

ENROLLED SENATE
BILL NO. 648

By: Fisher of the Senate

and

Braddock of the House

An Act relating to revenue and taxation; amending Sections 3, 4 and 6, Chapter 275, O.S.L. 1993, as last amended by Sections 1, 2 and 3, Chapter 275, O.S.L. 2000 (68 O.S. Supp. 2000, Sections 3603, 3604 and 3606), which relate to the Oklahoma Quality Jobs Program Act; modifying definitions; defining terms; specifying additional duty of Incentive Approval Committee; modifying establishments required to meet certain qualifications; prohibiting filing of first claim for incentive payments after certain date; and providing an effective date.

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

SECTION 1. AMENDATORY Section 3, Chapter 275, O.S.L. 1993, as last amended by Section 1, Chapter 275, O.S.L. 2000 (68 O.S. Supp. 2000, Section 3603), is amended to read as follows:

Section 3603. A. As used in Section 3601 et seq. of this title:

1. a. "Basic industry" means:

- (1) ~~manufacturing, as defined or classified under Division D of the Standard Industrial Classification (SIC) Manual, latest version~~ those manufacturing activities defined or classified in the NAICS Manual under Industry Sector Nos. 31, 32 and 33, Industry Group No. 5111 or Industry No. 11331,
- (2) ~~an activity related to electric services as described by Industry Number 4911 of Major Group 49, Division E of the Standard Industrial Classification (SIC) Manual, latest version~~ those electric power generation, transmission and distribution activities defined or classified in the NAICS Manual under U.S. Industry Nos. 221111 through 221122, if:

- (a) an establishment engaged therein qualifies as an exempt wholesale generator as defined by 15 U.S.C., Section 79z-5a,
 - (b) the exempt wholesale generator facility consumes from sources located within the state at least ninety percent (90%) of the total energy used to produce the electrical output which qualifies for the specialized treatment provided by the Energy Policy Act of 1992, P.L. 102-486, 106 Stat. 2776, as amended, and federal regulations adopted pursuant thereto,
 - (c) the exempt wholesale generator facility sells to purchasers located outside the state for consumption in activities located outside the state at least ninety percent (90%) of the total electrical energy output which qualifies for the specialized treatment provided by the Energy Policy Act of 1992, P.L. 102-486, 106 Stat. 2776, as amended, and federal regulations adopted pursuant thereto, and
 - (d) the facility is constructed on or after July 1, 1996,
- (3) ~~administrative and auxiliary services that are assigned a one-digit auxiliary code in the SIC Manual, and are described therein as Central Administrative Offices, which means central centers that influence the environment in which data processing, customer service, credit accounting, telemarketing, claims processing and other administrative functions are accomplished~~ those administrative and facilities support service activities defined or classified in the NAICS Manual under Industry Group Nos. 5611 and 5612, Industry Nos. 51421, 52232, 56142 and 54191 or U.S. Industry No. 524291,
 - (4) ~~Research, Development and Testing Laboratories~~
 - (5) ~~an activity described by Industry Group Number 873 of Major Group 87, Division I of the Standard Industrial Classification (SIC) Manual, latest revision, Industry Numbers 8731, 8732, 8733 and 8734,~~
 - (6) ~~an activity related to research and development as described by Auxiliary Code Number 2 of the Standard Industrial Classification (SIC) Manual, latest revision~~ those professional, scientific and technical service activities defined or classified in the NAICS Manual under U.S. Industry Nos. 541710 and 541380,

- ~~(7)~~ (5) warehouses which serve as distribution centers for retail or wholesale businesses, if seventy-five percent (75%) of the inventory processed through such warehouse is shipped out-of-state,
- ~~(8)~~ ~~adjustment and collection services, as defined or classified under Industry Number 7322 of Major Group 73 of the Standard Industrial Classification (SIC) Manual, latest version~~
- (6) those adjustment and collection service activities defined or classified in the NAICS Manual under U.S. Industry No. 561440, if seventy-five percent (75%) of the loans to be serviced were made by out-of-state debtors,
- ~~(9)~~ (7)
 - ~~(a) transportation by air, as defined or classified under Major Group 45 of the SIC Manual, latest version~~ those air transportation activities defined or classified in the NAICS Manual under Industry Group No. 4811, if the following facilities are located in this state:
 - (i) the corporate headquarters of an establishment classified therein, and
 - (ii) a facility or facilities at which reservations for transportation provided by such an establishment are processed, whether such services are performed by employees of the establishment, by employees of a subsidiary of or other entity affiliated with the establishment or by employees of an entity with whom the establishment has contracted for the performance of such services; provided, this provision shall not disqualify an establishment which uses an out-of-state entity or employees for some reservations services, or
 - ~~(b) transportation by air, as defined or classified under Major Group 45 of the SIC Manual, latest version~~ those air transportation activities defined or classified in the NAICS Manual under Industry Group No. 4811, if an establishment classified therein has or will have within one (1) year sales of at least seventy-five percent (75%) of its total sales, as determined by the Incentive Approval Committee pursuant to the provisions of subsection B of this section, to out-of-

