

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	HB 2146
Version:	FULLPCS1
Request Number:	8115
Author:	Rep. Pfeiffer
Date:	2/26/2019
Impact:	Tax Commission:
	Preliminary Analysis
	Unknown Negative Impact on Revenue
	Possible Impact in FY-20

Research Analysis

The proposed committee substitute for HB2146 creates an income tax credit for qualified software or cybersecurity engineers first employed or contracting in the state on or after November 1, 2019. The credit amount is \$2000 per year for up to seven years for any qualified employee with an undergraduate or graduate degree or \$1800 per year for up to seven years for those with an associates degree. The credit can be claimed beginning tax year 2020 through tax year 2029 and is subject a \$5 million annual cap.

The measure also establishes a screening process to determine eligibility for the credit through the Oklahoma Department of Commerce and requires eligible employees to be certified by the department in order to receive the credit.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

The Proposed Committee Substitute for HB 2146 proposes to enact a new income tax credit for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The credit will be either \$2,200 or \$1,800, depending upon the employee's level of education¹ and is available for a period of seven (7) years. Credits claimed but not used may be carried over, in order, for five (5) years.

A qualified employee is any person **first** employed in this state by or first contracting in this state with a qualified employer on or after the effective date of this act, who has either been awarded an undergraduate or graduate degree by an institution, or has been awarded a two-year associates degree by an institution or a software or cybersecurity credential from a qualified program or institution. In order to be eligible to claim the proposed credit a taxpayer must first be certified by the Oklahoma Department of Commerce as meeting the qualifications for the applicable tax year.

This measure also proposes to cap² the credits at \$5 million beginning with tax year 2020, but there is a two-year look back period, so effectively the cap will not occur until tax year 2022.

It is unknown how many potential qualified employees will claim this credit or at what dollar level in tax year 2020. There is an unknown potential negative fiscal impact, beginning as early as FY20, if withholding or estimated tax remittances are changed as a result of this credit.³

¹ The credit will be \$2,200 for a qualified employee who has been awarded an undergraduate or graduate degree from an institution. The credit will be \$1,800 for a qualified employee who has been awarded a two-year associates degree or a credential from a qualified program or institution.

² For tax year 2020 and subsequent tax years the total amount of credits authorized by this section used to offset tax shall be adjusted annually to limit the annual amount of credits to \$5 million. The Tax Commission shall annually calculate and publish by the first day of the affected year a percentage by which the credits authorized by this section shall be reduced so the total amount of credits used to offset tax does not exceed \$5 million per year. The formula to be used for the percentage adjustment shall be \$5 million divided by the credits used in **the second preceding year**.

³ There is a superfluous definition of "compensation" that does not appear relevant to credit eligibility or calculation.

Prepared By: Mark Tygret

Other Considerations

None.