

1 STATE OF OKLAHOMA

2 2nd Session of the 56th Legislature (2018)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL 1585

By: David and Fields of the  
Senate

and

Wallace and Casey of the  
House

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10 COMMITTEE SUBSTITUTE

11 An Act relating to income tax credits; defining  
12 terms; providing for tax credit for certain tuition  
13 reimbursements; limiting amount of credit;  
14 prohibiting use of credit to reduce tax liability  
15 below a certain amount; providing maximum number of  
16 years to claim tax credit; providing tax credit for  
17 compensation to certain employees; providing maximum  
18 annual amount of credit; prohibiting use of credit to  
19 reduce tax liability below a certain amount;  
20 providing maximum number of taxable years for which  
21 credit can be claimed; providing tax credit for  
22 certain employees; providing maximum amount of  
23 credit; imposing maximum number of taxable years for  
24 which credit claimed; prohibiting use of credit to  
reduce tax liability below a certain amount;  
authorizing carryover for certain number of years;  
establishing caps on total amount of credits used  
annually for specified credits; requiring Oklahoma  
Tax Commission to calculate and publish certain  
information; specifying formula; prescribing  
procedure for specified circumstances; providing for  
codification; and providing effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. NEW LAW A new section of law to be codified  
2 in the Oklahoma Statutes as Section 2357.404 of Title 68, unless  
3 there is created a duplication in numbering, reads as follows:

4 A. As used in this section:

5 1. "Vehicle manufacturing" means a private or public company  
6 first placed in operation in this state after the effective date of  
7 this act, which is engaged in the research, development, design and  
8 manufacture of motor vehicles which may be driven on the avenues of  
9 public access. For purposes of this section, "motor vehicle" does  
10 not include buses, low-speed electric vehicles, truck-tractors or  
11 motor vehicles manufactured primarily for off-road use, such as  
12 primarily for use on a golf course;

13 2. "Compensation" means payments in the form of contract labor  
14 for which the payor is required to provide a Form 1099 to the person  
15 paid, wages subject to withholding tax paid to a part-time employee  
16 or full-time employee, or salary or other remuneration.  
17 Compensation shall not include employer-provided retirement, medical  
18 or health-care benefits, reimbursement for travel, meals, lodging or  
19 any other expense;

20 3. "Institution" means an institution within The Oklahoma State  
21 System of Higher Education or any other public or private college or  
22 university that is accredited by a national accrediting body;

23 4. "Qualified employer" means a sole proprietor, general  
24 partnership, limited partnership, limited liability company,

1 corporation, other legally recognized business entity, or public  
2 entity whose principal business activity involves the vehicle  
3 manufacturing as defined in this section;

4 5. "Qualified employee" means any person, regardless of the  
5 date of hire, employed in this state by or contracting in this state  
6 with a qualified employer on or after January 1, 2018, who has been  
7 awarded an undergraduate or graduate degree from a qualified program  
8 by an institution, and who was not employed in vehicle manufacturing  
9 in this state immediately preceding employment or contracting with a  
10 qualified employer. Provided, the definition shall not be  
11 interpreted to exclude any person who was employed in vehicle  
12 manufacturing, but not as a full-time engineer, prior to being  
13 awarded an undergraduate or graduate degree from a qualified program  
14 by an institution or any person who has been awarded an  
15 undergraduate or graduate degree from a qualified program by an  
16 institution and is employed by a professional staffing company and  
17 assigned to work in vehicle manufacturing in this state;

18 6. "Qualified program" means a program that awards an  
19 undergraduate or graduate degree and that has been accredited by the  
20 Engineering Accreditation Commission of the Accreditation Board for  
21 Engineering and Technology (ABET); and

22 7. "Tuition" means the average annual amount paid by a  
23 qualified employee for enrollment and instruction in a qualified  
24

1 program. Tuition shall not include the cost of books, fees or room  
2 and board.

3 B. 1. Except as otherwise provided in subsection E of this  
4 section, for taxable years beginning after December 31, 2018, and  
5 ending before January 1, 2026, a qualified employer shall be allowed  
6 a credit against the tax imposed pursuant to Section 2355 of Title  
7 68 of the Oklahoma Statutes for tuition reimbursed to a qualified  
8 employee.

9 2. The credit authorized by this subsection may be claimed only  
10 if the qualified employee has been awarded an undergraduate or  
11 graduate degree within one (1) year of commencing employment with  
12 the qualified employer.