state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government, or

- ~~(10)~~ (8) The following, if an establishment classified therein has or will have within one (1) year sales of at least seventy-five percent (75%) of its total sales, as determined by the Incentive Approval Committee pursuant to the provisions of subsection B of this section, to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government:
- (a) ~~motor freight transportation and warehousing, as defined or classified under Major Group 42 of the SIC Manual, latest version~~ those transportation and warehousing activities defined or classified in the NAICS Manual under Industry Subsector No. 493, if not otherwise listed in this paragraph, Industry Subsector No. 484 and Industry Group Nos. 4884 through 4889,
 - (b) ~~arrangement of passenger transportation, as defined or classified under Industry Group 472 of the SIC Manual, latest version~~ those passenger transportation activities defined or classified in the NAICS Manual under Industry Nos. 561510, 561520 and 561599,
 - (c) ~~arrangement of transportation of freight or cargo, as defined or classified under Industry Group 473 of the SIC Manual, latest version~~ those freight or cargo transportation activities defined or classified in the NAICS Manual under Industry No. 541614,
 - (d) ~~insurance carriers, as defined or classified under Major Group 63 of the SIC Manual, latest version~~ those insurance activities defined or classified in the NAICS Manual under Industry Group No. 5241,
 - (e) ~~mailing, reproduction, commercial art and photography and stenographic services, as defined or classified under Industry Group 733 of the SIC Manual, latest version~~ those mailing, reproduction, commercial art and photography and stenographic service activities defined or classified in the

NAICS Manual under U.S. Industry Nos. 541430, 541860, 541922, 561439 and 561492,

- (f) ~~services to dwellings and other buildings, as defined or classified under Industry Group 734 of the SIC Manual, latest version~~ those services to dwellings and other buildings, as defined or classified in the NAICS Manual under Industry Group No. 5617, excluding U.S. Industry No. 561730,
- (g) ~~miscellaneous equipment rental and leasing, as defined or classified under Industry Group 735 of the SIC Manual, latest version~~ those equipment rental and leasing activities defined or classified in the NAICS Manual under Industry Group Nos. 5323 and 5324,
- (h) ~~personnel supply services, as defined or classified under Industry Group 736 of the SIC Manual, latest version~~ those employment services defined or classified in the NAICS Manual under Industry Group No. 5613,
- (i) ~~computer programming, data processing and other computer-related services, as defined or classified under Industry Group 737 of the SIC Manual, latest version~~ those information technology and other computer-related service activities defined or classified in the NAICS Manual under Industry Group Nos. 5112, 5141, 5142 and 5415,
- (j) ~~miscellaneous business services, as defined or classified under Industry Group 738 of the SIC Manual, latest version~~ those business support service activities defined or classified in the NAICS Manual under U.S. Industry Nos. 561410 through 561439, Industry Group No. 5616 and Industry No. 51411,
- (k) ~~medical and dental laboratories, as defined or classified under Industry Group 807 of the SIC Manual, latest version~~ those medical and dental laboratory activities defined or classified in the NAICS Manual under U.S. Industry No. 621511,
- (l) ~~engineering and management services, as defined or classified under Major Group 87 of the SIC Manual, latest version~~ those professional, scientific and technical service activities defined or classified in the NAICS Manual under Industry Group Nos.

