

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: March 5, 2021

BILL NUMBER: SB 559 **STATUS AND DATE OF BILL:** Introduced 1/20/2021

AUTHORS: House n/a Senate Montgomery

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

PROPOSAL: New Law

SB 559 proposes to enact a new income tax credit for any taxpayer who makes a contribution to a charitable business start-up entity, effective for tax years 2022 through 2025. For each credit, a taxpayer may claim 50% of the amount contributed during a taxable year, not to exceed \$200,000. Unused credits are refundable, and total combined credits are capped at \$2 million annually.

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

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

FY 22: None.

FY 23: Unknown decrease in income tax collections.

Mar. 5, 2021 Rick Miller bdf
DATE DIVISION DIRECTOR

3/5/2021 Huan Gong
DATE HUAN GONG, ECONOMIST

3/5/21 [Signature]
DATE FOR THE COMMISSION

The 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 - SB 559 [Introduced] Prepared 3/5/21

SB 559 proposes to enact a new income tax credit for any taxpayer who makes a contribution to a charitable business start-up entity, effective for tax years 2022 through 2025. For each credit, a taxpayer may claim 50% of the amount contributed during a taxable year, not to exceed \$200,000. Unused credits are refundable, and total combined credits are capped at \$2 million annually.

The proposal defines “charitable business start-up entity” as a nonprofit entity, exempt from taxation pursuant to the provision of Internal Revenue Code, 26 U.S.C., Section 501(c)(3), that provides non-equity grants for start-up entities who locate or relocate in Oklahoma for at least one year after receiving a grant from a charitable business start-up entity. To qualify under this proposal, a charitable business start-up entity must submit an application to the Oklahoma Tax Commission (OTC) with information that enables the OTC to confirm the applicant is a nonprofit entity that is tax-exempt under Internal Revenue Code and that describes the non-equity grants provided to start-up entities who locate or relocate in Oklahoma.

By January 10 of each year, every charitable business start-up entity that accepts contributions must electronically provide the OTC with contribution information for the previous year. By February 15 of each year, the OTC must calculate and publish on the OTC website the percentage that may be claimed for contributions made in the previous year so that total credits do not exceed the annual cap. Credits earned but not allowed will be considered suspended and authorized to be used in the next immediate tax year and applied to the next year’s statewide cap.

The OTC must consult with the Oklahoma Department of Commerce to review and (dis)approve applications and to promulgate rules to implement the proposal.

The number of charitable business start-up entities in Oklahoma and the related amount of taxpayer contributions are unknown. Due to the scarcity of data, an unknown decrease in income tax collections is anticipated as a result of this proposal. This estimated decrease is expected to occur in FY 2023 when the 2022 returns are filed.