State of Oklahoma
Incentive Evaluation Commission

2017 Incentive Evaluation Reference Sheets

As of April 27, 2017

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Contents

Ethanol Fuel Retailer Tax Credit	
Start Date	Jan 1 2006
End Date	-
Administered by	Tax Commission
Characteristics	☒ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

To help support ethanol sales for Oklahoma ethanol retailers.

Statute Synopsis - §68-500.10-1

Unless the federal government mandates the use of reformulated fuel in an area within the State of Oklahoma in nonattainment with the National Ambient Air Quality Standards, there shall be allowed as a tax credit of one and six-tenths cents ($0.016) for each gallon of ethyl alcohol which is contained in ethanol sold by a retail dealer. The retailer must provide a price reduction to the purchaser in the same amount.

Ethanol is defined as a blend of gasoline and ethyl alcohol not to exceed 15% ethyl alcohol by volume (E15).

Financial Impact

$1,264,143

Economic Impact

TBD

Benchmarking

Comparable Programs

- Two states were found to have comparable programs; one state proposed a similar incentive but the program was not enacted
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- Iowa's Ethanol Promotion Tax Credit (EPTC) was established to promote the sale of biofuels. A 2014 evaluation of the credit found that retailers just meeting the biofuel distribution percentage in 2009 were unable to meet the increasing thresholds in later years and as a result, the total number of claimants decreased over time. In contrast, retailers who remained eligible for the EPTC in 2012 increased their median biofuel distribution percentage from 8.2% in 2009 to 10% in 2012 for large retailers and 8.5% to 8.8% for small retailers.
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Change in production and change in consumption of blended versus non-blended fuel
- Other state (without a credit) change in production and change in consumption of blended versus non-blended fuel
- Cost benefit analysis

Clean Burning Fuel Vehicle Credit	
Start Date	Jul 1 1990
End Date	Jan 1 2020
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☒ Carry-Forward ☐ Capped

Intent

To increase the number of clean burning vehicles in use in Oklahoma and encourage development of clean burning fuel vehicle infrastructure

Statute Synopsis - §68-2357.22

The state offers a tax credit for purchases of clean burning fuel vehicles and property used in the delivery of clean burning fuel to such vehicles to the extent of the portion of the basis of the property is attributable to clean fuel use.

Qualifying Purchase	Percent of Cost Covered
Modifications to vehicles originally propelled by gas or diesel in order to be propelled by a hydrogen fuel cell*, compressed natural gas, liquefied natural gas, or liquefied petroleum gas	45%; if no credit is claimed by prior owner of originally equipped vehicle, lesser of 10% or $1,500
Purchase of vehicle originally equipped to be propelled by a hydrogen fuel cell*, compressed natural gas, liquefied natural gas, or liquefied petroleum gas	
Property directly related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, or hydrogen, for commercial purposes or for a fee or charge	75%
A metered-for-fee, public access recharging system for motor vehicles propelled by electricity	
Property directly related to the compression and delivery of natural gas from a private home or residence for noncommercial purposes into a motor vehicle propelled by compressed natural gas	Lesser of 50% or $2,500 per location

* Hydrogen fuel cell property is only eligible for credits in the 2010 tax year.
Note: Credits may be carried forward up to 5 years.

Financial Impact

$8,860,473

Economic Impact

TBD

Benchmarking

Comparable Programs

- Nine states were found to have comparable programs
- Several programs base the amount of the credit on the type or weight of the vehicle
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- In 2007 and 2008, Oregon's Residential Energy Tax Credit (RETC) provided a credit of $1,500 for the purchase of an alternative fuel or hybrid vehicle. An evaluation of the program found that in 2007, a total of $4.3 million in claims was paid out for the purchase of more than 2,900 vehicles, resulting in a net annual energy savings of more than $1.0 million and a net annual CO2 reduction of 3,910 tons. In 2008, a total of $4.3 million in claims was again paid out for the purchase of more than 2,900 vehicles; net annual energy savings totaled nearly $1.0 million and net annual CO2 reduction was 3,833 tons.
- Connecticut's Clean Alternative Fuels Tax Incentive (eliminated effective January 1, 2008) provided a tax credit of 10% of the difference in cost between the purchase of a vehicle exclusively powered by clean alternative fuel and the MSRP of a comparably-equipped, non-alternative fuel vehicle. A 2014 evaluation of the credit found that 96% of the total credits were claimed in the first six years of the program, after which claims declined precipitously. The evaluation also found that the incentive spurred the purchase of more than $28 million in alternative fuel vehicles, but did not report on the emissions reduction or exact number of vehicles purchased.
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Number of qualified credits by the categories identified (in the previous table)
- Change in number qualified vehicles versus prior to credit
- Change in clean burning fuel vehicles Oklahoma versus other states

Production Enhancement Rebate	
Start Date	Jul 1 1994
End Date	Jul 1 2020
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Intent	
To encourage undertaking of enhancement projects to increase well production	
Statute Synopsis - §68-1001 G	

Incremental production resulting from a production enhancement project is exempt from gross production tax for a period of 28 months from the date of first sale after project completion.

A "production enhancement project" is defined as any workover, recompletion, reentry of plugged and abandoned wellbores, or addition of a well or field compression. "Incremental production" is the amount of crude oil, natural gas or other hydrocarbons which are produced as a result of the production enhancement project in excess of the base production, with "base production" defined as:

1. The average monthly production of the well in the twelve months prior to the enhancement project commencement; or
2. The average monthly production of the well in the twelve months prior to the enhancement project commencement, less the decline in production for each month beginning 180 days prior to the enhancement project commencement; or
3. If the well has been producing for less than twelve months, the average monthly production during the months it was in production prior to the commencement of the enhancement project

A workover is any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery in a geologic interval currently completed or producing in the existing oil or gas well. Routine maintenance, routine repair, or like for like replacement of downhole equipment such as rods, pumps, tubing, packers, or other mechanical devices does not qualify as a workover. For production enhancement projects having a project beginning date on or after July 1, 1997, and prior to July 1, 2020, "workover" includes, but is not limited to:

- acidizing,
- reperforating,
- fracture treating,
- sand/paraffin/scale removal or other wellbore cleanouts,
- casing repair,
- squeeze cementing,
- installation of compression on a well or group of wells or initial installation of artificial lifts on gas wells, including plunger lifts, rod pumps, submersible pumps and coiled tubing velocity strings,
- downsizing existing tubing to reduce well loading,
- downhole commingling,
- bacteria treatments,
- upgrading the size of pumping unit equipment,

- setting bridge plugs to isolate water production zones, or
- any combination thereof.

Recompletion is any downhole operation in an existing oil or gas well that is conducted to establish production of oil or gas from any geologic interval not currently completed or producing in such existing oil or gas well within the same or a different geologic formation.

For all such production, a refund against gross production taxes shall be issued.

Financial Impact

$2,317,238

Economic Impact

TBD

Benchmarking

Comparable Programs

- Nine states were found to have comparable policies
- Of the eight states reviewed, only three also offered a full exemption from severance taxes; the remaining five states offer partial reduction
- Oklahoma’s Production Enhancement Rebate has the shortest incentive duration (28 months)
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- A 2000 University of Wyoming study projected that a permanent severance tax reduction of four percentage points on incremental production resulting from qualified workovers and recompletions would result in an increase in real disposable personal income of more than $1.0 million, with the annual total decreasing to $0.7 million by 2035. The report also projected an increase in total employment of approximately 40 jobs, with this number decreasing to fewer than 20 by 2035.
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Change in capital investment versus non-qualified within the industry
- Change in oil/gas production versus non-qualified within the industry
- Change in jobs versus non-qualified within the industry
- Change in revenue associated with leases
- Cost benefit analysis – including at different oil/gas price points

Economically At-Risk Lease	
Start Date	Jul 1 2005
End Date	▪
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☒ Capped

Intent

To prevent economically at-risk oil and gas wells from becoming inactive or abandoned

Statute Synopsis - §68-1001 3a

Economically at-risk oil or gas lease is defined as any oil or gas lease with one or more producing wells with an average production volume per well of ten (10) barrels of oil or sixty (60) MCF of natural gas per day or less operated at a net loss or at a net profit which is less than the total gross production tax remitted for such lease during the previous calendar year.