5412, 5414, 5415, 5416 and 5417 and Industry Nos. 54131, 54133, 54136, 54137, 54138 and 54182, if not otherwise listed in this paragraph,

- (m) ~~communication services, as defined or classified under Industrial Number 4899 of Major Group 48 of the SIC Manual, latest version~~ those communication service activities defined or classified in the NAICS Manual under Industry Nos. 51334 and 51339,
- (n) ~~refuse systems, as defined or classified under Industrial Number 4953 of Major Group 49 of the SIC Manual, latest version~~ those refuse systems activities defined or classified in the NAICS Manual under Industry Group No. 5622, provided that the establishment is primarily engaged in the capture and distribution of methane gas produced within a landfill,
- (o) ~~general wholesale distribution of groceries, as described in Industry Number 5441 of the SIC Manual, latest version~~ defined or classified in the NAICS Manual under Industry Group Nos. 4224 and 4225, and
- (p) ~~processing of insurance claims, as described in Industry Number 6411 of the SIC Manual, latest version ; provided, activities described in Industry Number 6411 of the SIC Manual, latest version, other than processing of insurance claims shall not be included for purposes of this subdivision~~ those insurance-related activities defined or classified in the NAICS Manual under U.S. Industry Nos. 524210 and 524292.

b. An establishment described in subparagraph a of this paragraph shall not be considered to be engaged in a basic industry unless it offers, or will offer within one hundred eighty (180) days of the date it receives the first incentive payment pursuant to the provisions of Section 3601 et seq. of this title, a basic health benefits plan to the individuals it employs in new direct jobs in this state which is determined by the Oklahoma Department of Commerce to consist of the following elements or elements substantially equivalent thereto:

- (1) not less than fifty percent (50%) of the premium shall be paid by the employer,
- (2) coverage for basic hospital care,

- (3) coverage for physician care,
- (4) coverage for mental health care,
- (5) coverage for substance abuse treatment,
- (6) coverage for prescription drugs, and
- (7) coverage for prenatal care;

2. "New direct job" means full-time-equivalent employment in this state in an establishment which has qualified to receive an incentive payment pursuant to the provisions of Section 3601 et seq. of this title which employment did not exist in this state prior to the date of approval by the Department of the application of the establishment pursuant to the provisions of Section 3604 of this title. "New direct job" shall include full-time-equivalent employment in this state of employees who are employed by an entity other than the establishment which has qualified to receive an incentive payment and who are leased or otherwise provided to the qualified establishment, if such employment did not exist in this state prior to the date of approval by the Department of the application of the establishment. A job shall be deemed to exist in this state prior to approval of an application if the activities and functions for which the particular job exists have been ongoing at any time within six (6) months prior to such approval;

3. "Estimated direct state benefits" means the tax revenues projected by the Department to accrue to the state as a result of new direct jobs;

4. "Estimated direct state costs" means the costs projected by the Department to accrue to the state as a result of new direct jobs. Such costs shall include, but not be limited to:

- a. the costs of education of new state resident children,
- b. the costs of public health, public safety and transportation services to be provided to new state residents,
- c. the costs of other state services to be provided to new state residents, and
- d. the costs of other state services;

5. "Estimated net direct state benefits" means the estimated direct state benefits less the estimated direct state costs;

6. "Net benefit rate" means the estimated net direct state benefits computed as a percentage of gross payroll; provided:

- a. except as otherwise provided in this paragraph, the net benefit rate may be variable and shall not exceed five percent (5%),

- b. the net benefit rate shall not exceed six percent (6%) in connection with an establishment which is owned and operated by an entity which has been awarded a United States Department of Defense contract for which:
 - (1) bids were solicited and accepted by the United States Department of Defense from facilities located outside this state,
 - (2) the term is or is renewable for not less than twenty (20) years, and
 - (3) the average annual salary, excluding benefits which are not subject to Oklahoma income taxes, for new direct jobs created as a direct result of the awarding of the contract is projected by the Department of Commerce to equal or exceed Forty Thousand Dollars (\$40,000.00) within three (3) years of the date of the first incentive payment,
- c. except as otherwise provided in subparagraph d of this paragraph, in no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits, and
- d. the net benefit rate shall be five percent (5%) for an establishment locating:
 - (1) in an opportunity zone located in a high-employment county, as such terms are defined in subsection G of Section 3604 of this title, or
 - (2) in a county in which:
 - (a) the per capita personal income, as determined by the Department ~~of Commerce~~, is eighty percent (80%) or less of the statewide average per capita personal income,
 - (b) the population has decreased over the previous ten (10) years, as determined by the State Data Center based on the most recent U.S. Department of Commerce data, or
 - (c) the unemployment rate exceeds the lesser of five percent (5%) or two percentage points above the state average unemployment rate as certified by the Oklahoma Employment Security Commission;

7. "Gross payroll" means wages, as defined in Section 2385.1 of this title for new direct jobs; ~~and~~

