

An Act

ENROLLED HOUSE
BILL NO. 1884

By: Fetgatter and Hasenbeck of
the House

and

Bice of the Senate

An Act relating to revenue and taxation; amending Section 1, Chapter 317, O.S.L. 2018 (68 O.S. Supp. 2018, Section 2357.404), which relates to tax credits for employees of vehicle manufacturing companies; defining term; modifying definition; and providing an effective date.

SUBJECT: Tax credits

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 1, Chapter 317, O.S.L. 2018 (68 O.S. Supp. 2018, Section 2357.404), is amended to read as follows:

Section 2357.404 A. As used in this section:

1. "Vehicle manufacturing" and "automotive parts manufacturing" ~~means mean~~ a private or public company first placed in operation in this state after ~~the effective date of this act~~ November 1, 2019, which is engaged in the research, development, design and manufacture of motor vehicles or automotive parts manufacturing which may be driven on the avenues of public access. For purposes of this section, "motor vehicle" does not include ~~buses,~~ low-speed electric vehicles, ~~truck-tractors~~ or motor vehicles manufactured primarily for off-road use, such as primarily for use on a golf course;

2. "Compensation" means payments in the form of contract labor for which the payor is required to provide a Form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee

or full-time employee, or salary or other remuneration. Compensation shall not include employer-provided retirement, medical or health-care benefits, reimbursement for travel, meals, lodging or any other expense;

3. "Institution" means an institution within The Oklahoma State System of Higher Education or any other public or private college or university that is accredited by a national accrediting body;

4. "Qualified employer" means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves the vehicle manufacturing as defined in this section;

5. "Qualified employee" means any person, regardless of the date of hire, employed in this state by or contracting in this state with a qualified employer on or after January 1, 2018, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in vehicle manufacturing in this state immediately preceding employment or contracting with a qualified employer. Provided, the definition shall not be interpreted to exclude any person who was employed in vehicle manufacturing, but not as a full-time engineer, prior to being awarded an undergraduate or graduate degree from a qualified program by an institution or any person who has been awarded an undergraduate or graduate degree from a qualified program by an institution and is employed by a professional staffing company and assigned to work in vehicle manufacturing in this state;

6. "Qualified program" means a program that awards an undergraduate or graduate degree and that has been accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET); and

7. "Tuition" means the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. Tuition shall not include the cost of books, fees or room and board.

B. 1. Except as otherwise provided in subsection E of this section, for taxable years beginning after December 31, 2018, and ending before January 1, 2026, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of Title

68 of the Oklahoma Statutes for tuition reimbursed to a qualified employee.

2. The credit authorized by this subsection may be claimed only if the qualified employee has been awarded an undergraduate or graduate degree within one (1) year of commencing employment with the qualified employer.

3. The credit authorized by this subsection shall be in the amount of fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment. In no event shall this credit exceed fifty percent (50%) of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a public institution in Oklahoma.

4. The credit authorized by this subsection shall not be used to reduce the tax liability of the qualified employer to less than zero (0).

5. No credit authorized by this subsection shall be claimed after the fourth year of employment.

C. 1. Except as otherwise provided in subsection E of this section, for taxable years beginning after December 31, 2018, and ending before January 1, 2026, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of Title 68 of the Oklahoma Statutes for compensation paid to a qualified employee.

2. The credit authorized by this subsection shall be in the amount of:

- a. ten percent (10%) of the compensation paid for the first through fifth years of employment in vehicle manufacturing if the qualified employee graduated from an institution located in this state, or
- b. five percent (5%) of the compensation paid for the first through fifth years of employment in vehicle manufacturing if the qualified employee graduated from an institution located outside this state.

3. The credit authorized by this subsection shall not exceed Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified employee annually.

4. The credit authorized by this subsection shall not be used to reduce the tax liability of the qualified employer to less than zero (0).

5. No credit authorized pursuant to this subsection shall be claimed after the fifth year of employment.

D. 1. Except as otherwise provided in subsection F of this section, for taxable years beginning after December 31, 2018, and ending before January 1, 2026, a qualified employee shall be allowed a credit against the tax imposed pursuant to Section 2355 of Title 68 of the Oklahoma Statutes of up to Five Thousand Dollars (\$5,000.00) per year for a period of time not to exceed five (5) years.

2. The credit authorized by this subsection shall not be used to reduce the tax liability of the taxpayer to less than zero (0).

3. Any credit claimed, but not used, may be carried over, in order, to each of the five (5) subsequent taxable years.

E. 1. For any tax year during which the credit is allowed, the total amount of credits authorized by subsections B and C of this section used to offset tax shall be adjusted annually to limit the annual amount of credits to Three Million Dollars (\$3,000,000.00). The Tax Commission shall annually calculate and publish a percentage by which the credits authorized by subsections B and C of this section shall be reduced so the total amount of credits used to offset tax does not exceed Three Million Dollars (\$3,000,000.00) per year. The formula to be used for the percentage adjustment shall be Three Million Dollars (\$3,000,000.00) divided by the credits claimed in the second preceding year.

2. Pursuant to paragraph 1 of this subsection, in the event the total tax credits authorized by subsections B and C of this section exceed Three Million Dollars (\$3,000,000.00) in any tax year, the Tax Commission shall permit any excess over Three Million Dollars (\$3,000,000.00), but shall factor such excess into the percentage adjustment formula for subsequent years.

F. 1. For any tax year during which the credit is allowed, the total amount of credits authorized by subsection D of this section used to offset tax shall be adjusted annually to limit the annual amount of credits to Two Million Dollars (\$2,000,000.00). The Tax Commission shall annually calculate and publish a percentage by which the credits authorized by subsection D of this section shall be reduced so the total amount of credits used to offset tax does not exceed Two Million Dollars (\$2,000,000.00) per year. The formula to be used for the percentage adjustment shall be Two Million Dollars (\$2,000,000.00) divided by the credits claimed in the second preceding year.

2. Pursuant to paragraph 1 of this subsection, in the event the total tax credits authorized by subsection D of this section exceed Two Million Dollars (\$2,000,000.00) in any tax year, the Tax Commission shall permit any excess over Two Million Dollars (\$2,000,000.00), but shall factor such excess into the percentage adjustment formula for subsequent years.

SECTION 2. This act shall become effective November 1, 2019.

Passed the House of Representatives the 8th day of May, 2019.

Presiding Officer of the House
of Representatives

Passed the Senate the 24th day of April, 2019.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____