

**OKLAHOMA TAX COMMISSION**

**REVENUE IMPACT STATEMENT  
FIRSTREGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

**DATE OF IMPACT STATEMENT:** February 11, 2021

**BILL NUMBER:** SB 900 **STATUS AND DATE OF BILL:** Introduced 1/21/21

**AUTHORS:** House n/a Senate Leewright

**TAX TYPE (S):** Income **SUBJECT:** Deduction

**PROPOSAL:** New Law

SB 900 proposes to allow a deduction for up to 60% of an equity investment in an eligible business by an investor, for tax years 2021 – 2029.

**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: Unknown decrease in revenue.

FY 23: Unknown decrease in revenue.

Feb. 13, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

2/13/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

2/13/21  
DATE

Jay Doyle  
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 900 [Introduced] 2/11/21

SB 900 proposes to allow a deduction for up to 60% of an equity investment<sup>1</sup> in an eligible business by an investor, for taxable years 2021 through 2029. The deduction shall not exceed 50% of the net Oklahoma income tax liability of the investor after all other credits and deductions have been calculated, and any deduction not used in any taxable year may be carried forward for a total of 5 additional years.

“Eligible business” means a business establishment of any legal form that meets at least one of the following requirements:

- Operates in a technology-based industry<sup>1</sup> in this state,
- Is supported by federal small business innovation research grants in this state, or
- Is supported by technology development or seed capital investments made by the Oklahoma Center for the Advancement of Science and Technology.

To determine an investor’s eligibility for the equity investment incentive tax deduction, a business will submit an application to the Oklahoma Department of Commerce (Commerce). If Commerce approves the application,<sup>2</sup> the business will sign an equity investment incentive agreement with Commerce. Commerce will send the signed agreement to the OTC and the investor will attach the signed agreement to their tax return.

Oklahoma income tax liability cannot be calculated prior to determining the allowable amount of the deduction. Each time the amount of the deduction is reduced (if the amount of the deduction exceeds 50% of the tax liability) the amount of the tax liability increases, thus increasing the amount allowed as a deduction. As this measure is drafted, this provision is not administrable by the Oklahoma Tax Commission (OTC).

The measure further provides:

The total cumulative amount of tax deductions available in any calendar year shall not exceed \$7.5 million. In the event the total reduction in tax liability authorized by this paragraph exceeds \$7.5 million in any calendar year, the OTC shall permit any excess over \$7.5 million but shall factor such excess into the percentage for the following year.<sup>3</sup>

It is uncertain whether the amount of the *tax deduction* is limited to \$7.5 million (which results in an estimated decrease in income tax collections of \$228,750), or whether the *total reduction in tax liability* is capped at \$7.5 million.

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<sup>1</sup> “Equity investment” and “technology-based industry” are defined in the measure

<sup>2</sup> The Oklahoma Department of Commerce will determine if the business meets the definition of eligible business, and if the tax deduction is revenue neutral to the State of Oklahoma based on information submitted in the application.

<sup>3</sup> The proposal does not include methodology to factor the excess into the percentage for the following year.