- 8. a. "Establishment" means any business or governmental entity, no matter what legal form, including, but not limited to, a sole proprietorship; partnership; corporation or combination of corporations which have a central parent corporation which makes corporate

management decisions such as those involving consolidation, acquisition, merger or expansion; federal agency; political subdivision of the State of Oklahoma; or trust authority; provided, distinct, identifiable subunits of such entities may be determined to be an establishment, for all purposes of Section 3601 et seq. of this title, by the Department subject to the following conditions:

- (1) the entity must have a minimum payroll of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) and the subunit must also have or will have a minimum payroll of Two Million Five Hundred Thousand Dollars (\$2,500,000.00),
 - (2) the subunit is engaged in an activity or service or produces a product which is demonstratively independent and separate from the entity's other activities, services or products and could be conducted or produced in the absence of any other activity, service or production of the entity,
 - (3) has an accounting system capable of tracking or facilitating an audit of the subunit's payroll, expenses, revenue and production. Limited interunit overlap of administrative and purchasing functions shall not disqualify a subunit from consideration as an establishment by the Department,
 - (4) the entity has not previously had a subunit determined to be an establishment pursuant to this section; provided, the restriction set forth in this division shall not apply to subunits which qualify pursuant to the provisions of subparagraph b of paragraph 6 of this subsection, and
 - (5) it is determined by the Department that the entity will have a probable net gain in total employment within the incentive period.
- b. The Department may promulgate rules to further limit the circumstances under which a subunit may be considered an establishment. The Department shall promulgate rules to determine whether a subunit of an entity achieves a net gain in total employment. The Department shall establish criteria for determining the period of time within which such gain must be demonstrated and a method for determining net gain in total employment;

9. "NAICS Manual" means any manual, book or other publication containing the North American Industry Classification System, United States, 1997, promulgated by the Office of Management and Budget of the United States of America, as such system may be revised from time to time;

10. "SIC Manual" means the 1987 revision to the Standard Industrial Classification Manual, promulgated by the Office of Management and Budget of the United States of America; and

11. "Start date" means the date on which an establishment may begin accruing benefits for the creation of new direct jobs, which date shall be determined by the Department.

B. The Incentive Approval Committee is hereby created and shall consist of the Director of State Finance, the Director of the ~~Oklahoma Department of Commerce~~ and one member of the Oklahoma Tax Commission appointed by the Tax Commission. It shall be the duty of the Committee to determine, upon initial application on a form approved by the Committee, if an establishment is engaged in a basic industry as defined in subdivision (b) of division ~~(9)~~ (7) or in subdivisions (a) through ~~(o)~~ (p) of division ~~(10)~~ (8) of subparagraph a of paragraph 1 of subsection A of this section or as otherwise provided by subsection C of this section. It is the further duty of the Committee to determine if an establishment would have been defined as a "basic industry" prior to the amendments to this section to convert from SIC Codes to NAICS Codes. If the Committee so determines, the establishment shall be considered as a "basic industry" for purposes of the Oklahoma Quality Jobs Program Act.

C. For an establishment defined as a "basic industry" pursuant to division ~~(5) or division (6)~~ (4) of subparagraph a of paragraph 1 of subsection A of this section, the Incentive Approval Committee shall consist of the members provided by subsection B of this section and the President of the Oklahoma Center for the Advancement of Science and Technology.

SECTION 2. AMENDATORY Section 4, Chapter 275, O.S.L. 1993, as last amended by Section 2, Chapter 275, O.S.L. 2000 (68 O.S. Supp. 2000, Section 3604), is amended to read as follows:

Section 3604. A. Except as otherwise provided in subsection J of this section, an establishment which meets the qualifications specified in the Oklahoma Quality Jobs Program Act may receive quarterly incentive payments for a ten-year period from the Oklahoma Tax Commission pursuant to the provisions of the Oklahoma Quality Jobs Program Act in an amount which shall be equal to the net benefit rate multiplied by the actual gross payroll of new direct jobs for a calendar quarter as verified by the Oklahoma Employment Security Commission.

B. In order to receive incentive payments, an establishment shall apply to the Oklahoma Department of Commerce. The application shall be on a form prescribed by the Department and shall contain such information as may be required by the Department to determine if the applicant is qualified.