Production from such a lease is eligible for exemption from gross production tax depending on the gross production tax rate:

Gross Production Tax Rate	Exemption
7%	85.7%
4%	75.0%
1% or 2%	No exemption

For all such production, a refund of gross production taxes paid for production in the previous calendar year shall be issued to the well operator. For production in the calendar year ending December 31, 2016 and each year thereafter, the refund shall be claimed before July 1 of the year following the year of production.

The total amount of refunds in calendar years 2015 through 2020 shall not exceed $12.5 million annually.

Financial Impact

$1,838,997

Economic Impact

TBD

Benchmarking

Comparable Programs

- Five states were found to have comparable programs
- The majority of programs establish a threshold of production that must be met over a specific duration in order to qualify
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations
▪ A 2015 external evaluation of the effect of Alaska's four North Slope Oil and Gas Tax Credits (qualified capital expenditures, carry-forward annual loss, small producer and transitional investment expenditures credits) found that the return on investment resulting from the provision of the incentives does not meet the benchmark compensation for the State (investing foregone tax revenues in Constitutional Budget Reserve Fund).[1] ▪ See Appendix D for a full listing of evaluations referenced.
Approved Evaluation Criteria
▪ Price model for fiscal impact – cost benefit analysis at different price points ▪ Change in production for qualified wells ▪ Change in value of leases

[1] Per taxable barrel credits were not included in the analysis due to a lack of data and the fact that the value of the credit changes depending on oil price received for each taxable barrel of oil produced.

Reestablished Production Rebate	
Start Date	Jul 1 1994
End Date	Jul 1 2020
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

To encourage re-establishment of production at currently inactive oil and/or gas wells

Statute Synopsis - §68-1001 F

The production of oil, gas or oil and gas from an inactive well is exempt from the gross production tax for a period of 28 months from the date upon which production is reestablished.

For wells for which production is reestablished on or after July 1, 1997 and prior to July 1, 2020, "inactive well" is defined as any well that has not produced oil, gas or oil and gas for a period of not less than one (1) year, as evidenced by forms on file with the Corporation Commission. Wells which experience mechanical failure or loss of mechanical integrity[2], as defined by the Corporation Commission, shall also be considered inactive wells.

Financial Impact

$225,324

Economic Impact

TBD

Benchmarking

Comparable Programs

- Eight states were found to have comparable programs
- Oklahoma's inactivity threshold of 12 months is tied with Arkansas for lowest among the comparable group
- The majority of comparable programs offer a tax exemption for up to 10 years; OK's duration is 28 months
- Several states have allowed similar programs to sunset
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- According to the Louisiana Legislative Auditor, the Center for Energy Studies at Louisiana State University conducted a study that measured the direct fiscal impact of the inactive well exemption on the state severance tax and royalty collections for 1994 through 2004. The report found that the taxable production from "re-entered" wells was nearly twice the base period (1990-1994) amount.
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Price model for fiscal impact – cost benefit analysis at different price points
- Change in production for qualified wells
- Change in value of leases

[2] Including, but not limited to, casing leaks, collapse of casing or loss of equipment in a wellbore, or any similar event which causes cessation of production

Coal Production	
Start Date	Jan 1 2001
End Date	Dec 31 2021
Administered by	Tax Commission
Characteristics	☒ Refundable ☒ Transferrable ☒ Carry-Forward ☐ Capped

Intent

To encourage the coal production industry in Oklahoma

Statute Synopsis - §68-2357.11

The following tax credits are available to Oklahoma coal producers and purchasers:

	Effective Dates	Per Ton of Coal Mined in OK
Purchase Credit	1/1/1993 to 6/30/2006	$2.00
	7/1/2006 to 12/31/2021	$2.85
Additional Purchase Credit	7/1/2006 to 12/31/2021	$2.15
Purchasers of Over 750,000 tons	1/1/1995 to 6/30/2006	$3.00
Production Credit	1/1/2001 to 6/30/2006	$0.95
	7/1/2006 to 12/31/2021	$5.00
Additional Credit for Thin Seam Production*	1/1/2001 to 6/30/2006	$0.95
Second Additional Credit for Thin Seam Production**	1/1/2005 to 6/30/2006	$0.95

No producer credits allowed if price of coal is $68 or more per ton, excluding freight charges

All credits may be carried forward for up to 5 years

After 1/1/2014, credits are not transferrable, but refundable up to 85% of face value
After 1/1/2016, credits are refundable at 75%

*Credit does not apply to coal sold to any consumer who purchases at least 750,000 tons

*Transferrable within 5 years from 1/1/2002 to 12/31/2013

**Transferrable within 5 years 7/1/2006 to 12/31/2013

Financial Impact

$1,040,457

Economic Impact

TBD

Benchmarking

Comparable Programs

- Six states were found to have comparable programs

- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- A 2015 study by the Pew Charitable Trusts found that Virginia’s Coal Employment and Production Incentive Tax Credit cost the State $59 million in fiscal year 2013 after two cost-free years as a result of rules that allow businesses to carry forward credits for up to 10 years without using them on their tax returns.
- A 2012 study of the impact of coal on the Virginia state budget found that the single largest cost to the state in supporting the coal industry is roughly $37 million a year in tax breaks, a substantial subsidy for an industry that has been in decline for two decades. The General Assembly established the two largest tax breaks more than a decade ago with the goal of spurring growth in coal jobs and production. The report notes, however, that the credits have failed to achieve that goal as evidenced by the sharp decline in both coal jobs and production.
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Change in jobs associated with the credit
- Change in payroll associated with the credit
- Change in capital investment associated with the credit
- Change in production before/after the credit
- But-for test – change in jobs/payroll/capital associated with the credit versus state growth rates as
- a whole
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole
- Return on investment – economic activity versus financial net cost

Small Employer Quality Jobs Program	
Start Date	Jan 1 1998
End Date	-
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

According to statute:

It is the intent of the Legislature that:

1. The State of Oklahoma provide appropriate incentives to support the creation of quality jobs, particularly by small businesses, in basic industries in this state;

2. The incentives provided be directly related to quality jobs created as a result of a business locating or expanding in this state

Statute Synopsis - §68-3901

Provides qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for up to 7 years. In order to qualify for the rebates, the company must meet the following requirements:

Basic Industry: Qualifying companies must be within a qualifying basic industry. The full list of such industries can be found in Appendix B

Employment Threshold: To be eligible, a company may have no more than 90 employees at the time of application. Companies must create between 5 and 15 new jobs, depending on location, to qualify. The activities and functions for which these jobs are being created must not have existed during the previous 6 months. Most companies have 24 months to reach these job creation requirements. Companies in the fields of Research & Development, Testing Labs, Software Publishing, Computer Systems Design, Data Processing, Hosting, and Related, and Medical & Diagnostic Labs have up to 36 months to create these jobs.

Health Insurance Coverage: Companies must offer basic health insurance coverage to employees that are part of the job creation requirement. Employees must pay no more than 50% of the premium cost. Employees must be provided with coverage within 12 months of employment.

Wage Requirements: Companies must pay its employees an average of 110% of the average county wage of small employers, excluding the cost of health benefits. If the company includes health benefits in its wages figure, the percentage increases to 125. Companies in certain counties deemed to be economically challenged may qualify at an average wage of 100% of the county average.

Out-of-State Sales Requirements Companies must have, or have within 24 months from the start date, out-of-state sales of 75% or more. Research and development companies and testing labs are excused from the out of state sales requirement.[3]

Similar to Quality Jobs, incentive payments are based on the net benefit rate multiplied by the actual gross taxable payroll of new direct jobs. Establishments cannot receive both Quality Jobs payments and Small Employer Quality Jobs payments.

