

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	SB 746
Version:	FULLPCS1
Request Number:	8530
Author:	Rep. Pfeiffer
Date:	3/27/2019
Impact:	Tax Commission: Preliminary Analysis Unknown Negative Impact on Revenue Possible Impact in FY-20

Research Analysis

Pending

Prepared By: House Research Staff

Fiscal Analysis

Analysis provided by the Tax Commission:

SB 746 proposes to enact a nonrefundable 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.²

A **qualified software or cybersecurity employee** means any person newly employed by a qualifying employer in a qualifying industry on or after the effective date of this measure, who has met certain educational requirements¹.

In order to receive the tax credit, a qualified employer shall apply to the Oklahoma Department of Commerce on behalf of its qualified employees. The qualified employer must be in a **qualifying industry**³ and pay employees a qualifying compensation for the county in which the qualified employer has its primary Oklahoma address in order for the qualified software or cybersecurity employees to qualify for the tax credit.

The Department of Commerce will notify the Tax Commission of the qualifying employees at least once per calendar quarter and the Tax Commission will approve or disapprove the credit. The qualified employer is required to submit a list of qualifying employees to the Tax Commission by January 31 of each year.

This measure caps⁴ the credits at \$5 million beginning with tax year 2020, but there is a two-year look back period, so effectively there is no cap for 2020 and 2021.

It is unknown how many 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.

¹ The amount of the credit is \$2,200 for a qualified software or cybersecurity employee who has been awarded a Bachelor's degree from a qualified program at a degree-producing institution, or \$1,800 for a qualified software or cybersecurity employee who has been awarded an Associate's degree from a qualified program at a degree-producing institution or a credential or certificate from a qualified program at a technology center.

² Several provisions of this measure make it difficult for the Tax Commission to administer.

³ "Qualified industry" means a private or public company whose activities are defined or classified in the most recent NAICS manual under U.S. Sector No's. 21, 22, 31-33, 48, 51, 52, 54, 55 and 62, or a national defense governmental entity classified in the most recent NAICS manual under U.S. Sector No. 92;

⁴ For the tax year beginning January 1, 2020, and each tax year thereafter, 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 claimed in the **second preceding year**.

Prepared By: Mark Tygret

Other Considerations

None.