

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 296

By: Pugh

AS INTRODUCED

An Act relating to income tax; amending 68 O.S. 2021, Section 2357.301, as amended by Section 1, Chapter 313, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2357.301), which relates to definitions; defining term; amending 68 O.S. 2021, Sections 2357.303 and 2357.304, as amended by Section 2, Chapter 313, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2357.304), which relate to credit for qualified employers and qualified employees; expanding credit to include instructor pilots; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2357.301, as amended by Section 1, Chapter 313, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2357.301), is amended to read as follows:

Section 2357.301. As used in Sections 2357.301 through 2357.304 of this title:

1. "Aerospace sector" means a private or public organization located in this state and engaged in the manufacture of aerospace or defense hardware or software, aerospace maintenance, aerospace repair and overhaul, supply of parts to the aerospace industry, provision of services and support relating to the aerospace

1 industry, research and development of aerospace technology and  
2 systems and the education and training of aerospace personnel;

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

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

13 4. "Instructor pilot" means any person who is licensed as a  
14 Certified Flight Instructor by the Federal Aviation Administration  
15 and is employed in this state in support of a contract with the  
16 federal government to provide instruction either live or on a flight  
17 simulator who was not employed as an instructor pilot in the  
18 aerospace sector in this state immediately preceding employment or  
19 contracting with a qualified employer. The definition shall not be  
20 interpreted to exclude any person (1) who previously qualified and  
21 established the credit against the tax imposed pursuant to Section  
22 2355 of this title and becomes employed by a different qualified  
23 employer, or (2) who establishes the credit against the tax imposed  
24 pursuant to Section 2355 of this title for the first time and

1 becomes employed by a different qualified employer in subsequent  
2 years, provided a person in either case has not claimed the credit  
3 for the lifetime maximum of five (5) years;

4 5. "Qualified employer" means a sole proprietor, general  
5 partnership, limited partnership, limited liability company,  
6 corporation, other legally recognized business entity or public  
7 entity whose principal business activity involves the aerospace  
8 sector;

9 ~~5.~~ 6. "Qualified employee" means any person, regardless of the  
10 date of hire, employed in this state by or contracting in this state  
11 with a qualified employer on or after January 1, 2009, who was not  
12 employed in the aerospace sector in this state immediately preceding  
13 employment or contracting with a qualified employer, and who has  
14 been either:

- 15 a. awarded an undergraduate or graduate degree from a  
16 qualified program by an institution, or  
17 b. licensed as a Professional Engineer by the State Board  
18 of Licensure for Professional Engineers and Land  
19 Surveyors pursuant to Section 475.15 of Title 59 of  
20 the Oklahoma Statutes.

21 Provided, the definition shall not be interpreted to exclude any  
22 person who was employed in the aerospace sector, but not as a full-  
23 time engineer, prior to being awarded an undergraduate or graduate  
24 degree from a qualified program by an institution or any person who

1 has been awarded an undergraduate or graduate degree from a  
2 qualified program by an institution and is employed by a  
3 professional staffing company and assigned to work in the aerospace  
4 sector in this state.

5 Beginning on or after January 1, 2024, the definition shall also  
6 not be interpreted to exclude any person (1) who previously  
7 qualified and established the credit against the tax imposed  
8 pursuant to Section 2355 of this title and becomes employed by a  
9 different qualified employer, or (2) who establishes the credit  
10 against the tax imposed pursuant to Section 2355 of this title for  
11 the first time and becomes employed by a different qualified  
12 employer in subsequent years, provided a person in either case has  
13 not claimed the credit for the lifetime maximum of five (5) years;

14 ~~6.~~ 7. "Qualified program" means a program at an institution  
15 that includes a graduate or undergraduate program that has been  
16 accredited by the Engineering Accreditation Commission of the  
17 Accreditation Board for Engineering and Technology (ABET) and that  
18 awards an undergraduate or graduate degree. Both the undergraduate  
19 and graduate programs of the same discipline of engineering at an  
20 institution shall be part of the qualified program if either program  
21 is ABET accredited; and

22 ~~7.~~ 8. "Tuition" means the average annual amount paid by a  
23 qualified employee for enrollment and instruction in a qualified  
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1 program. Tuition shall not include the cost of books, fees or room  
2 and board.

3 SECTION 2. AMENDATORY 68 O.S. 2021, Section 2357.303, is  
4 amended to read as follows:

5 Section 2357.303. A. Except as provided in subsection F of  
6 this section, for taxable years beginning after December 31, 2008,  
7 and ending before January 1, 2026, a qualified employer shall be  
8 allowed a credit against the tax imposed pursuant to Section 2355 of  
9 this title for compensation paid to a qualified employee and, for  
10 tax year 2025, an instructor pilot.

11 B. The credit authorized by subsection A of this section shall  
12 be in the amount of:

13 1. Ten percent (10%) of the compensation paid for the first  
14 through fifth years of employment in the aerospace sector if the  
15 qualified employee graduated from an institution located in this  
16 state; or

17 2. Five percent (5%) of the compensation paid for the first  
18 through fifth years of employment in the aerospace sector if the  
19 qualified employee graduated from an institution located outside  
20 this state.

21 C. The credit authorized by this section shall not exceed  
22 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified  
23 employee annually.

1 D. The credit authorized by this section shall not be used to  
2 reduce the tax liability of the qualified employer to less than zero  
3 (0).

4 E. No credit authorized pursuant to this section shall be  
5 claimed after the fifth year of employment.

6 F. No credit otherwise authorized by the provisions of this  
7 section may be claimed for any event, transaction, investment,  
8 expenditure or other act occurring on or after July 1, 2010, for  
9 which the credit would otherwise be allowable. The provisions of  
10 this subsection shall cease to be operative on July 1, 2011.

11 Beginning July 1, 2011, the credit authorized by this section may be  
12 claimed for any event, transaction, investment, expenditure or other  
13 act occurring on or after July 1, 2011, according to the provisions  
14 of this section.

15 SECTION 3. AMENDATORY 68 O.S. 2021, Section 2357.304, as  
16 amended by Section 2, Chapter 313, O.S.L. 2024 (68 O.S. Supp. 2024,  
17 Section 2357.304), is amended to read as follows:

18 Section 2357.304. A. Except as provided in subsection D of  
19 this section, for taxable years beginning after December 31, 2008,  
20 and ending before January 1, 2026, a qualified employee and, for tax  
21 year 2025, an instructor pilot shall be allowed a credit against the  
22 tax imposed pursuant to Section 2355 of this title of up to Five  
23 Thousand Dollars (\$5,000.00) per tax year for a period of time not  
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1 to exceed five (5) years during the lifetime of the qualified  
2 employee. This credit may be claimed in nonconsecutive tax years.

3 B. The credit authorized by this section shall not be used to  
4 reduce the tax liability of the taxpayer to less than zero (0).

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

7 D. No credit otherwise authorized by the provisions of this  
8 section may be claimed for any event, transaction, investment,  
9 expenditure or other act occurring on or after July 1, 2010, for  
10 which the credit would otherwise be allowable. The provisions of  
11 this subsection shall cease to be operative on July 1, 2011.

12 Beginning July 1, 2011, the credit authorized by this section may be  
13 claimed for any event, transaction, investment, expenditure or other  
14 act occurring on or after July 1, 2011, according to the provisions  
15 of this section.

16 SECTION 4. This act shall become effective November 1, 2025.

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