

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 10, 2024

BILL NUMBER: SB 1501 **STATUS AND DATE OF BILL:** Introduced 12/15/23

AUTHORS: House: N/A Senate: Paxton

TAX TYPE(S): Income Tax **SUBJECT:** Credit

PROPOSAL: New Law

SB 1501 proposes to create the Oklahoma Geothermal Investment Affordability Act, which provides a tax credit for tax years 2025 - 2034 for qualified projects placed in service in Oklahoma that increase geothermal capacity. For qualified projects placed in service after November 1, 2024, total state tax credits must not exceed \$20 million.

EFFECTIVE DATE: November 1, 2024

REVENUE IMPACT:

Although total credits are capped at \$20 million, the timing and amounts of credits claimed over the proposed 10-year eligibility period are unknown. As a result, the expected impact of the proposal is an unknown decrease in income tax revenue for FY 25 and 26.

FY 25: Unknown decrease in income tax revenue.

FY 26: Unknown decrease in income tax revenue.

1/13/24

DATE

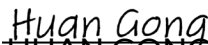


MARIE SCHUBLE, DIVISION DIRECTOR

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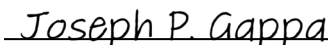
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HUAN GONG, ECONOMIST

1/15/2024

DATE



JOSEPH GAPPA, FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

PROPOSED NEW LAW:

SB 1501 proposes to create the Oklahoma Geothermal Investment Affordability Act, which provides a tax credit¹ for tax years 2025 – 2034 for qualified projects placed in service in Oklahoma that increase geothermal capacity, as follows:

- A base credit of \$500 per ton of increased geothermal capacity, and
- Credit enhancements, as follows:
 - An additional \$500 per ton of increased geothermal capacity for projects where 40% or more of the materials and manufactured products of the project were produced in Oklahoma,
 - An additional \$500 per ton of increased geothermal capacity for projects located on tribal land, and
 - An additional \$500 per ton of increased geothermal capacity for projects located in a low-income community.

For qualified projects placed in service after November 1, 2024, total state tax credits must not exceed \$20 million. The credit is transferable,² allocable and assignable, and unused credits may be carried forward for two taxable years. An insurance company claiming a credit against state premium tax or retaliatory tax or any other tax imposed by 36 O.S. § 628 will not be required to pay any additional retaliatory tax under 36 O.S. § 628 as a result of claiming the credit, and the credit may fully offset any retaliatory tax imposed by 36 O.S. § 628.

If a portion of any related federal geothermal energy tax credits taken on a qualified project is required to be recaptured during the first 10 years after a project is placed in service, the taxpayer claiming the credits with respect to such project will also be required to recapture a portion of such credits. The amount of credits subject to recapture will be proportionally equal to the amount of federal geothermal energy tax credits subject to recapture.

The owner of a qualified project eligible for the proposed credit must submit at the time of filing the tax return with the Oklahoma Tax Commission (OTC), along with any additional information requested by the OTC to determine eligibility for the proposed credit. The OTC will promulgate rules to administer the credit, including implementation of an advance allocation prequalification application process to administer the \$20 million cap on total credits.

ANTICIPATED IMPACT:

Although total credits are capped at \$20 million, the timing and amounts of credits claimed over the proposed 10-year eligibility period are unknown. As a result, the expected impact of the proposal is an unknown decrease in income tax revenue for FY 25³ and 26.

¹The tax credit can be claimed against income tax (68 O.S. § 2355) and insurance premium tax (36 O.S. §§ 624 and 628).

² Any nontaxable entities, including Oklahoma state agencies or political subdivisions thereof, will be eligible to establish a transferable tax credit in the authorized amount.

³ Estimated tax payments may decrease, beginning for FY 25.