

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** March 11, 2024

**BILL NUMBER:** HB 3670      **STATUS AND DATE OF BILL:** Engrossed 3/7/24

**AUTHORS:** House: Miller, Alonso-Sandoval and Menz      Senate: Haste

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

**PROPOSAL:** New Law

Engrossed HB 3670 proposes to enact three new income tax credits for qualified engineers and qualified employers whose principal business activity involves civil engineering services (see attachment).

**EFFECTIVE DATE:** November 1, 2024

### REVENUE IMPACT:

[U.S. Bureau of Labor Statistics \(BLS\) records](#) indicate 2,510 civil engineers were employed in Oklahoma during 2022 with an annual mean wage of approximately \$97,000. The [BLS](#) further predicts that employment of civil engineers will increase by 5% from 2022 to 2032, or an average of .5% each year.

**FY 25: Estimated \$26,000 decrease in individual income tax revenue and at least \$38,000 decrease in corporate income tax revenue.<sup>1</sup>**

**FY 26: Estimated \$91,000 decrease in individual income tax revenue and at least \$133,000 in corporate income tax revenue.**

3/16/24

DATE

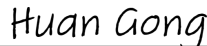


MARIE SCHUBLE, DIVISION DIRECTOR

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3/12/24

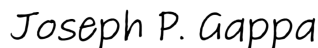
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HUAN GONG, ECONOMIST

3/18/2024

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.***

<sup>1</sup> An unknown decrease in corporate income tax revenue is expected for employers who claim credits for tuition reimbursement.

## ATTACHMENT TO REVENUE IMPACT - HB 3670 Prepared: March 11, 2024

**PROPOSED NEW LAW:** Engrossed HB 3670 proposes to enact three new income tax credits for qualified engineers and qualified employers whose principal business activity involves civil engineering services (Industry No. 5413302 of NAICS), latest revision:

1. An income tax credit for a **qualified employer** for **50% of the tuition reimbursed to a qualified employee** for the first through fourth years of employment, not to exceed 50% of the average annual amount paid by the employee for enrollment and instruction in a qualified program at a public institution in Oklahoma. The credit may be claimed only if the employee has been awarded an undergraduate or graduate degree within one year of beginning employment with the employer.
2. An income tax credit for a **qualified employer** for **compensation paid to a qualified employee**. The credit amount is **10%** of the compensation paid for the first through fifth years of employment in civil engineering if the employee graduated from an Oklahoma institution, or **5%** if the employee graduated from an institution located outside Oklahoma. The total annual compensation credit per employee may not exceed \$12,500, and no credit may be claimed after the fifth year of employment.<sup>3</sup>
3. An income tax credit is proposed for a **qualified employee** of up to \$5,000 per year for a period not to exceed five years. Any unused credit may be carried over for five subsequent tax years.

All proposed credits are nonrefundable and are effective for tax years 2025 - 2029.

### **ANTICIPATED IMPACT:**

[U.S. Bureau of Labor Statistics \(BLS\) records](#) indicate 2,510 civil engineers were employed in Oklahoma during 2022 with an annual mean wage of approximately \$97,000. The [BLS](#) further predicts that employment of civil engineers will increase by 5% from 2022 to 2032, or an average of .5% each year.

Based on this information, it is estimated that qualified employee credits will total approximately \$26,000 for FY 25 and \$91,000 for FY 26. In addition, estimated employer credits for compensation paid to qualified employees total approximately \$38,000 for FY 25 and \$133,000 for FY 26. The total credit amount that may be claimed by employers for tuition reimbursement is unknown.

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<sup>2</sup> This industry comprises establishments primarily engaged in applying physical laws and principles of engineering in the design, development, and utilization of machines, materials, instruments, structures, processes, and systems. The assignments undertaken by these establishments may involve any of the following activities: provision of advice, preparation of feasibility studies, preparation of preliminary and final plans and designs, provision of technical services during the construction or installation phase, inspection and evaluation of engineering projects, and related services.

<sup>3</sup> As drafted, it appears that a qualified employer could claim both the credit for tuition reimbursement and the credit for qualified employee compensation for the same employee at the same time.