[3] http://okcommerce.gov/assets/files/incentives/Small_Employer_Quality_Jobs_Guidelines.pdf

Net benefit rate is calculated by the Department of Commerce. It is equal to the tax revenues as projected by the Department of Commerce as a result of the new jobs, less the direct and indirect state costs, as a percentage of gross payroll for the new jobs.[4] This rate may vary but is capped at 5%. Payments, cumulatively, must not exceed the net benefit to the state, as calculated by the Department of Commerce.

Financial Impact

$291,175

Economic Impact

TBD

Benchmarking

Comparable Programs

- Four states were found to have a comparable program
- Only one other state in the comparable group also uses a cash rebate system based on payroll.
- Three of the four states provide a tax credit per new job created
- Oklahoma's Small Employer Quality Jobs program has the longest benefit period, at seven years
- See Appendix E for a listing of key characteristics of comparable programs

Approved Evaluation Criteria

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Ability of program administrative processes to establish the factual basis for claims related to
- hours, wages and benefits
- But-for test – change in jobs/payroll associated with the cash rebates versus state growth rates
- as a whole
- Change in jobs/payroll in the qualifying industries versus state industries as a whole
- Return on investment – economic activity versus financial net cost

[4] Costs include education of new resident children, public safety, transportation and other state services

21st Century Quality Jobs	
Start Date	Nov 1 2009
End Date	-
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

According to statute, it is the intent of the Legislature that:

> The State of Oklahoma provide appropriate incentives to attract growth industries and sectors to Oklahoma in the twenty-first century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce.

Statute Synopsis - §68-3911-3920

Qualifying companies may be eligible for up to 10% of the taxable payroll of these new jobs, to be paid in cash on a quarterly basis. The program lasts for up to 10 years

> **Basic Industry:** Qualifying companies must be within a qualifying basic industry. The full list of such industries can be found in Appendix B Applicants in some industries are required to have and maintain an out-of-state sales threshold of 50%.
>
> **New Job Creation:** A minimum of 10 New Direct Jobs must be created.[5] Employees in these New Direct Jobs must work 30 or more hours per week. The company has up to three years to achieve this level of jobs to qualify for a full 10 years of program participation. Should the company not be able to add the 10 new jobs by the end of the third year, they are dismissed from the program.
>
> **Health Insurance Coverage:** Applicant companies must offer those working in New Direct Jobs a basic health insurance plan within 12 months of employment. Employees must not be required to provide more than 50% of the premiums for this health coverage.
>
> **Average Wage Requirement:** Employees in New Direct Jobs must be paid an annualized wage which equals or exceeds 300% of the average wage for the county in which the company is located. This average wage is capped at the state index wage. Employees must be paid at this annualized wage on a quarter by quarter basis throughout the program for the company to receive benefit payments. As opposed to the regular Quality Jobs Program, Opportunity Zones are not recognized in this program.[6]

Payments are based on gross payroll multiplied by a net benefit rate. Net benefit rate is calculated by the Department of Commerce as estimated direct and indirect state benefits less direct and indirect state costs.[7] For the first 12 quarters of enrollment in the program, or until 10 new direct jobs are created, the net benefit rate is referred to as the "initial net benefit rate" and is capped at 7%. Once the establishment creates 10 new direct jobs, the "fulfillment net benefit rate", capped at 10%, is used.

[5] New Direct Job is full-time-equivalent employment in Oklahoma which did not exist in this state prior to the date of application approval
[6] http://okcommerce.gov/assets/files/incentives/21st_Century_Quality_Jobs_Guidelines.pdf
[7] Costs include education of new resident children, public safety, transportation and other state services

Financial Impact
$5,704,426
Economic Impact
TBD
Benchmarking
Comparable Programs ▪ New Mexico is the only bordering state with a comparable program ▪ 21st Century Quality Jobs' requirement of 300 percent of the average county wage is very high relative to job tax credit programs nationally. At 200 percent of average county wage, Georgia's Quality Jobs Tax Credit is the next-highest requirement found ▪ See Appendix E for a listing of key characteristics of comparable programs **State Evaluations** ▪ Due to the limited number of comparable programs, evaluations of similar programs are rare ▪ See Appendix D for a full listing of evaluations referenced.
Approved Evaluation Criteria
▪ Change in jobs associated with the cash rebates ▪ Change in payroll associated with the cash rebates ▪ Ability of program administrative processes to establish the factual basis for claims related to ▪ hours, wages and benefits ▪ Number/amount of incentives by industry ▪ Ability of program administrative processes to establish the factual basis for claims related to ▪ hours, wages and benefits ▪ But-for test – change in jobs/payroll associated with the cash rebates versus state growth rates ▪ as a whole ▪ Change in jobs/payroll in the qualifying industries versus state industries as a whole ▪ Return on investment – economic activity versus financial net cost

High Impact Quality Jobs Program	
Start Date	Jun 8 1994
End Date	-
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☒ Capped

Intent

To encourage large-scale job creation and investment in Oklahoma

Statute Synopsis - §68-3708

Qualified companies are eligible to receive quarterly payments of 2.5% of gross payroll for new direct jobs for a period of six years. Recipients must meet all qualifications specified in the Oklahoma Quality Jobs Program, except that the company must have an annual gross payroll for new direct jobs of $1,000,000 to $2,500,000 within three years as projected by the Department of Commerce and provide a number of new direct jobs that is equal to or greater than 1% of the total labor force of the county in which the establishment locates. The total payments for the program shall not exceed $2,500,000 for any one fiscal year.

Financial Impact

No activity

Economic Impact

TBD

Benchmarking

Comparable Programs

- Kansas is the only neighboring state with a comparable program
- Three other states were found to have comparable programs
- While each comparable program has a similar intent to High Impact Quality Jobs, Mississippi comes closest to Oklahoma's high requirement of creating jobs equal to 1 percent of the county work force. Mississippi's program requires at least 3,000 new jobs are created.
- At six years, High Impact Quality Jobs has the shortest benefit period among comparable programs
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- A 2016 evaluation of Iowa's High Quality Jobs found that the incentive program was a consideration for firms looking to locate in Iowa. It also found that the program had a positive impact on jobs growth for local economies where participating firms located
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Change in jobs associated with the quarterly payments
- Change in payroll associated with the quarterly payments
- Ability of program administrative processes to establish the factual basis for claims related to
- hours, wages and benefits
- But-for test – change in jobs/payroll associated with the cash rebates versus state growth rates as a whole
- Change in jobs/payroll in the qualifying industries versus state industries as a whole
- Return on investment – economic activity versus financial net cost

Quality Jobs Program	
Start Date	Jul 1 1993
End Date	-
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

According to statute:

It is the intent of the Legislature that:

1. The State of Oklahoma provide appropriate incentives to support establishments of basic industries that hold the promise of significant development of the economy of the State of Oklahoma;

2. The amount of incentives provided pursuant to this act in connection with a particular establishment:
   a. be directly related to the jobs created as a result of the establishment locating in the State of Oklahoma, and
   b. not exceed the estimated net direct state benefits that will accrue to the state as a result of the establishment locating in the State of Oklahoma

Statute Synopsis - §68-3601

Quality Jobs provides qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for 10 years. In order to qualify for the rebates, certain requirements must be met:

Industry Requirement: Qualifying companies must be within a qualifying basic industry. The full list of such industries can be found in Appendix A

New Payroll: The qualifying company must achieve $2.5 million in annualized payroll from new direct jobs. This threshold must be achieved during any four consecutive quarters in the company's first 12 quarters in the program in order for payments to continue beyond the first 12 quarters. For certain food processing and research and development projects and companies locating on certain former military bases, this threshold is lowered to $1.5 million. There is no payroll requirement for companies locating within 10 miles of a Superfund site, or a site on the National Priorities List.

Health Insurance Coverage: Qualifying companies must offer basic health insurance coverage to all employees working 30 hours or more per week. Employees must pay no more than 50 percent of premium costs. Such coverage must be provided within the first 180 days of employment.

Minimum Wage Requirement: New direct jobs must be paid wages equal to 100 percent of the average county wage. Wages combined with health care premiums paid by the employer must equal at least 110 percent of the average county wage. Eighty percent of employees, whose pay is included in the new payroll, must work at least 30 hours per week.

