

Fiscal Impact
1st Session of the 57th Legislature

Bill No.:
Version:
Author:
Date:

HB 1884
ENGR
Sen. Bice
04/01/2019

Fiscal Analysis

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 27, 2019

BILL NUMBER: HB 1884 **STATUS AND DATE OF BILL:** Engrossed Bill 3/13/19

AUTHORS: House Fetgatter & Hasenbeck Senate Bice

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: Amendatory

HB 1884 proposes to amend 68 O.S. §2357.404, which relates to income tax credits for qualified employers and engineers in the vehicle manufacturing industry, by allowing automotive parts manufacturing entities as either eligible for the tax credit or as a qualifying industry for the tax credit, provided that the entity is first placed in service on or after November 1, 2019. Also, this measure expands the definition of "motor vehicle" to include buses and truck-tractors.

EFFECTIVE DATE: November 1, 2019

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 20: Unknown potential decrease in state income tax revenue.

FY 21: Unknown potential decrease in state income tax revenue.

Mar. 27, 2019
DATE

Rick Miller
DIVISION DIRECTOR mck

3-27-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

3-29-19
DATE

[Signature]
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT HB 1884 – Engrossed] Prepared: March 27, 2019

HB 1884 proposes to amend 68 O.S. §2357.404 which relates to income tax credits for qualified employers and engineers in the vehicle manufacturing industry.

Under current law three (3) income tax credits are available for qualified employers and engineers in the vehicle manufacturing industry, effective for tax year 2019 and subsequent tax years:

1. An income tax credit for a qualified employer in the vehicle manufacturing industry for tuition reimbursement to a qualified employee. The amount of the credit is fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. An income tax credit allowed for a qualified employer in the vehicle manufacturing industry for compensation paid to a qualified employee. The amount of the credit is ten percent (10%) of the compensation paid for the first through fifth years of employment in the vehicle manufacturing industry if the qualified employee graduated from an institution located in this state; or five percent (5%) if the qualified employee graduated from an institution located outside this state. The credit cannot exceed Twelve Thousand Five Hundred Dollars (\$12,500) for each qualified employee annually.
3. An income tax credit for a qualified employee in the vehicle manufacturing industry of up to Five Thousand Dollars (\$5,000) per year for a period of time not to exceed five (5) years. Any credit claimed, but not used, may be carried over up to five (5) subsequent taxable years.

This measure proposes to expand these credits by allowing automotive parts manufacturing entities as either eligible for the tax credit or as a qualifying industry for the tax credit, provided that the entity is first placed in service on or after November 1, 2019. Also, this measure expands the definition of "motor vehicle" to include buses and truck-tractors.

"Vehicle manufacturing" and "automotive parts manufacturing" mean a private or public company first placed in operation in this state after November 1, 2018, which is engaged in the research, development, design and manufacture of motor vehicles¹ or automotive parts manufacturing which may be driven on the avenues of public access.

The two (2) credits available to employers (based on tuition reimbursement and compensation paid) are subject to an annual cap of three million dollars (\$3,000,000). The credit available to employees is subject to an annual cap of two million dollars (\$2,000,000). The combined credit cap is five million dollars (\$5,000,000) annually.

There is an unknown potential negative fiscal impact, beginning as early as FY20, as a result of this measure.

¹ Under current law "motor vehicle" does not include buses, low-speed electric vehicles, truck-tractors or motor vehicles manufactured primarily for off-road use, such as primarily for use on a golf course. This measure expands the definition of "motor vehicle" to include buses and truck-tractors.