

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 7, 2023

BILL NUMBER: HB 2566 STATUS AND DATE OF BILL: Introduced 1/17/2023

AUTHORS: House McBride Senate n.a

TAX TYPE(S): Income Tax SUBJECT: Credit

PROPOSAL: New Law

HB 2566 proposes to enact two new income tax credits relating to the employment of new engineers in the hydrogen manufacturing industry for tax years 2024 through 2034.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 23: -0-

FY 24: Unknown decrease in income tax collections.

Feb 8, 2023
DATE

Rick Miller
DIVISION DIRECTOR mk

2/8/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/8/2023
DATE

Joseph P Gappa
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 – HB 2566 [Introduced] Prepared 2/7/23

HB 2566 proposes to enact two new income tax credits relating to the employment¹ of new engineers in the Oklahoma hydrogen manufacturing industry for tax years 2024 through 2034.

The hydrogen manufacturing industry is defined as any establishment whose principal business activity involves hydrogen manufacturing, defined or classified under Industry Group No. 325120 in the North American Industry Classification System (NAICS)² manual.

Qualified engineers are those that have not been employed in the Oklahoma hydrogen manufacturing industry as engineers prior to January 1, 2024 and that have been awarded any engineering degree³ from a program within an institution⁴ that has been accredited by Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET). Additionally engineers licensed as a professional engineer by the State Board of Licensure for Professional Engineers and Land Surveyors under 59 O.S. § 475.15 are considered qualified engineers for purposes of these tax credits.

The qualified employer credit is for tuition reimbursed to a qualified employee and is 50% of the amount of tuition reimbursed to a qualified employee for the first through fourth years of employment. The credit for tuition reimbursement may not exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a public institution in this state. The credit for tuition reimbursement may only be claimed if the qualified employee has been awarded an undergraduate or graduate degree within one year of commencing employment with the qualified employer.

The qualified employee credit is for compensation received from a qualified employer for five years on a sliding scale as outlined below:

Tax year of employment	Credit Amount
First	\$2,500
Second	\$2,000
Third	\$1,500
Fourth	\$1,000
Fifth	\$500

¹ Eligible engineers may either be employed by or contracting with a qualified employer in this state on or after January 1, 2024; A qualified employer can be a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity as long as their principal business activity involves hydrogen manufacturing per Industry Group No. 325120 in the NAICS Manual.

² The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS Code 325210 comprises establishments primarily engaged in manufacturing industrial organic and inorganic gases in compressed, liquid, and solid forms. **It is not limited to hydrogen gas.** North American Industry Classification System (NAICS) U.S. Census Bureau

³ Both the undergraduate and graduate programs of the same discipline of engineering at an institution will be part of the qualified program if either program is ABET accredited and therefore eligible for the tax credits.

⁴ Institution is any institution within The Oklahoma State System of Higher Education or any other public or private college or university that is accredited by a national accrediting body.

ATTACHMENT TO REVENUE IMPACT – HB 2566 [Intro] Prepared 2/7/23 (continued)

Neither credit is refundable; however, any credit claimed but not used may be carried over, in order, to each of the five subsequent tax years.

Oklahoma already has a few hydrogen production facilities and hydrogen related equipment manufacturers. Several companies are considering relocating to or expanding within Oklahoma.⁵ Therefore, the revenue impact for this measure is an unknown decrease in income tax revenue.

⁵ <https://nondoc.com/2021/05/24/oklahoma-could-be-epicenter-of-hydrogen-fuel-industry/>