

1                     **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                     STATE OF OKLAHOMA

3                                     2nd Session of the 57th Legislature (2020)

4 HOUSE BILL 3115

                                   By: Hill of the House

5   and

6   **Hall** and **Bergstrom** of the  
7   Senate

8  
9  
10                                     AS INTRODUCED

11                     [ **revenue and taxation - income tax credits for**  
12                     **certain manufacturers -**  
13   **emergency ]**

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16  
17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

18                     SECTION 1.             AMENDATORY             Section 1, Chapter 317, O.S.L.  
19 2018, as amended by Section 1, Chapter 388, O.S.L. 2019 (68 O.S.  
20 Supp. 2019, Section 2357.404), is amended to read as follows:

21                     Section 2357.404 A. As used in this section:

22                     1. "Vehicle manufacturing" and "automotive parts manufacturing"  
23 mean a private or public company ~~first placed in operation in this~~  
24 ~~state after November 1, 2019, operating in the State of Oklahoma~~

1 which is engaged in the research, development, design and  
2 manufacture of motor vehicles or automotive parts manufacturing  
3 which may be driven on the avenues of public access. For purposes  
4 of this section, "motor vehicle" does not include low-speed electric  
5 vehicles or motor vehicles manufactured primarily for off-road use,  
6 such as primarily for use on a golf course;

7 2. "Compensation" means payments in the form of contract labor  
8 for which the payor is required to provide a Form 1099 to the person  
9 paid, wages subject to withholding tax paid to a part-time employee  
10 or full-time employee, or salary or other remuneration.  
11 Compensation shall not include employer-provided retirement, medical  
12 or health-care benefits, reimbursement for travel, meals, lodging or  
13 any other expense;

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

17 4. "Qualified employer" means a sole proprietor, general  
18 partnership, limited partnership, limited liability company,  
19 corporation, other legally recognized business entity, or public  
20 entity whose principal business activity involves the vehicle  
21 manufacturing and is undergoing business expansion or engaged in the  
22 hiring of new engineering positions as defined in this section;

23 5. "Qualified employee" means any person, regardless of the  
24 date of hire, employed in this state by or contracting in this state

1 with a qualified employer on or after January 1, 2018, who has been  
2 awarded an undergraduate or graduate degree from a qualified program  
3 by an institution, and who was not employed in vehicle manufacturing  
4 in this state immediately preceding employment or contracting with a  
5 qualified employer. Provided, the definition shall not be  
6 interpreted to exclude any person who was employed in vehicle  
7 manufacturing, but not as a full-time engineer, prior to being  
8 awarded an undergraduate or graduate degree from a qualified program  
9 by an institution or any person who has been awarded an  
10 undergraduate or graduate degree from a qualified program by an  
11 institution and is employed by a professional staffing company and  
12 assigned to work in vehicle manufacturing in this state;

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

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

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

1 ~~68 of the Oklahoma Statutes~~ this title for tuition reimbursed to a  
2 qualified employee.

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

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

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

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

19 C. 1. Except as otherwise provided in subsection E of this  
20 section, for taxable years beginning after December 31, 2018, and  
21 ending before January 1, 2026, a qualified employer shall be allowed  
22 a credit against the tax imposed pursuant to Section 2355 of ~~Title~~  
23 ~~68 of the Oklahoma Statutes~~ this title for compensation paid to a  
24 qualified employee.

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

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

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

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

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

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

19        D. 1. Except as otherwise provided in subsection F of this  
20 section, for taxable years beginning after December 31, 2018, and  
21 ending before January 1, 2026, a qualified employee shall be allowed  
22 a credit against the tax imposed pursuant to Section 2355 of ~~Title~~  
23 ~~68 of the Oklahoma Statutes~~ this title of up to Five Thousand  
24

1 Dollars (\$5,000.00) per year for a period of time not to exceed five  
2 (5) years.

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

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

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

18 2. Pursuant to paragraph 1 of this subsection, in the event the  
19 total tax credits authorized by subsections B and C of this section  
20 exceed Three Million Dollars (\$3,000,000.00) in any tax year, the  
21 Tax Commission shall permit any excess over Three Million Dollars  
22 (\$3,000,000.00), but shall factor such excess into the percentage  
23 adjustment formula for subsequent years.

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

12 2. Pursuant to paragraph 1 of this subsection, in the event the  
13 total tax credits authorized by subsection D of this section exceed  
14 Two Million Dollars (\$2,000,000.00) in any tax year, the Tax  
15 Commission shall permit any excess over Two Million Dollars  
16 (\$2,000,000.00), but shall factor such excess into the percentage  
17 adjustment formula for subsequent years.

18 SECTION 2. It being immediately necessary for the preservation  
19 of the public peace, health or safety, an emergency is hereby  
20 declared to exist, by reason whereof this act shall take effect and  
21 be in full force from and after its passage and approval.

22  
23 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
24 02/26/2020 - DO PASS, As Amended and Coauthored.