Incentive payments are equal to the Net Benefit Rate multiplied by the actual gross payroll of the new direct jobs. The net benefit rate is the estimated tax revenues projected by the Department of Commerce as a result of new direct jobs less the projected costs[8] of new direct jobs computed, as a percentage of gross payroll. It is generally capped at 5% with a few exceptions:

- 6% cap for establishments which have been awarded a Department of Defense contract
- Automatically equal to 5% for establishments locating in:
    - An opportunity zone[9] within a high-employment county
    - A county where the per capita personal income is 85% or less of the statewide average
    - A county where the population has decreased over the previous 10 years
    - A county where the unemployment rate exceeds the lesser of five percent or two percentage points above the state average
- 6% cap if an establishment has already been receiving incentive payments from the Quality Jobs Program for at least 1 year and expands its operations in this state by creating additional new direct jobs which pay average annualized wages which equal or exceed 150% of the average annualized wages of new direct jobs on which the incentive payments were received during the preceding calendar year.
- For establishments classified in NAICS industry number 711211 (Sports Teams and Clubs), the net benefit rate is capped at the highest rate of income tax imposed upon the Oklahoma taxable income of individuals.
- 6% cap for establishments employing US military veterans as 10% of its gross payroll. Net benefit rate has a minimum of 5% in this case.

Establishments are required to repay all incentive payments received under the Oklahoma Quality Jobs Program Act if the establishment is determined by the Oklahoma Tax Commission to no longer have business operations in the state within three years from the beginning of the calendar quarter for which the first incentive payment claim is filed.

Financial Impact

$73,183,283

Economic Impact

TBD

Benchmarking

Comparable Programs

- Four neighboring states have comparable programs (Arkansas, Colorado, Kansas, and Missouri)
- In total, programs from five states were chosen as comparable to Quality Jobs
- Of those five states, four of them require a specific minimum amount of jobs created
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- An evaluation of Oklahoma's own Quality Jobs program in 2004 found that the program was a net benefit to the state, but suggested tightening qualification requirements to control costs
- A 2009 evaluation of Louisiana's Quality Jobs program found a return to the state of $2.39 for every dollar spent
- A 2014 evaluation of Kansas' PEAK Program found that firms receiving PEAK program benefits were not statistically more likely to generate new jobs than a group of control firms

[8] Costs include education of new resident children, public safety, transportation and other state services

[9] One or more census tracts where at least 30% of the residents have annual gross household incomes below the U.S. Department of Health and Human Services poverty guidelines

- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Ability of program administrative processes to establish the factual basis for claims related to
- hours, wages and benefits
- But-for test – change in jobs/payroll associated with the cash rebates versus state growth rates
- as a whole
- Change in jobs/payroll in the qualifying industries versus state industries as a whole
- Return on investment – economic activity versus financial net cost

Home Office Tax Credit

Start Date	Nov 1 1987
End Date	-
Administered by	Oklahoma Insurance Department
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

To provide a tax incentive for insurance companies to bring employment to the State of Oklahoma through the establishment of home offices in the state.

Statute Synopsis - §36-625.1

Insurers establishing home offices in the state are eligible for the following tax credits against premium tax:

Qualifying Insurers	Number of Full-time Employees	Credit Percentage
Foreign Insurers Only	200 to 299	15%
Foreign Insurers Only	300 to 399	25%
Foreign and Domestic Insurers	400 to 499	35%
Foreign and Domestic Insurers	500 or more	50%

Domestic insurers with regional home offices in 5 or more counties in the state are eligible for a credit equal to the percentage of the amount due.

Until June 30, 2010, percentages are based on amount due. Beginning July 1, 2010, percentages are based on the amount due after the apportionment to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement Fund and the Law Enforcement Retirement Fund. These apportionments account for 47 percent of the gross premium tax owed by the insurer.

Financial Impact

$18,927,316

Economic Impact

TBD

Benchmarking

Comparable Programs

- Colorado is the only neighboring state with a comparable policy
- In total, four states were found to have comparable policies
- Oklahoma is the only state in the comparable group with a job creation requirement
- 44 states levy a premium tax on insurers in general. Oklahoma is tied for the ninth-highest rate among these states.
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- In 2002, Iowa committed to gradually reducing the state insurance premium tax from 2 percent to 1 percent. An impact report on the reduction from 2002 to 2008, found that state revenue declined by about $245,000 over the period. However, it is estimated that state employment in the insurance industry was estimated to grow by over 3,000 jobs
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria
▪ Change in employment for eligible insurers before/after credit ▪ Distribution within the categories of number of full-time employees claimed ▪ Change in payroll for eligible insurers before/after credit ▪ Average wage for eligible insurers before/after credit ▪ Change in employment for industry versus other states without credit ▪ Return on investment – economic activity versus financial net cost

Capital Gain Deduction	
Start Date	Jan 1 2006
End Date	-
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped

Intent

To encourage investment in Oklahoma companies and capital

Statute Synopsis - §68-2358

Corporations, estates or trusts shall be allowed a deduction from Oklahoma taxable income for the amount of qualifying gains receiving capital treatment earned by the corporation, estate or trust during the taxable year and included in the federal taxable income of such corporation, estate or trust.

Qualifying Gains:

Sale of Real Property or Tangible Personal Property:

- Must be located in Oklahoma
- Must be owned for at least five years prior to the transaction

Sale of Stock or Ownership Interest:

- Must be a company, limited liability corporation, or partnership with a primary headquarters located in Oklahoma for at least three years prior to the transaction.
- Stock or Ownership interest must be held for a period of at least three years prior to the transaction.

Financial Impact

$114,835,000

Economic Impact

TBD

Benchmarking

Comparable Programs

- Only one neighboring state, Colorado, also offers a capital gains deduction.
- In total, six states other states were found to have comparable capital gains deduction policies
- Among the full group of seven states, five states, including Oklahoma, allow real property sales to qualify for the deduction. Of those five states, only Oklahoma and Idaho require the real property to be located in-state.
- Oklahoma has the third-longest holding period requirement in the group.
- See Appendix E for a listing of key characteristics of comparable programs

State Evaluations

- In 2010, the Congressional Research Service examined the economic effects of capital gains taxation at the Federal level. The report found that high income households are substantially more likely to own assets for which capital gains tax is applicable. The report also finds that tax revenue falls with reductions in capital gains tax rates, and that capital gains tax reductions have little to no impact on long-term growth at the national level.

- A 2011 report by the Institute on Taxation and Economic Policy examines the impact of state capital gains tax breaks and reiterates the lack of evidence connecting the capital gains tax rate to economic growth. The report notes capital gains tax revenue losses for tax year 2010 range from $14 million to $151 million in eight states offering capital gains tax breaks.
- A report from Minnesota's House Research Department in 2016 found that 90 percent of capital gains income in the state we reported by filers with incomes over $100,000
- See Appendix D for a full listing of evaluations referenced.