C. Except as otherwise provided by subsection D or E of this section, in order to qualify to receive such payments, the establishment applying shall be required to:

1. Be engaged in a basic industry;

2. Have an annual gross payroll for new direct jobs projected by the Department to equal or exceed Two Million Five Hundred Thousand Dollars (\$2,500,000.00) within three (3) years of the ~~anticipated date on which the establishment will receive its first incentive payment~~ start date; and

3. Have a number of full-time-equivalent employees working an average of twenty-five (25) or more hours per week in new direct jobs equal to or in excess of eighty percent (80%) of the total number of new direct jobs.

D. In order to qualify to receive incentive payments as authorized by the Oklahoma Quality Jobs Program Act, an establishment engaged in an activity described under:

1. ~~Any Industry Group Number under Major Group 20 of Division D of the Standard Industrial Classification (SIC) Manual Nos. 3111 through 3119 of the NAICS Manual~~ shall be required to:

- a. have an annual gross payroll for new direct jobs projected by the Department to equal or exceed One Million Five Hundred Thousand Dollars (\$1,500,000.00) within three (3) years of the ~~anticipated date on which the establishment will receive its first incentive payment~~ start date and make, or which will make within one (1) year, at least seventy-five percent (75%) of its total sales, as determined by the Incentive Approval Committee pursuant to the provisions of subsection B of Section 3603 of this title, to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government, unless the annual gross payroll equals or exceeds Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in which case the requirements for purchase of output provided by this subparagraph shall not apply, and
- b. have a number of full-time-equivalent employees working an average of twenty-five (25) or more hours per week in new direct jobs equal to or in excess of eighty percent (80%) of the total number of new direct jobs; and

2. ~~Major Group 87 of the Standard Industrial Classification (SIC) Manual, as described in division Division (4) of subparagraph a of paragraph 1 of subsection A of Section 3603 of this title,~~ shall be required to:

- a. have an annual gross payroll for new direct jobs projected by the Department to equal or exceed One Million Five Hundred Thousand Dollars (\$1,500,000.00) within three (3) years of the ~~anticipated date on which the establishment will receive its first incentive payment~~ start date and makes, or which will

make within one (1) year, at least seventy-five percent (75%) of its total sales, as determined by the Incentive Approval Committee pursuant to the provisions of subsection C of Section 3603 of this title, to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government, unless the annual gross payroll equals or exceeds Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in which case the requirements for purchase of output provided by this subparagraph shall not apply, and

- b. have a number of full-time-equivalent employees working an average of twenty-five (25) or more hours per week in new direct jobs equal to or in excess of eighty percent (80%) of the total number of new direct jobs;

~~3. Auxiliary Code Number 2 of the Standard Industrial Classification (SIC) Manual, as described in division (5) of subparagraph a of paragraph 1 of subsection A of Section 3603 of this title, shall be required to:~~

- ~~a. have an annual gross payroll for new direct jobs projected by the Department to equal or exceed One Million Five Hundred Thousand Dollars (\$1,500,000.00) within three (3) years of the anticipated date on which the establishment will receive its first incentive payment, and~~
- ~~b. have a number of full-time-equivalent employees working an average of twenty-five (25) or more hours per week in new direct jobs equal to or in excess of eighty percent (80%) of the total number of new direct jobs.~~

E. 1. An establishment which locates its principal business activity on a site consisting of at least ten (10) acres which:

- a. is a federal Superfund removal site,
- b. is listed on the National Priorities List established under Section 9605 of Title 42 of the United States Code,
- c. has been formally deferred to the state in lieu of listing on the National Priorities List, or
- d. has been determined by the Department of Environmental Quality to be contaminated by any substance regulated by a federal or state statute governing environmental conditions for real property pursuant to an order of the Department of Environmental Quality,

shall qualify for incentive payments irrespective of its actual gross payroll or the number of full-time-equivalent employees engaged in new direct jobs;

2. In order to qualify for the incentive payments pursuant to this subsection, the establishment shall conduct the activity resulting in at least fifty percent (50%) of its Oklahoma taxable income or adjusted gross income, as determined under Section 2358 of this title, whether from the sale of products or services or both products and services, at the physical location which has been determined not to comply with the federal or state statutes described in this subsection with respect to environmental conditions for real property. The establishment shall be subject to all other requirements of the Oklahoma Quality Jobs Program Act other than the exemptions provided by this subsection;

3. In order to qualify for the incentive payments pursuant to this subsection, the entity shall obtain from the Department of Environmental Quality a letter of concurrence that:

- a. the site designated by the entity does meet one or more of the requirements listed in paragraph 1 of this subsection, and
- b. the site is being or has been remediated to a level which is consistent with the intended use of the property.

