

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 57th Legislature (2019)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 1884

By: Fetgatter

7
8 COMMITTEE SUBSTITUTE

9 An Act relating to revenue and taxation; amending
10 Section 1, Chapter 317, O.S.L. 2018 (68 O.S. Supp.
11 2018, Section 2357.404), which relates to tax credits
12 for employees of vehicle manufacturing companies;
13 defining term; modifying definition; and providing an
14 effective date.

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

16 SECTION 1. AMENDATORY Section 1, Chapter 317, O.S.L.
17 2018 (68 O.S. Supp. 2018, Section 2357.404), is amended to read as
18 follows:

19 Section 2357.404 A. As used in this section:

20 1. "Vehicle manufacturing" and "automotive parts manufacturing"
21 ~~means~~ mean a private or public company first placed in operation in
22 this state after ~~the effective date of this act~~ November 1, 2019,
23 which is engaged in the research, development, design and
24 manufacture of motor vehicles or automotive parts manufacturing

1 which may be driven on the avenues of public access. For purposes
2 of this section, "motor vehicle" does not include ~~buses~~, low-speed
3 electric vehicles, ~~truck tractors~~ or motor vehicles manufactured
4 primarily for off-road use, such as primarily for use on a golf
5 course;

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

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

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

21 5. "Qualified employee" means any person, regardless of the
22 date of hire, employed in this state by or contracting in this state
23 with a qualified employer on or after January 1, 2018, who has been
24 awarded an undergraduate or graduate degree from a qualified program

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

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

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

19 B. 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 for tuition reimbursed to a qualified
24 employee.

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

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

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

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

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

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

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

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

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

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

17 D. 1. Except as otherwise provided in subsection F of this
18 section, for taxable years beginning after December 31, 2018, and
19 ending before January 1, 2026, a qualified employee shall be allowed
20 a credit against the tax imposed pursuant to Section 2355 of Title
21 68 of the Oklahoma Statutes of up to Five Thousand Dollars
22 (\$5,000.00) per year for a period of time not to exceed five (5)
23 years.
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1 2. The credit authorized by this subsection shall not be used
2 to reduce the tax liability of the taxpayer to less than zero (0).

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

5 E. 1. For any tax year during which the credit is allowed, the
6 total amount of credits authorized by subsections B and C of this
7 section used to offset tax shall be adjusted annually to limit the
8 annual amount of credits to Three Million Dollars (\$3,000,000.00).

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

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

22 F. 1. For any tax year during which the credit is allowed, the
23 total amount of credits authorized by subsection D of this section
24 used to offset tax shall be adjusted annually to limit the annual

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

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

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

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17 COMMITTEE REPORT BY: COMMITTEE ON RULES, dated 02/28/2019 - DO PASS,
18 As Amended.

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