

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-FIFTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 5, 2015

BILL NUMBER: SB 122 STATUS AND DATE OF BILL: Introduced 1/6/2015

AUTHORS: House n/a Senate Smalley

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 122 proposes to amend the Oklahoma Capital Formation Act, which relates to tax credits issued by the Oklahoma Capital Investment Board.

EFFECTIVE DATE: July 1, 2015 - Emergency

REVENUE IMPACT:

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

FY 16: -0-

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 16: No additional cost or savings to the Tax Commission due to this proposed legislation.

Feb. 6, 2015

DATE

Rick Miller

DIVISION DIRECTOR

lrh

2-6-15

DATE

Reece Womack

REECE WOMACK, ECONOMIST

2/2/15

DATE

Dave Cash

FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 122 [Introduced] Prepared February 5, 2015

SB 122 proposes to amend the Oklahoma Capital Formation Act, which relates to tax credits issued by the Oklahoma Capital Investment Board.

Under current law, the Oklahoma Capital Investment Board is authorized to issue up to \$100 million in transferable tax credits; however, no more than \$20 million of tax credits may be transferred by OCIB in any one fiscal year, with the credits not being exercisable after July 1, 2020. The Board is required to ensure at least Two Dollars (\$2.00) will be invested in Oklahoma businesses or projects for every One Dollar (\$1.00) of tax credits transferred by the Board.

This proposal would reduce the fiscal year limitation from \$20 million \$15 million. This measure increases from Two Dollars (\$2.00) to Four Dollars (\$4.00) the amount required to be invested in Oklahoma businesses or projects for every One Dollar (\$1.00) of tax credits transferred by the Board. A copy of the Board's annual business plan is to be provided to the Legislature. The tax credits may be exercised generally through July 1, 2035 (after July 1, 2035 if the tax credits were purchased or agreed to be purchased pursuant to an agreement originally entered into no later than July 1, 2035). This proposal removes language related to restrictions on contracts, investment agreements, and obligations of the board and other entities. An impact analysis is to be conducted at least every three years which requires an examination of quantified results of the board's programs and plans in terms of equity and near equity capital invested, jobs created and payroll generated in this state as a result of board programs. The initial impact analysis is to be completed no later than December 31, 2018.

Revenue Impact

From 2009 through 2012, the Oklahoma Capital Investment Board issued \$18,215,000 in tax credits, an average of \$4,553,750 credits per year.¹ During this four (4) year period, only \$376 credits have been claimed on Oklahoma income tax returns. Further, for FY10 through FY13 an average of \$2,071,000 of this credit was claimed against the insurance premium tax².

There is no revenue impact associated with the provisions of this measure.

¹ Oklahoma Capital Investment Board Report for the year ending June 30, 2013.

² Provided by the Oklahoma Insurance Commission 1/6/14