

## Tax Credit for Zero Emission Facilities (68 O.S. Section 2357.32A)

### Recommendation:

Reconfigure the program to cap program credits or accelerate the closing of the program window (currently Jan 1, 2021) to Jan 1, 2018. Allow non-wind generating zero emission facilities to continue to claim the credit until Jan 1, 2021.

### Implementation:

According to the 2019 list of statutes, the statute states:

- Facilities placed in operation on or after January 1, 2007, and before January 1, 2021, or with respect to electricity generated by wind for any facility placed in operation not later than July 1, 2017, the amount of the credit for the electricity generated on or after January 1, 2007, shall be fifty one-hundredths of one cent (\$0.0050) for each kilowatt-hour of electricity generated by zero-emission facilities.
  - **Therefore, they implemented the suggestions of IEC adding the additional specification for wind, adding that the closing window for wind facilities to July 1, 2017, which is 6 months earlier than what was recommended. The allowance of non-wind generating**
  - **→ The inclusion of “by wind” was only added in 2018, and is not included in the 2017 revision.**
  
- For tax years beginning on or after January 1, 2019, the total amount of credit authorized by this section with respect to eligible renewable resources used to offset tax or paid as a refund shall be adjusted annually to limit the annual amount of credits to Five Hundred Thousand Dollars (\$500,000.00). The Tax Commission shall annually calculate and publish a percentage by which the credits authorized by renewable sources shall be reduced so the total amount of credits used to offset tax or paid as a refund does not exceed \$500,000.00.
  - **Therefore, the statute now contains a cap on the program credits available.**
  - **→ The cap was only added in the 2019 revision, not in the 2017 or 2018 revisions.**

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## Aircraft Tax Exemptions (Statute: O.S. 68 Section 6003)

### Recommendations:

Reconfigure by focusing the exemptions around a policy goal.

### Implementation:

- While there has been one slight modification to the statute since the review in 2016 (see below), it does not appear that the IEC recommendation was followed, as the 18 exemptions are still in place and aren't centered on a policy goal.

### 2019 statute, exemption 5:

5. Aircraft purchased or used by commercial airlines as defined by paragraph 2 of [Section 6001](#) of this title, provided any such aircraft does not operate under Part 91 of Title 14 of the Code of Federal Regulations, 14 C.F.R., Part 91, for more than fifty percent (50%) of its annual operations. If the operations of such aircraft are not at least fifty percent (50%) Part 135 charter operations annually, the excise tax levied pursuant to the provisions of [Section 6002](#) of this title shall be due and payable. An aircraft owner shall provide a report to the Oklahoma Tax Commission on an annual basis detailing the operations of the aircraft and any supporting flight, maintenance or charter log books required by the Commission. For the purpose of satisfying this requirement, such operations may not include those chartered by the aircraft owner as an individual or as a business entity in which the aircraft owner owns a majority interest;

### 2018 statute, exemption 5 (consistent with previous versions)

5. Aircraft purchased or used by commercial airlines as defined by paragraph 2 of Section 6001 of this title;

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## Ad Valorem Tax Exemption for Manufacturing (Statute: O.S. 68 Section 2902)

### Recommendation:

Retain but consider revising program eligibility requirements that have been the same in some cases since program inception

### Implementation:

There were two slight modifications of language that have occurred, relative to the May 29, 2012, and January 1, 2016, versions.

- One change occurred in the 2019 version, which added additional language to the definition of “investment cost of construction”, which further clarified, “equipment that qualifies for depreciation and/or amortization pursuant to the Internal Revenue Code of 1986, as amended, and such expenditures shall be eligible as a part of an "expansion" that otherwise qualifies under this section, and”. Earlier versions did not contain this clause.
- New language was added to the April 26, 2016 version. This language further defined the meaning of “payroll” (in reference to the base and initial payroll requirements):

In order to provide certainty with respect to investments in manufacturing facilities pertaining to all initial applications for exemption filed on or after January 1, 2016, the following definitions shall apply:

(1) "base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll, and

(2) "initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.

→ Therefore, it can be said that IEC’s recommendations were implemented, albeit very slightly. No other major changes were made to the program eligibility requirements.

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## Industrial Road Access Program

- **Recommendation:** Repeal/discontinue
- **Ultimate outcome/changes:** Unknown. Committee did not follow recommendation to repeal, but only mention of/information about incentive that can be found since 2016 is on OK Commerce website and in OK Business Incentives and Tax Guide. Very little information and no details are provided by either source.
  - Mitch Surrett of the Oklahoma Department of Transportation is provided as a contact for more information. (405) 522- 0290 or msurrett@odot.org.