Approved Evaluation Criteria

- Number of qualified realized capital gains
- Employment/capital/payroll associated with realized capital gains
- Change in realized capital gains before/after the deduction
- Return on investment – economic activity versus financial net cost

Appendix A: Quality Jobs Basic Industries

Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160
	238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510
	561599
Central Administrative Offices, Corporate Offices and Technical Services	5611
	5612
	51821
	519130
	52232
	56142
	524291
	551114
Certain Communications Services	517110
	51741
	51791
Certain Jobs Related to the Mining of Oil and Gas	2111
	213111
	213112
	486
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112
	5182
	5191
	519130
	5415

Quality Jobs Basic Industries (continued)	
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122
Engineering, Management and Related Services	5412
	5414-5417
	54131
	54133
	54136
	54137
	541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244
	4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210
	524292
Manufacturing	31
	32
	33
	5111
	11331
Miscellaneous Business Services	561410
	56142
	51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493
	484
	4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120
	6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711
	541712
	541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882
	4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310

Appendix B: 21st Century Quality Jobs Basic Industries

21st Century Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160
	238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510
	561599
Central Administrative Offices, Corporate Offices and Technical Services	5611
	5612
	51821
	519130
	52232
	56142
	524291
	551114
Certain Communications Services	517110
	51741
	51791
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112
	5182
	5191
	519130
	5415
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122

21st Century Quality Jobs Basic Industries (continued)	
Engineering, Management and Related Services	5412
	5414-5417
	54131
	54133
	54136
	54137
	541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244
	4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210
	524292
Manufacturing	31
	32
	33
	5111
	11331
Miscellaneous Business Services	561410
	56142
	51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493
	484
	4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120
	6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

21st Century Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711
	541712
	541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882
	4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310
NAICS Codes added for 21st Century Quality Jobs Only	
Specialty Hospitals	62231
Performing Arts Companies	7111
50% out-of-state sales requirement for:	
Funds, Trusts, and other Financial Vehicles	525
Insurance Carriers and Related Activities	524
Heavy and Civil Engineering Construction	237
Motion Picture and Video Industries	5121
Professional, Scientific, and Technical Services	5411
	5412
	5413
	5414
	5418
	5419
Sound Recording Industries	5122

Appendix C: Small Employer Quality Jobs Basic Industries

Small Employer Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160
	238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510
	561599
Central Administrative Offices, Corporate Offices and Technical Services	5611
	5612
	51821
	519130
	52232
	56142
	524291
	551114
Certain Communications Services	517110
	51741
	51791
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112
	5182
	5191
	519130
	5415
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122

Small Employer Quality Jobs Basic Industries (continued)	
Engineering, Management and Related Services	5412
	5414-5417
	54131
	54133
	54136
	54137
	541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244
	4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210
	524292
Manufacturing	31
	32
	33
	5111
	11331
Miscellaneous Business Services	561410
	56142
	51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493
	484
	4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120
	6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

Small Employer Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711
	541712
	541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882
	4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310

Appendix D: List of Evaluations Referenced

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Ethanol Fuel Retailer Tax Credit Benchmarking									
State	**Program Name**	**Effective Date**	**Sunset Date**	**% of Total Sales Threshold?**	**Credit Based on Pure Ethanol or Blend**	**Credit per Gallon**	**Eligible Blends**	**Annual Cap**	**Refundable?**
Oklahoma	Ethanol Fuel Retailer Tax Credit	January 1, 2006	None	No	Pure Ethanol	$0.016 per gallon of pure ethanol sold; retailer must provide price reduction to the purchaser of the ethanol fuel in the same amount	15%	None	Yes
Iowa	Ethanol Blended Gasoline Tax Credit *(Expired)*	January 1, 2002	December 31, 2008	Yes	Blend	$0.025 per blended gallon sold in excess of 60% of total sales	N/A	None	Yes
	Ethanol Promotion Tax Credit	January 1, 2009	December 31, 2020	Yes	Pure Ethanol	Credit based on meeting threshold of renewable fuel as a percentage of total sales; 2017 threshold is 21% for retailers selling > 200,000 gallons and 17% for those selling < 200,000 gallons - $0.080 if threshold percentage is met - $0.060 if threshold is missed by 2% or less - $0.040 if threshold is missed by 2-4%	N/A	None	Yes
	E85 Gasoline Promotion Tax Credit	January 1, 2006	December 31, 2017	No	Blend	$0.16 per gallon for fuel sold in calendar years 2012-2017	70-85%	None	Yes
	E15 Plus Gasoline Promotion Tax Credit	July 1, 2011	December 31, 2017	No	Blend	For every gallon of ethanol blended gasoline sold: - $0.03 between September 15 and May 30 - $.010 between June 1 and September 14	15-69%	None	Yes
Kansas	Renewable Fuel Retailer Tax Incentive	January 1, 2009	December 31, 2025	Yes	Blend	Credit based on meeting threshold of renewable fuel as a percentage of total sales; threshold ranges from 10% in 2009 to 25% in 2024 - $0.065 if threshold percentage is met - $0.045 if threshold is missed by 2% or less	N/A	No funding available through June 30, 2018	No
Missouri	Ethanol-Blended Fuel Tax Credit *(Not Enacted)*	January 1, 2017	December 31, 2025	No	Blend	For every gallon of 15-50% ethanol blended gasoline sold: - $0.03 between September 16 and May 31 - $0.10 between June 1 and September 15	15-50%	$1,000,000	Yes

Appendix E: Comparable State Programs

Clean Burning Fuel Vehicle Tax Credit Benchmarking					
State	**Program Name**	**For Vehicles Placed in Service On or After**	**Sunset Date**	**Credit**	**Carry Forward**
Oklahoma	Clean-Burning Fuel Vehicle Tax Credits	July 1, 1990	December 31, 2019	- 45% of the cost of converting vehicles to be propelled by clean burning fuel; or the cost of purchasing a vehicle originally equipped to be propelled by clean burning fuel. If no credit is claimed by prior owner of originally equipped vehicle, credit of lesser of 10% or $1,500 is available - 75% of the cost of property directly related to the delivery of alternative fuels, such as compression equipment and storage tanks; or a metered-for-fee, public access recharging system for vehicles propelled in whole or part by electricity - The lesser of $2,500 or 50% of the cost of property directly related to the compression and delivery of natural gas from a home into the fuel tank of a vehicle propelled by CNG	5 years
Colorado	Alternative Fuel Tax Credit	January 1, 2012	December 31, 2021	Between 2017 and 2019: - Light-duty passenger vehicles eligible for $5,000 credit on purchase or conversion; $2,500 on lease - Light-duty trucks eligible for $7,000 credit on purchase or conversion; $3,500 on lease - Medium-duty trucks eligible for $10,000 credit on purchase or conversation; $5,000 on lease - Heavy-duty trucks eligible for $20,000 credit on purchase or conversion; $10,000 on lease	None
Kansas	AFV and Alternative Fueling Infrastructure Tax Credits	January 1, 1996	None	- 40% of the cost of purchasing an AFV or converting a vehicle to alternative fuels; credits are $2,400 for vehicles less than 10,000 pounds, $4,000 for vehicles between 10,000 and 26,000 pounds, and $40,000 for vehicles over 26,000 pounds - Alternatively, tax credit of 5% of the cost of the AFV, up to $750, is available	3 years
Louisiana	AFV and Fueling Infrastructure Tax Credit	January 1, 2009	None, extension granted effective July 1, 2018	- 36% of the cost of purchasing an AFV or alternative fueling equipment, or converting a vehicle to run on alternative fuels - Alternatively, taxpayer may take credit of 7.2% of the cost of the vehicle, up to $1,500	None
Montana	Alternative Fuel Vehicle Conversion Tax Credit	January 1, 2009	None	- 50% of the equipment and labor costs of conversion, up to $500 for vehicles with GVWR less than 10,000 pounds and $1,000 for vehicles with GVWR more than 10,000 pounds	None
New York	Alternative Fuels and Electric Vehicle Recharging Property Credit	January 1, 2013	December 31, 2017	- The lesser of $5,000 or 50% of the cost of alternative fuels refueling property or electric vehicle recharging property	Unlimited

Appendix E: Comparable State Programs

Clean Burning Fuel Vehicle Tax Credit Benchmarking					
State	**Program Name**	**For Vehicles Placed in Service On or After**	**Sunset Date**	**Credit**	**Carry Forward**
Oregon	Residential Energy Tax Credit	January 1, 2006	December 31, 2017	- 50% of the cost of an alternative fuel device (charging station or fuel system), not to exceed $750	5 Years
Utah	Clean Fuel Vehicle Tax Credits *(Expired)*	January 1, 2009	December 31, 2016	- $1,000 for the cost of a qualified plug-in hybrid vehicle - 35% of the cost, up to $1,500, of an alternative fuel or electric vehicle - $1,000 for plug-in hybrid and $1,500 for alternative fuel or electric vehicle leases - 50% of the cost of conversion equipment, up to $1,500 - $1,000 for special equipment converted to operating using alternative fuel or electricity - $750 for the cost of an electric motorcycle	None
Washington, DC	AFV Infrastructure and Conversion Tax Credits	January 1, 2014	December 31, 2026	- 50% of the cost, up to $19,000, to purchase an alternative fuel vehicle or convert a vehicle to alternative fuels - 50% of the equipment and labor costs for the purchase and installation of alternative fuel infrastructure on qualified AFV fueling property; limits are $1,000 per residential electric charging station and $10,000 per publicly accessible AFV fueling station	2 Years
West Virginia	Alternative Fuel Motor Vehicle Tax Credit	January 1, 2011	December 31, 2017	- 35% of the cost to purchase an alternative fuel vehicle - 50% of the cost to convert a vehicle to alternative fuels - Limits are $7,500 for vehicles with GVWR up to 26,000 pounds and $25,000 for vehicles with GVWR more than 26,000 pounds	5 Years

