

**INCENTIVE EVALUATION COMMISSION
REGULAR MEETING MINUTES
Oct. 28, 2021; 10 a.m.
Oklahoma State Capitol
Senate Conference Room 4S.9 (419-C)
Oklahoma City, Oklahoma 73105**

A meeting notice was filed with the Secretary of State and an agenda posted in accordance with the Open Meeting Act.

MEMBERS PRESENT:

Lyle Roggow, President, Designee of the OK Professional Economic Development Council
Carlos Johnson, Certified Public Accountant
Mandy Fuller, CPA, Auditor of Private Company
Earl Sears, Lay Person
Dr. Robert Dauffenbach, Economist
Charles Prater, Chairman, Tax Commission, Ex-Officio; Non-Voting
Brent Kisling, Director, Department of Commerce, Ex-Officio; Non-Voting
John Gilbert, OMES designee, Ex-Officio; Non-Voting

MEMBERS ABSENT: None.

STAFF/GUESTS:

Beverly Hicks, OMES	Chris Cremin, OMES
Josh McGoldrick, ODOC	Meagan Rhodes, OMES
Randall Bauer, PFM	Matthew Weaver, ACOG
Byron Schlomach, 1889 Institute	John Riesenbert, Governor's Office
Jim Dunlap, American Airlines	Julia Kirt, Senate
Brent Wright, ODOC	Carmen Foreman, The Oklahoman

1. Call to order and establish a quorum. [Lyle Roggow, chairman]

Chairman Roggow called this regular meeting to order at 10:06 a.m. A roll call was taken and a quorum established. A meeting notice was filed with the Secretary of State and agenda posted in accordance with the Open Meeting Act.

2. Approval of minutes from the October 14, 2021, commission meeting:

Carlos Johnson moved to approve the special meeting minutes for October. Mandy Fuller seconded the motion. The following votes were recorded and the motion passed:

Mr. Johnson, aye; Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye; Dr. Dauffenbach, aye.

3. Discussion and public comment on PFM draft evaluation reports for Year 6, 2021, Incentive Evaluations:

3.1. Capital Gain Deduction – Repeal. Suggested Alternatives: *[Reconfigure with specific legislative intent and economic development goals; require qualified gains to be reinvested in Oklahoma; and cap the deduction.]*

Chairman Roggow read the following comments sent to the Commission members electronically for consideration that were not present at the meeting:

Elizabeth Chung:

“Sounds like Corporate Welfare to me. I oppose this. If they can’t pay their taxes, then they don’t need to expand. The oil refineries are simply out of the question, and this “certain” wind power generators sounds quite unclear. This is not time to start adding to Oklahoma’s corporate entitlement society.”

Steve Thompson:

“The potential impact on Oklahoma farming and ranching if the current capital gains deduction were to be eliminated would be significant. Production agriculture requires large investments in land and buildings that are held for long periods of time – on average 30 years. During that time, land values can more than triple. In addition to potentially paying capital gains taxes on the sale of land, farmers could also pay capital gains taxes when they sell other assets, such as buildings, breeding livestock, and timber.

Starting or expanding a farm or ranch requires a large investment because of the capital-intensive nature of agribusiness. State capital gains taxes could be a disincentive for farmland owners to sell property or could alternatively lead to raise the asking price. If landowners are discouraged from selling, it can be harder for new farmers to acquire land to start farming and for existing farms to buy land to expand their business to include a son or daughter.

To remain efficient and profitable, farmers and ranchers must have the flexibility to change their businesses to be responsive to market signals from consumers. If capital gains taxes are imposed when buildings, breeding livestock and farmland are sold, the increased tax burden would make it more difficult for procedures to shed unneeded assets to generate revenue to adapt and upgrade their operations.”

Commissioner Kisling entered the meeting at 10:12 a.m.

3.2. Quality Jobs Program – Recommendation: Retain, with modifications. – *[Require participants to pay the average county wage regardless of the statewide threshold wage – in 2018, 22 companies generated rebates while paying less than the average county wage in place on their start date; for new agreements, reset the minimum wage requirement after 5 years (only applies*

to new agreements, not existing ones); require participants to file rebate claims within one year of qualifying quarter (rather than the current two years); and regularly review/update eligible industries to reflect the State's economic development goals.]

Dr. Byron Schlomach, Director of 1889 Institute provided some supplemental testimony, shared his concerns about the programs to the members, and believes those programs should be repealed. He presented the Commission members with a handout of a short overview published by the Institute titled, "Oklahoma's "Quality Jobs" Programs," for members to consider.

3.3. 21st Century Quality Jobs Program – Recommendation: Retain, with modifications. – *[Same as for the quality jobs program recommended modifications; in addition, provide an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.]* No public comments were received electronically or in person.

3.4. Small Employer Quality Jobs Program – Recommendation: Retain with modifications. – *[The same as for the Quality Jobs Program.]* No public comments were received electronically or in person.

3.5. Home Office Tax Credit – Recommendation: Reconfigure to encourage/reward job creation – *[Options include a credit that is either an amount per new job or some portion of new payroll. These types of credits are in place in other States and other Oklahoma state programs; require a specific job verification process.]*

Chairman Roggow read the following comment sent to the Commission members electronically for consideration that was not present at the meeting:

Chris Meredith:

“The story of the Farmers Insurance Claims Center in Oklahoma City is an outstanding example of the power of the Home Office tax credit to help promote strong economic growth in Oklahoma. In 2000, Los Angeles-based Farmers Insurance made the decision to place a national claims center in Oklahoma City. The two most commonly cited reasons for choosing Oklahoma City were its outstanding work force and the tax incentives offered by the state – most particularly, the Home Office Tax Credit. In 2010, Farmers renewed strengthened its commitment to a long-standing presence in Oklahoma with the opening of the newly built Oklahoma City Claims Center on Memorial Road, just east of Rockwell.

There are a couple of key thoughts on this credit that should be pointed out. The overall employment has not grown in numbers; however, the growth in avg. salary has increased substantially. As efficiencies are gained thru innovation, I would not expect the number of employees to increase, however, salaries likely will increase and that adds to the economy. The average salary in Oklahoma is near \$60,000. The focus on overall employment growth misses the fact that the employees may not be here without the tax credit acting as an anchor. In today's environment where employees have a greater potential to perform their work from virtually anywhere in the world, Oklahoma

needs to continue this investment and avoid any reason for employers to leave the state for states with lower premium taxes.

Thank you for your work on this matter and your consideration.”

3.6. Clean Burning Fuel Tax Credit – Recommendation: Retain, with modifications – [*The 2019 legislative changes were substantial, and it is not possible at this point in time to discern those impacts; Clarify statutory language related to eligible investments in commercial fueling activity.*] No public comments were received electronically or in person.

3.7. Ethanol Fuel Retailer Tax Credit – Recommendation: Repeal – [*Reallocate the programs financial resources to the Tax Credit for Investment in Qualified Clean-Burning Motor Vehicle Fuel Property.*] No public comments were received electronically or in person.

3.8 Coal Tax Credits – Recommendation: Repeal (program will sunset on 12/31/21) – [*Reallocate the program’s financial resources into industry retraining opportunities.*] No public comments were received electronically or in person.

4. Adjourn

There being no further business, Mr. Sears made the motion to adjourn. Dr. Dauffenbach seconded the motion. Seeing no opposition, the meeting adjourned at 10:32 a.m.