## Oklahoma Film Enhancement Rebate (Title 68 Section 3621 et seq)

- **Recommendation:** Allow to sunset in 2024
- **Ultimate outcome/changes:** Committee extended sunset to July 1, 2027.

## Historic Rehabilitation Tax Credit

Recommendation: **Retain** (5-0 to approve recommendation)

- The Project team Recommends that Oklahoma retain the program and adopt an annual cap to ensure some measure of future budget predictability.

Results: **Retained** but did **not** follow the rest of the recommendation to adopt an annual cap

- No recent changes to statutes

## Oklahoma Capitol Investment Board

Recommendation: **Retain** (3-2 to approve recommendation)

- Retain within its current parameters to allow OCIB to complete its scheduled activities prior to its legislated sunset imposed by the Legislature, particularly given short-term budget issues facing the state.

Results: Followed recommendation, **Retained**

- No recent changes to statutes

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## Tax Credit for Tuition Reimbursement for Aerospace Employers

Recommendation: **Retain** (5-0 to approve)

Results: Followed recommendation, **retained** (amended to extend duration)

- Amended by Laws 2017. A. Except as provided in subsection F of this section, for taxable years beginning after December 31, 2008, and ending before **January 1, 2026**, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title for compensation paid to a qualified employee.

## Tax Credit for Aerospace Employees

Recommendation: **Retain** (5-0 to approve)

Results: Followed recommendation, **retained** (amended to extend duration)

- Amended by Laws 2017. A. Except as provided in subsection D of this section, for taxable years beginning after December 31, 2008, and ending before **January 1, 2026**, a qualified employee shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title of up to Five Thousand Dollars (\$5,000.00) per year for a period of time not to exceed five (5) years.

## Tax Credit for Compensation Paid by Aerospace Employers

Recommendation: **Retain** (5-0 to approve)

Results: Followed recommendation, **retained** (amended to extend duration)

- Amended by Laws 2017. A. Except as provided in subsection F of this section, for taxable years beginning after December 31, 2008, and ending before **January 1, 2026**, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title for compensation paid to a qualified employee.

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## Quality Events Program

- **Recommendations:**
  - Eliminate the process of estimating the projected economic impact prior to the completion of the qualifying event
  - Create a standardized application template with clear guidelines
  - Designate a single point person or office to respond to applicant questions.
- **Ultimate outcome/changes:**
  - Committee approved recommendations unanimously.
    - Recommended amendments primarily made to section 4304, as indicated below.
  - Amendments since recommendations:
    - Laws 2018, c. 201, § 1, eff. July 1, 2018 (until June 30, 2021). The Oklahoma Quality Events Incentive Act was amended with respect to definitions, the determination of incremental sales tax revenue, state sales tax revenue, vendors making taxable sales and procedures for determinations to be made under the act.
      - Section 4301 – Short Title
        - Act now in effect until June 30, 2021.
      - Section 4303 – Definitions
        - Eliminated definition of “economic impact study.”
        - Changed definitions of “incremental sales tax revenue,” “vendors,” and “state sales tax revenue” to state that determinations are made by the Oklahoma Tax Commission based on actual documentation, as opposed to being determined by an economic impact study verified by the Oklahoma Tax Commission.
      - Section 4304 – Designation of Events – Submission of Forms
        - **Changes made according to recommendations**, eliminating requirement of economic impact study and designating a single employee/division responsible for processing information, making determinations, and any other duties related to the Oklahoma Quality Events Incentive Act.
      - Section 4305 – Disclosure of Local Support Amounts – Verification – Payment
        - D. Changed so that the Tax Commission will now compare the total amount of eligible local support amounts with the total amount of incremental state sales tax revenues remitted by vendors, as established based on actual documentation as opposed to economic impact study.
        - H. Changed so that incremental state sales tax revenues derived from state sales tax remittances of vendors as a result of the quality event are determined by the Oklahoma Tax Commission itself, as opposed to being determined by an economic impact study verified by the Oklahoma Tax Commission.

- Section 4309 – Rule Promulgation
  - **Previous version:** “The Oklahoma Tax Commission may promulgate such rules as may be necessary to implement the provisions of this act including, but not limited to, any rules governing the accuracy of the economic impact study.”
  - **Amended version:** “The Oklahoma Tax Commission may promulgate such rules as may be necessary to implement the provisions of the Oklahoma Quality Events Incentive Act.”

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