

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: February 13, 2021

BILL NUMBER: SB 941 **STATUS AND DATE OF BILL:** Introduced 1/21/2021

AUTHORS: House n/a Senate Jett

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

PROPOSAL: Amendatory

SB 941 proposes to amend 68 O.S. §2357.301 relating to the Credit for Employees in the Aerospace Sector and the Credit for Employers in the Aerospace Sector by modifying the definition of aerospace sector.

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: None.

FY 23: None.

February 15, 2021

DATE

Rick Miller

DIVISION DIRECTOR

mck

2/16/2021

DATE

Huan Gong

HUAN GONG, ECONOMIST

2/17/21

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 941 [Introduced] Prepared 2/13/2021

SB 941 proposes to amend 68 O.S. §2357.301 relating to the Credit for Employees in the Aerospace Sector and the Credit for Employers in the Aerospace Sector by modifying the definition of aerospace sector.

Under current law, the following income tax credits are allowed for qualified employers¹ whose principal business activity involves the aerospace sector, and qualified employees² who are employed in Oklahoma by a qualified employer, for tax years 2009 through 2025:

1. A qualified aerospace employer is allowed an income tax credit for 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. A qualified aerospace employer is allowed an income tax credit for compensation paid to a qualified employee for the first through fifth years of employment. The credit is either 10% of compensation paid if the qualified employee graduated from an institution located in Oklahoma, or 5% of compensation paid if the qualified employee graduated from an institution located outside Oklahoma.
3. A qualified (aerospace) employee is allowed an income tax credit of up to \$5,000 per year for a period of time not to exceed 5 years. Any unused credit may be carried over to 5 subsequent taxable years.

Aerospace sector is currently defined as “a private or public organization engaged in the manufacture of aerospace or defense hardware or software, aerospace maintenance, aerospace repair and overhaul, supply of parts to the aerospace industry, provision of services and support relating to the aerospace industry, research and development of aerospace technology and systems, and the education and training of aerospace and personnel.” This measure modifies this definition to include space maintenance, development of space technology and systems, and education of and training of space personnel. Aerospace sector also includes aerospace products and parts manufacturing activities classified in the North American Industry Classification System (NAICS) Manual under U.S. Industry Group No. 3364.³

The aerospace industry is commonly understood to be an assemblage of manufacturing concerns that deal with vehicular flight within and beyond Earth’s atmosphere. The aerospace industry is engaged in the research, development, and manufacture of flight vehicles, including unpowered gliders and sailplanes, lighter-than-air craft, heavier-than-air craft (both fixed-wing and rotary-wing), missiles, space launch vehicles, and spacecraft (manned and unmanned). Also included among its concerns are major flight-vehicle subsystems such as propulsion and avionics (aviation electronics) and key

¹ "Qualified employer" means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves the aerospace sector. 68 O.S. §2357.301(4)

² "Qualified employee" means any person, regardless of the date of hire, employed in this state by or contracting in this state with a qualified employer on or after January 1, 2009, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in the aerospace sector in this state immediately preceding employment or contracting with a qualified employer. Provided, the definition shall not be interpreted to exclude any person who was employed in the aerospace sector, but not as a full-time engineer, prior to being awarded an undergraduate or graduate degree from a qualified program by an institution or any person who has been awarded an undergraduate or graduate degree from a qualified program by an institution and is employed by a professional staffing company and assigned to work in the aerospace sector in this state. 68 O.S. §2357.301(5)

³ NAICS Code 33641 - This industry comprises establishments primarily engaged in one or more of the following: (1) manufacturing complete aircraft, missiles, or space vehicles; (2) manufacturing aerospace engines, propulsion units, auxiliary equipment or parts; (3) developing and making prototypes of aerospace products; (4) aircraft conversion (i.e., major modifications to systems); and (5) complete aircraft or propulsion systems overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications). – 2017 North American Industry Classification System Manual https://www.census.gov/naics/reference_files_tools/2017_NAICS_Manual.pdf

support systems necessary for the testing, operation, and maintenance of flight vehicles.⁴

The proposed changes to the current definition of aerospace sector do not alter the current administration of these tax credits; therefore, no change to income tax collections are anticipated as a result of this measure.

⁴ *Aerospace Industry* by Amir R. Amir, Management Consultant, McKinsey & Company, Inc., Miami, Florida.
<https://www.britannica.com/technology/aerospace-industry>