Appendix E: Comparable State Programs

Production Enhancement Rebate Benchmarking						
State	**Program Name**	**Effective Date**	**Sunset**	**Incentive**	**Eligible Projects**	**Incentive Duration**
Oklahoma	Production Enhancement Rebate	July 1, 1994	June 30, 2020	Exemption from gross production tax for any incremental production resulting from enhancement projects	Any eligible workover, eligible recompletion, reentry of plugged and abandoned wellbores, or addition of a well or field compression	28 months from date of first sale after project completion
Arkansas	Enhanced Recovery Operations Severance Tax Credit	July 1, 1995	None	50% reduction in severance tax on incremental increases in production resulting from approved enhanced recovery projects	Approved workover and completion projects	Duration of operation
California	Enhanced Oil Recovery Credit	January 1, 1996	None	5% tax credit on qualified oil recovery costs. Credit is reduced when reference price exceeds $28 per barrel	Projects involving tertiary recovery methods, including miscible fluid displacement, steam drive injection, microemulsion flooding, in situ combustion, polymer-augmented water flooding, cyclic-steam injection, alkaline flooding, carbonated water flooding, immiscible nonhydrocarbon gas displacement	Duration of operation
Kansas	Incremental Production Exemption	July 1, 1998	None	Exemption from severance tax for any incremental production resulting from production enhancement projects	Workovers; recompletions to a different producing zone in the same well bore; secondary recovery projects; addition of mechanical devices to dewater a gas or oil well; replacement or enhancement of surface equipment; installation or enhancement of compression equipment, line looping or other technique	7 years after start-up date of project
Mississippi	Enhanced Oil Recovery	April 1, 1994	None	Annual privilege tax is assessed against enhanced oil recovery wells at a discounted rate of 3% of the value of the oil or gas at the point of production; normal rate is 6%	Projects using any non-primary enhanced oil recovery method approved and permitted	Duration of operation

Appendix E: Comparable State Programs

Production Enhancement Rebate Benchmarking						
State	**Program Name**	**Effective Date**	**Sunset**	**Incentive**	**Eligible Projects**	**Incentive Duration**
New Mexico	Enhanced Oil Recovery Incentive - Secondary Recovery	July 1, 1992	None	Special reduced recovered oil tax rate for incremental production achieved from enhanced oil recovery project. No reduction is available when WTI is more than $28 per barrel	Projects involving processes other than primary recovery, including the use of a pressre maintenance process, a water flooding process, an immiscible, miscible, chemical, thermal or biological process	5 years from the date of recovery project approval
	Enhanced Oil Recovery Incentive - Tertiary Recovery	July 1, 1992	None	Special reduced recovered oil tax rate for incremental production achieved from enhanced oil recovery project. No reduction is available when WTI is more than $28 per barrel		7 years from the date of recovery project approval
North Dakota	Secondary Recovery Project Exemption	July 1, 1991	None	Exemption from oil extraction tax for any incremental production resulting from secondary recovery projects	Secondary recovery (water flooding) projects	5 years from date of the incremental production
	Tertiary Recovery Project Exemption	July 1, 1991	None	Exemption from oil extraction tax for any incremental production resulting from tertiary recovery projects	Tertiary enhanced recovery projects, including CO2 injection	10 years from date of the incremental production
Texas	Enhanced Oil Recovery Incentive	September 1, 1989	None	- Oil produced from approved enhanced oil recovery projects or expansion of existing projects is eligible for special enhanced oil recovery tax rate of 2.3% of production's market value (one half the standard rate) - An additional 50% rate reduction (to 1.15%) applies for 30 years if the Commission certifies that anthropogenic carbon dioxide is used in the project	Any process other than primary recovery, including use of an immiscible, chemical, thermal or biological process and any co-production project. Also includes the addition of injection and producing wells and change of injection pattern	10 years after Commission certification of production response

Appendix E: Comparable State Programs

Production Enhancement Rebate Benchmarking						
State	**Program Name**	**Effective Date**	**Sunset**	**Incentive**	**Eligible Projects**	**Incentive Duration**
	Enhanced Efficiency Equipment Incentive	September 1, 2005	September 1, 2013	Tax credit of 10% of the cost of enhanced efficiency equipment used to produce oil from a marginal well, not to exceed $1,000 per well	Enhanced efficiency equipment must be approved by an accredited petroleum engineering program at a higher educational institution in the state to reduce the energy used to produce oil by more than 10% per barrel	Duration of operation
Utah	Enhanced Recovery Incentive	January 1, 1996	None	50% reduction in severance tax rate on the incremental production achieved from enhanced oil recovery project	Projects involving the injection of liquids or hydrocarbon/non-hydrocarbon gases directly into a reservoir for the purpose of augmenting reservoir energy; modifying the properties of the fluids or gases in a reservoir; or changing the reservoir conditions to increase the recoverable oil, gas, or oil and gas through the joint use of two or more well bores	Duration of operation
Wyoming	Tertiary Recovery Well Incentive *(Expired)*	July 1, 1985	March 31, 2008	Incremental oil production resulting from an enhanced recovery project is eligible for a 2% severance tax rate (instead of 6%). For projects approved after March 31, 2003, no reduction is available in months where the price received by the producer equals or exceeds $27.50 per barrel	Tertiary enhanced recovery projects	5 years from first date of tertiary production

Economically At-Risk Lease Benchmarking						
State	**Program Name**	**Effective Date**	**Sunset Date**	**Eligible Leases**	**Incentive**	**Program Cap**
Oklahoma	Economically At-Risk Oil or Gas Lease Tax Exemptions	July 1, 2005	None	Any oil or gas lease with one or more producing wells with an average production volume per well of 10 barrels of oil or 60 MCF of natural gas per day or less, operated at a net loss or at a net profit which is less than the total gross production tax remitted in the previous calendar year	If gross production tax rate was: - 7%, exemption is 6/7 of the gross production tax levied - 4%, exemption is 3/4 of the gross production tax levied - 1% or 2%, no exemption shall apply	$12.5 million
Alaska	Carried-Forward Annual Loss	January 1, 2006	None	Lease expenditures that are not deductible in calculating production tax values generate a "loss carry-forward" and are eligible for a tax credit	Credit rate is 35% for 2016 forward; credits are transferable	None
Colorado	Oil and Gas Severance Tax Exemption	January 1, 2000	None	- Oil produced from any individual well that produces 15 barrels per day or less of oil for the average of all producing days during a taxable year - Gas produced from any well that produces 90,000 cubic feet or less of gas per day for the average of all producing days during a taxable year	Tax exemption on oil and gas production from eligible wells	None
Michigan	Severance Tax Reduction for Stripper Wells and Marginal Properties	March 31, 1992	None	- Stripper Well: Oil produced and sold from a property whose maximum daily average production of crude oil per well during any consecutive 12-month period does not exceed 10 barrels - Marginal Property: A property whose daily average production (excluding condensate recovered in non-associated production) per well during any preceding consecutive 12-month period that did not exceed the number of barrels shown below for the average completion depth: - Between 2,000 and 4,000 feet: 20 barrels or less - Between 4,000 and 6,000 feet: 25 barrels or less - Between 6,000 and 8,000 feet: 30 barrels or less - More than 8,000 feet: 35 barrels or less	Reduction in severance tax from 6.6% to 4%	None
Texas	Severance Tax Relief for Marginal Wells	September 1, 2005	None	Leases that average, over a 90-day period, less than 15 barrels per day per well or 5 percent recoverable oil per barrel of produced water per well	Exemptions based on average gas price: - More than $3.50: No exemption - Between $3.00 and $3.50: 25% credit - Between $2.50 and $3.00: 50% credit - $2.50 or less: 100% credit	None
Utah	Marginal/Stripper Well Tax Exemption	January 1, 1984	None	Wells which produce an average of less than 20 barrels per day for one year, or 60 MCF or less of natural gas per day for 90 consecutive days	Stripper wells are tax exempt unless the exemption prevents the severance tax from being treated as a deduction for federal tax purposes	None

