

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	SB 915
Version:	ENGR
Request Number:	NA
Author:	Rep. Trey Caldwell
Date:	4/5/2021
Impact:	Tax Commission:

Revenue Decrease:

FY-22: Unknown Decrease in Income Tax Revenue
FY-23: Unknown Decrease in Income Tax Revenue

Research Analysis

SB 915 provides an income tax deduction for certain investments and directs the Oklahoma Department of Commerce to create the “Oklahoma Back a Business” program, for which the Department shall maintain a list of qualifying investments to receive the deduction. To determine whether an investment is qualified, the Department shall consider the primary location of the entity, the number of employees to be located in the state, revenues generated, type and amount of investment being sought, current capitalization level and strategy, and the industry classification.

Investors seeking the deduction must apply to the Department, which shall then forward approved applications to the Oklahoma Tax Commission. Any records sent to or received by the Department are exempt from the Oklahoma Open Records Act. The measure directs the Commission to report to the Department the number and amount of deductions granted and send said report to the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

Lastly, the measure requires the Department to publish an annual report on the program and authorizes the Department to promulgate rules to enforce the measure.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Engrossed SB 915 proposes to enact a new income tax deduction for accredited investors in qualified venture capital and growth funds, qualified special purpose investment vehicles and qualified Oklahoma-based startups, as defined by the United States Securities and Exchange Commission (SEC) in 17 CFR, Section 230.501 (Regulation D). The Oklahoma Department of Commerce (Commerce) determines which investments qualify for the deduction. The income tax deduction is effective for tax year 2022 through tax year 2026.

This new deduction will be authorized under a program created within Commerce and will be known as the *Oklahoma Back a Business* program. As part of the *Oklahoma Back a Business* program, Commerce must maintain a list of Oklahoma qualified investments for which the tax deduction may be sought.

In determining whether an investment will be eligible for the tax deduction, Commerce shall consider the potential impact the investment would have on the local and state economy and shall consider the following factors:

- The primary location of the entity;
- The number of employees located or to be located in this state;
- Revenues generated;
- The type and amount of investment being sought;
- The current capitalization level and strategy; and
- The industry classification.

Accredited investors seeking the proposed income tax deduction must apply to Commerce for a tax deduction certificate detailing the level of investment in an Oklahoma qualified investment. Commerce reviews the application to ensure it meets the requirements of the program and forwards it to the Oklahoma Tax Commission (Commission)

The Commission must report annually to Commerce the number and amount of tax deductions granted. Additionally, the Commission must deliver a copy of the report to the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

There is no data available to estimate the amount that will be potentially invested nor in how many entities. The proposed deduction will result in an unknown decrease in income tax collections, potentially as early as tax year 2022. It is likely taxpayers may reduce their withholding or estimated tax payments; the impact to revenue could occur as early as FY22.

Prepared By: Mark Tygret

Other Considerations

None.