE SCHUBLE, DIVISION DIRECTOR

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DATE

Joseph P. Gappa  
JOSEPH P. GAPPA, 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. This estimate reflects current available data as of the date of issuance and is subject to revision if additional information becomes known.*

This measure also proposes to amend 68 O.S. § 205 authorizing the Tax Commission to disclose the data collected from the application to the Incentive Evaluation Commission (IEC) solely for evaluation purposes by the IEC.

In their **2025 Incentive Evaluation Report**,<sup>ii</sup> the IEC reported: *the credit to offset tax liability has decreased over time, while the amount of unused credit carried forward has continued to increase. Low credit usage on an annual basis, combined with the credit program's unlimited carry-forward for capital investment credits, contributes to this trend. It is thus likely that the carried forward liability to the State will continue to increase. Nearly all of the credits claimed were for capital investment. Capital investment continues to account for more than 99 percent of new credits claimed. Less than one percent of credits claimed were related to job creation.* Therefore, eliminating the credit earned for job creation in manufacturing operations and limiting the indefinite carryforward period for prospective capital investment credits to seven years should have a minimal positive effect on income tax collections beginning in FY28.

**Administrative Concerns.** Imposing a pre-certification requirement would create an additional burden on both taxpayers and the Tax Commission and create administrative challenges for the Tax Commission in managing this credit. Currently, income tax credits are verified through standard audit procedures that assess eligibility and compliance. Much of the prequalification data is already provided on income tax returns; however, the Tax Commission does not currently aggregate this data. To capture the detailed investment data from Oklahoma income tax returns, the Tax Commission would need to modify income tax forms and invest in updates to development and processing systems. The Tax Commission is currently assessing the full administrative impact of this proposal and evaluating the associated costs.

**Current Law:** Oklahoma allows an income tax credit for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average employment levels in such facilities.

Manufacturing, aircraft maintenance, or web search portal facilities may qualify for a tax credit equal to one percent of the cost of investments in depreciable property exceeding \$50,000, or \$500 per new employee. The credit may be claimed annually for up to five years. The credit amount doubles for investments in depreciable property exceeding \$40 million. Credits earned for investment in depreciable property may be carried forward indefinitely, while credits earned for job creation may be carried forward for 15 years beyond the initial five-year period. The credit is claimed on the Oklahoma income tax return.

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<sup>i</sup> There are no substantive changes to the Introduced version.

<sup>ii</sup> <https://oklahoma.gov/content/dam/ok/en/omes/documents/iec-recommendations-2025-12-04-UA.pdf>