Appendix E: Comparable State Programs

Reestablished Production Rebate Benchmarking						
State	**Program Name**	**Incentive Type**	**Incentive**	**Inactivity Threshold**	**Effective Date**	**Sunset Date**
Oklahoma	Reestablished Production Rebate	Tax Exemption	Tax exemption on production for 28 months from date of reestablishment	12 months	July 1, 1994	June 30, 2020
Arkansas	Inactive Wells and Fields Reestablishment Tax Incentive	Tax Exemption	Tax exemption on production for 10 years from date of reestablishment	12 months	July 1, 1995	None
Kansas	Inactive Well Exemption	Tax Exemption	Tax exemption on production for 10 years after date of receipt of such certification	36 months	July 1, 1996	None
Kentucky	Recovered Inactive Wells Tax Credits	Tax Credit	Tax credit equal to 4.5% of the gross value of production from recovered inactive well	24 months	July 15, 2010	None
Louisiana	Inactive Wells Re-Establishment Tax Incentive *(Expired 2010)*	Tax Exemption	- 2 year exemption for wells certified between July 31, 1994 and June 30, 2000 or between July 31, 2002 and December 31, 2004 - 5 year exemption for wells certified between January 1, 2005 and June 30, 2010	24 months	July 31, 1994	June 30, 2010
Mississippi	Inactive Wells Exemption *(Expired 2003)*	Tax Exemption	Tax exemption on production for 3 years beginning on the date of first sale of production	24 months	July 1, 1999	July 1, 2003
New Mexico	Production Restoration Tax Incentive	Tax Exemption	Tax exemption on production for 10 years from first day of month following production	24 months	January 1, 1993	None
North Dakota	Inactive Wells Reestablishment Incentive *(Expired 2016)*	Tax Exemption	Tax exemption on production for 10 years after production	24 months	July 1, 1996	July 1, 2016
Texas	Previously Inactive Wells Production Tax Exemption	Tax Exemption	Tax exemption on production for 10 years from date of reestablishment	24 months*	September 1, 1997	February 28, 2010

** A similar incentive available for 3-year inactive wells expired on 1995; 10-year exemption sunset in 2005*

Appendix E: Comparable State Programs

Coal Tax Credit Benchmarking						
State	**Program Name**	**Credit**	**Carry-Forward**	**Transferable?**	**Effective Date**	**Sunset**
Oklahoma	Coal Production Tax Credits	Two credits totaling $5 per ton ($2.85 and $2.15) are available to businesses purchasing Oklahoma-mined coal to furnish water, heat, light or power to the state or its citizens, or to generate heat, light, or power for use in manufacturing operations within the state. After 1/1/2014, credits are not transferrable, but refundable up to 85% of face value; after 1/1/2016, credits are refundable at 75%.	5 years	Yes, but must have been transferred prior to December 31, 2013	January 1, 1993	December 31, 2021
		A credit of $5 per ton is available to businesses primarily engaged in mining, producing or extracting coal, and holding a valid permit; not valid for any month in which the average price of coal is $68 or more per ton, excluding freight charges. After 1/1/2014, credits are not transferrable, but refundable up to 85% of face value; after 1/1/2016, credits are refundable at 75%.	5 years	Yes	January 1, 2001	December 31, 2021
Alabama	Coal Producers Corporate Income Tax Credit	$1 per ton of increased production of coal over the previous year's production	None	No	January 1, 1995	None
Arkansas	Coal Mining Income Tax Credit	$2 per ton of coal mined, produced, or extracted; additional credit of $3 per ton mined in excess of 50,000 tons if sold to electric generation plant for less than $40 per ton excluding freight charges	5 years	Yes	January 1, 2003	None
Kentucky	Coal Incentive Tax Credit	$2 per incentive ton of coal used to generate electic power or used as feedstock for an alternative fuel facility; incentive tons are calculated as current year tons minus tons purchased and used in prior year	10 years	No	July 14, 2000	None*
Maryland	Maryland-Mined Coal Tax Credit	$3 per ton of Maryland-mined coal purchased by qualified co-generator, public service company, or electricity supplier; $2.25 million of credits (of $3 million cap) reserved for use in a Maryland facility	None	No	January 1, 2007	December 31, 2020
Virginia	Coal Employment and Production Incentive Tax Credit	$3 per ton of Virginia coal used for electricity generation	10 years	Yes	January 1, 2001	None
West Virginia	Coal Loading Facilities Credit	A credit equal to 10% of calculated qualified investment, applied over 10 years, to offset up to 50% of annual tax liability for B&O and severance tax for qualified coal loading facilities	None	No	July 1, 1993	None

* For coal used as feedstock for an alternative fuel facility, credit expires on January 1, 2021

Appendix E: Comparable State Programs

Small Employer Quality Jobs Benchmarking					
	Oklahoma	**Alabama**	**Illinois**	**Louisiana**	**South Carolina**
Program Name	Small Employer Quality Jobs	Full Employment Act of 2011	Small Business Job Creation Tax	Quality Jobs	Annual Small Business Job Tax
Size Requirement	90 or fewer full-time employees in Oklahoma	No more than 50 employees	No more than 50 full-time employees worldwide	No more than 50 employees	99 or fewer employees worldwide
Job Creation Requirement	5 to 15 new jobs, depending on location	Any net increase from previous tax year qualifies	None	5 new jobs	Monthly average of two new jobs per month of operation during the tax year
Payroll Requirement	N/A	None	None	Greater than or equal to $250,000	None
Wage Requirement	100, 110, or 125 percent of the average county wage of small employers, depending on the location of the company	More than $10 per hour	$10 per hour	$14.50 per hour for 5 percent rebate $19.10 per hour for 6 percent rebate	Greater than or equal to 120 percent of per capita income for lesser of state and county If job pays less than 120 percent but still greater than the applicable per capita income, company qualifies for 50 percent of credit amount for that job
Health Insurance Requirement	Employees must pay no more than 50% of the premium cost	None	None	Company must offer health care benefits of $1.25 per hour and at least 50 percent of the employees holding new direct jobs must have accepted such benefits	None
Capital Investment Requirement	None	None	None	None	None
Benefit Type	Cash Rebate	Tax Credit	Tax Credit	Cash Rebate	Tax Credit
Benefit Amount	5 percent of new job payroll	$1,000 per employee	$2,500 per employee	5 or 6 percent of payroll	$1,500 to $8,000 per job
Benefit Period	7 Years	None	1 Year	5 Years	5 Years
Aggregate Program Cap	None	None	None	None	None

Note: Louisiana has a separate capital expense rebate and sales and use tax exemption on capital expenses.
*Ilinois program ended June 30, 2016