In making its determination, the Department of Environmental Quality may rely on existing data and information available to it, but may also require the applying entity to provide additional data and information as necessary; and

4. If authorized by the Department of Environmental Quality pursuant to paragraph 3 of this subsection, the entity may utilize a remediated portion of the property for its intended purpose prior to remediation of the remainder of the site, and shall qualify for incentive payments based on employment associated with the portion of the site.

F. For applications submitted on and after January 1, 2001, in order to qualify to receive incentive payments as authorized by the Oklahoma Quality Jobs Program Act, in addition to other qualifications specified herein, an establishment which locates its principal business activity in a municipality with a population which exceeds sixty thousand (60,000) persons located within a metropolitan statistical area with a population which exceeds seven hundred thousand (700,000) persons, as determined by the Oklahoma State Data Center based on the most recent U.S. Department of Commerce data, the principal seat of government of which is located in a high-employment county, shall be required to pay the individuals it employs in new direct jobs an average annualized wage within three (3) years of the anticipated date on which the establishment will receive its first incentive payment in the following amounts:

1. During the 2001 calendar year, Twenty-two Thousand Five Hundred Dollars (\$22,500.00); and

2. During the 2002 and subsequent calendar years, Twenty-six Thousand Dollars (\$26,000.00).

For purposes of this subsection, the amount of health insurance premiums or other benefits paid by the establishment shall not be included for purposes of computation of the average annualized wage. Provided, the provisions of this subsection shall not apply to an establishment which locates its principal business activity in an opportunity zone of a high-employment county.

G. As used in this section:

1. "High-employment county" means a county in which:

- a. the unemployment rate does not exceed three and one-half percent (3.5%) for the calendar year prior to the year in which the establishment applies to receive incentive payments, as certified by the Oklahoma Employment Security Commission; provided, if, at the time the establishment applies to receive incentive payments, the Oklahoma Department of Commerce finds that changes in economic conditions or other circumstances in a high-employment county have caused the unemployment rate in the county to exceed three and one-half percent (3.5%) and that such rate is likely to exceed such level for the remainder of the calendar year, such county shall not be considered to be a high-employment county, and
- b. the population, as determined by the Oklahoma State Data Center based on the most recent U.S. Department of Commerce data, exceeds three hundred fifty thousand (350,000) persons; and

2. "Opportunity zone" means one or more census tracts in which, according to the most recent federal decennial census, at least thirty percent (30%) of the residents have annual gross household incomes from all sources below the poverty guidelines established by the U.S. Department of Health and Human Services.

H. An establishment locating its principal business activity in a high-employment county, whether or not such location is in an opportunity zone, shall be required to submit an annual report to the Oklahoma Tax Commission containing such information as the Tax Commission may require to determine if the establishment is in compliance with the provisions of this section.

I. The Department shall determine if the applicant is qualified to receive incentive payments.

J. If the applicant is determined to be qualified by the Department and is not subject to the provisions of subparagraph d of paragraph 6 of subsection A of Section 3603 of this title, the Department shall conduct a cost/benefit analysis to determine the

estimated net direct state benefits and the net benefit rate applicable for a ten-year period and to estimate the amount of gross payroll for a ten-year period. In conducting such cost/benefit analysis, the Department shall consider quantitative factors, such as the anticipated level of new tax revenues to the state along with the added cost to the state of providing services, and such other criteria as deemed appropriate by the Department. In no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits, except for applicants subject to the provisions of subparagraph d of paragraph 6 of subsection A of Section 3603 of this title.

K. Upon approval of such an application, the Department shall notify the Oklahoma Tax Commission and shall provide it with a copy of the application and the results of the cost/benefit analysis. The Tax Commission may require the qualified establishment to submit such additional information as may be necessary to administer the provisions of the Oklahoma Quality Jobs Program Act. The approved establishment shall report to the Tax Commission periodically to show its continued eligibility for incentive payments, as provided in Section 3606 of this title. The establishment may be audited by the Tax Commission to verify such eligibility. Once the establishment is approved, an agreement shall be deemed to exist between the establishment and the State of Oklahoma, requiring the continued incentive payment to be made as long as the establishment retains its eligibility as defined in and established pursuant to this section and Sections 3603 and 3606 of this title and within the limitations contained in the Oklahoma Quality Jobs Program Act, which existed at the time of such approval.