Appendix E: Comparable State Programs

21st Century Quality Jobs Benchmarking			
	Oklahoma	**Georgia**	**New Mexico**
Program Name	21st Century Quality Jobs	Quality Jobs Tax Credit	High-wage Job Tax Credit
Job Creation Requirement	10 new jobs	At least 50	At least 1 new job
Payroll Requirement	N/A	None	None
Wage Requirement	300 percent of the average county wage, not including healthcare	110 to 120 percent of the average county wage for $2,500 credit 120 to 150 percent of the average county wage for $3,000 credit 150 to 175 percent of the average county wage for $4,000 credit 175 to 200 percent of the average county wage for $4,500 credit 200 percent or more for $5,000 credit	$40,000 or $60,000 annual salary, depending on location
Health Insurance Requirement	Companies must offer employees health insurance and pay at least 50 percent of premiums	None	None
Capital Investment Requirement	None	None	None
Benefit Type	Cash Rebate	Tax Credit	Tax Credit
Benefit Amount	Up to 10 percent of qualifying new payroll	$5,000 per job	10 percent of qualifying new payroll
Benefit Period	Up to 10 Years	5 Years	A job may qualify for the credit for 4 years
Aggregate Program Cap	None	None	None

Appendix E: Comparable State Programs

High Impact Quality Jobs Benchmarking				
	Oklahoma	**Iowa**	**Kansas**	**Tennessee**
Program Name	High Impact Quality Jobs	High Quality Jobs	PEAK - "High Impact" Benefits	Super Jobs Tax Credit
Job Creation Requirement	Equal or greater to 1% of the total labor force in the establishment's county	Must Create or Maintain Jobs	100, within 2 years	Minimum of 100 new jobs. Varies based on capital investment and facility type
Payroll Requirement	$1 million to $2.5 million	None	None	None
Wage Requirement	110% of average county wage, including healthcare	120 percent of county average, including benfits	100 percent of county median wage for 7 year benefit 110 percent of county median wage for 8 year benefit 120 percent of county median wage for 9 year benefit 140 percent of county median wage for 10 year benefit	None
Health Insurance Requirement	Companies must provide healthcare and pay no less than 50% of premiums	"Sufficient Benefits" Requirement	Companies must offer health insurance to full-time employees and pay at least 50 percent of the employee's premium	None
Capital Investment Requirement	None	None	None	$1,000,000
Benefit Type	Cash Rebate	Investment Tax Credit	Retention of State Witholding Tax	Excise and Franchise Tax Credit
Benefit Amount	2.5 percent of payroll of new jobs	Varies based on investment, need, job creation	Up to 95 percent of State Witholding Tax	$5,000 per job
Benefit Period	Up to 6 Years	5 Years	Up to 10 Years	Maximum of 20 Years, varies based on capital investment and facility type

Appendix E: Comparable State Programs

Quality Jobs Benchmarking						
	Oklahoma	**Arkansas**	**Colorado**	**Kansas**	**Louisiana**	**Missouri**
Program Name	Quality Jobs	Advantage Arkansas	Job Growth Incentive Tax Credit	PEAK	Quality Jobs	Missouri Works
Job Creation Requirement	None	None	20 new jobs 5 new jobs if business is located in an Enhanced Rural Enterprise Zone	10 or more new jobs in metropolitan areas 5 new jobs in other areas	5 New Jobs	10 or more new jobs 2 or more if located in rural area or other designated zone
New Payroll Requirement	$2.5 Million	$50,000 to $125,000, depending on county	None	None	$500,000 for businesses with 50 or more employees $250,000 for businesses with under 50 employees	None
Wage Requirement	Wages paid to new jobs must be greater than or equal to the average County wage where the business is located	Average hourly wage of the company must be greater than or equal to the lowest county average hourly wage	Average wage greater than or equal to the county average wage	Wages must be greater than or equal to the county median wage where the company is located	$14.50 per hour for 5 percent rebate $19.10 per hour for 6 percent rebate	90% of County Avg Wage*
Health Insurance Requirement	Employees must pay no more than 50% of the premium cost	None	None	Full-time employees must be offered health insurance and the company must pay at least 50 percent of premium	$1.25 per hour in health care benefits for full-time employees Must offer coverage for dependents of full-time employees At least 50 percent of employees in new jobs must accept coverage	Full-time employees must be offered health insurance and the company must pay at least 50 percent of premium
Capital Investment Requirement	None	None	None	None	None	Capital investment of $100,000 required if company is located in rural area or other designated zone where the job creation requirement is 2
Benefit Type	Cash Rebate	Income Tax Credit	Income Tax Credit	Retention of State payroll withholding tax	Cash Rebate	Retention of State payroll withholding tax and tax credits
Benefit Amount	5 or 6 percent of Qualified Payroll	1 to 4 percent of new payroll, depending on county	50 percent of FICA paid on new jobs	Retention of 95 percent of State payroll withholding tax	5 or 6 percent of payroll	Retention of 100 percent of State payroll withholding tax and tax credit of 5 to 6 percent of new payroll
Benefit Period	Up to 10 Years	5 Years	8 Years	5 to 7 Years	5 Years	5 or 6 Years
Aggregate Program Cap	None	None	None	None	None	$116 million

Appendix E: Comparable State Programs

Home Office Tax Credit Benchmarking					
	Oklahoma	**Colorado**	**Maryland**	**Nevada**	**South Dakota**
Job Creation Requirement	Yes	No	No	No	No
Home Office	Qualify	Qualify	Qualify	Qualify	Qualify
Regional Office	Qualify	Qualify	Do not qualify	Qualify	Qualify
Benefit Type	Tax Credit	Reduced Rate	Tax Credit	Tax Credit	Tax Deduction
Benefit Amount	15 to 50 percent of premium tax*	50 percent of standard premium tax	Amount of Retaliatory Tax	50 percent of premium tax, plus an amount equal to ad valorem tax on the property, up to an additional 30 percent of premium tax	50 percent of premium tax, plus an amount equal to ad valorem tax on the property, up to an additional 20 percent of premium tax
Aggregate Program Cap	None	None	$1 million	$5 million	None

*Depends on number of Full-time employees and whether the insurer is foreign or domestic. Credit is calculated after an allocation is made to Police Pension and Fire Retirement Funds

Capital Gains Deduction Benchmarking								
State	**Incentive**	**Real Property**	**Real Property Location Requirement**	**Holding Period Requirement**	**Cap**	**Stock or Ownership Interest**	**Stock or Ownership Interest Requirement**	**Other Requirements**
Oklahoma	Full deduction	Qualifies	Must be located in Oklahoma	At least 5 years for real property At least 3 years for stock or ownership interest	None	Qualifies	Must be stock of ownership interest in an entity with a primary headquarters located in Oklahoma for 3 years prior to the transaction	-
Colorado	Full deduction	Qualifies	None	5 consecutive years	Up to $100,000, per deduction	Does not qualify	N/A	-
Idaho	60 percent deduction	Qualifies	Must be located in Idaho	At least 1 Year**	None	Does not qualify	N/A	-
Iowa	Full deduction	Qualifies	None	At least 10 years	None	Qualifies	Qualifies only when stock transaction is considered acquisition of a company's assets. 50% of the gain from the sale/exchange of employer securities of an Iowa corporation to a qualified Iowa employee stock ownership plan (ESOP) may be eligible for the Iowa capital gain deduction	-
Mississippi	Full deduction	Does not qualify	N/A	1 Year	None	Qualifies	Only stock in Mississippi-domiciled financial institutions	-
Utah	Tax Credit equal to 5 percent of qualified gain	Qualifies	None	None	None	Qualifies	Must be issued by a Utah Small Business Corporation*	70 percent or more of the proceeds of the capital gain transaction must be expended to purchase qualifying stock in a Utah small business corporation within a 12 month period after the transaction
Virginia	Full deduction	Does not qualify	N/A	At least 1 Year	None	Qualifies	Must be investment in a technology firm primarily enganged and substantially producing in Virginia	The qualifying company's annual gross revenues cannot exceed $3 million and the amount of more than $3 million in aggregate cash proceeds from the issuance of equity and debt

*According to Section 1244(c)(3), Internal Revenue Code:
In general a corporation shall be treated as a small business corporation if the aggregate amount of money and other property received by the corporation for stock, as a contribution to capital, and as paid-in surplus, does not exceed $1,000,000. The determination under the preceding sentence shall be made as of the time of the issuance of the stock in question but shall include amounts received for such stock and for all stock theretofore issued.

**Cattle, horses, and timber must be held 24 months