L. A municipality with a population of less than one hundred thousand (100,000) persons in which an establishment eligible to receive quarterly incentive payments pursuant to the provisions of this section is located may file a claim with the Tax Commission for up to twenty-five percent (25%) of the amount of such payment. The amount of such claim shall not exceed amounts paid by the municipality for direct costs of municipal infrastructure improvements to provide water and sewer service to the establishment. Such claim shall not be approved by the Tax Commission unless the municipality and the establishment have entered into a written agreement for such claims to be filed by the municipality prior to submission of the application of the establishment pursuant to the provisions of this section. If such claim is approved, the amount of the payment to the establishment made pursuant to the provisions of Section 3606 of this title shall be reduced by the amount of the approved claim by the municipality and the Tax Commission shall issue a warrant to the municipality in the amount of the approved claim in the same manner as warrants are issued to qualifying establishments.

SECTION 3. AMENDATORY Section 6, Chapter 275, O.S.L. 1993, as last amended by Section 3, Chapter 275, O.S.L. 2000 (68 O.S. Supp. 2000, Section 3606), is amended to read as follows:

Section 3606. A. As soon as practicable after the end of a calendar quarter for which an establishment has qualified to receive an incentive payment, the establishment shall file a claim for the

payment with the Oklahoma Tax Commission and shall specify the actual number and gross payroll of new direct jobs for the establishment for the calendar quarter; provided, in no event shall the first claim for incentive payments be filed later than three (3) years from the start date designated by the Oklahoma Department of Commerce. The Tax Commission shall verify the actual gross payroll for new direct jobs for the establishment for such calendar quarter. If the Tax Commission is not able to provide such verification utilizing all available resources, the Tax Commission may request such additional information from the establishment as may be necessary or may request the establishment to revise its claim.

B. If the actual verified gross payroll for four (4) consecutive calendar quarters does not equal or exceed the applicable total required by Section 3604 of this title within three (3) years of the ~~date of the first incentive payment~~ start date, or does not equal or exceed the applicable total required by Section 3604 of this title at any other time during the ten-year period after the ~~date the first payment was made~~ start date, the incentive payments shall not be made and shall not be resumed until such time as the actual verified gross payroll equals or exceeds the amounts specified in Section 3604 of this title.

C. If the average annualized wage required for an establishment locating its principal business activity in a municipality with a population which exceeds sixty thousand (60,000) persons located within a metropolitan statistical area with a population which exceeds seven hundred thousand (700,000) persons, as determined by the Oklahoma State Data Center based on the most recent U.S. Department of Commerce data, the principal seat of government of which is located in a high-employment county subject to the provisions of subsection F of Section 3604 of this title, does not equal or exceed the amount specified in paragraph 1 or 2 of subsection F of Section 3604 of this title within three (3) years of the date of the first incentive payment, the incentive payments shall not be made and shall not be resumed until such time as such requirements are met.

D. In no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits, except for establishments subject to the provisions of subparagraph d of paragraph 6 of subsection A of Section 3603 of this title.

E. An establishment that has qualified pursuant to Section 3604 of this title may receive payments only in accordance with the provisions under which it initially applied and was approved. If an establishment that is receiving incentive payments expands, it may apply for additional incentive payments based on the gross payroll anticipated from the expansion only, pursuant to Section 3604 of this title.

F. An establishment that is receiving incentive payments may not apply for additional incentive payments for any new projects until twelve (12) quarters after receipt of the first incentive payment, or until the establishment's actual verified gross payroll for new direct jobs equals or exceeds Two Million Five Hundred Thousand Dollars (\$2,500,000.00) during any four consecutive-

calendar-quarter period, whichever comes first. After meeting the requirements of this subsection, an establishment may apply for additional incentive payments based upon the gross payroll anticipated from an expansion only.

G. As soon as practicable after verification of the actual gross payroll as required by this section and except as otherwise provided by subsection L of Section 3604 of this title, the Tax Commission shall issue a warrant to the establishment in the amount of the net benefit rate multiplied by the actual gross payroll as determined pursuant to subsection A of this section for the calendar quarter.

SECTION 4. This act shall become effective November 1, 2001.

Passed the Senate the 18th day of May, 2001.

Presiding Officer of the Senate

Passed the House of Representatives the 23rd day of May, 2001.

Presiding Officer of the House
of Representatives