13 3. The credit authorized by this subsection shall be in the  
14 amount of fifty percent (50%) of the tuition reimbursed to a  
15 qualified employee for the first through fourth years of employment.  
16 In no event shall this credit exceed fifty percent (50%) of the  
17 average annual amount paid by a qualified employee for enrollment  
18 and instruction in a qualified program at a public institution in  
19 Oklahoma.

20 4. The credit authorized by this subsection shall not be used  
21 to reduce the tax liability of the qualified employer to less than  
22 zero (0).

23 5. No credit authorized by this subsection shall be claimed  
24 after the fourth year of employment.

1 C. 1. Except as otherwise provided in subsection E of this  
2 section, for taxable years beginning after December 31, 2018, and  
3 ending before January 1, 2026, a qualified employer shall be allowed  
4 a credit against the tax imposed pursuant to Section 2355 of Title  
5 68 of the Oklahoma Statutes for compensation paid to a qualified  
6 employee.

7 2. The credit authorized by this subsection shall be in the  
8 amount of:

9 a. ten percent (10%) of the compensation paid for the  
10 first through fifth years of employment in vehicle  
11 manufacturing if the qualified employee graduated from  
12 an institution located in this state, or

13 b. Five percent (5%) of the compensation paid for the  
14 first through fifth years of employment in vehicle  
15 manufacturing if the qualified employee graduated from  
16 an institution located outside this state.

17 3. The credit authorized by this subsection shall not exceed  
18 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified  
19 employee annually.

20 4. The credit authorized by this subsection shall not be used  
21 to reduce the tax liability of the qualified employer to less than  
22 zero (0).

23 5. No credit authorized pursuant to this subsection shall be  
24 claimed after the fifth year of employment.

1 D. 1. Except as otherwise provided in subsection F of this  
2 section, for taxable years beginning after December 31, 2018, and  
3 ending before January 1, 2026, a qualified employee shall be allowed  
4 a credit against the tax imposed pursuant to Section 2355 of Title  
5 68 of the Oklahoma Statutes of up to Five Thousand Dollars  
6 (\$5,000.00) per year for a period of time not to exceed five (5)  
7 years.

8 2. The credit authorized by this subsection shall not be used  
9 to reduce the tax liability of the taxpayer to less than zero (0).

10 3. Any credit claimed, but not used, may be carried over, in  
11 order, to each of the five (5) subsequent taxable years.

12 E. 1. For any tax year during which the credit is allowed, the  
13 total amount of credits authorized by subsections B and C of this  
14 section used to offset tax shall be adjusted annually to limit the  
15 annual amount of credits to Three Million Dollars (\$3,000,000.00).  
16 The Tax Commission shall annually calculate and publish a percentage  
17 by which the credits authorized by subsections B and C of this  
18 section shall be reduced so the total amount of credits used to  
19 offset tax does not exceed Three Million Dollars (\$3,000,000.00) per  
20 year. The formula to be used for the percentage adjustment shall be  
21 Three Million Dollars (\$3,000,000.00) divided by the credits claimed  
22 in the second preceding year.

23 2. Pursuant to paragraph 1 of this subsection, in the event the  
24 total tax credits authorized by subsections B and C of this section

1 exceed Three Million Dollars (\$3,000,000.00) in any tax year, the  
2 Tax Commission shall permit any excess over Three Million Dollars  
3 (\$3,000,000.00), but shall factor such excess into the percentage  
4 adjustment formula for subsequent years.

5 F. 1. For any tax year during which the credit is allowed, the  
6 total amount of credits authorized by subsection D of this section  
7 used to offset tax shall be adjusted annually to limit the annual  
8 amount of credits to Two Million Dollars (\$2,000,000.00). The Tax  
9 Commission shall annually calculate and publish a percentage by  
10 which the credits authorized by subsection D of this section shall  
11 be reduced so the total amount of credits used to offset tax does  
12 not exceed Two Million Dollars (\$2,000,000.00) per year. The  
13 formula to be used for the percentage adjustment shall be Two  
14 Million Dollars (\$2,000,000.00) divided by the credits claimed in  
15 the second preceding year.

16 2. Pursuant to paragraph 1 of this subsection, in the event the  
17 total tax credits authorized by subsection D of this section exceed  
18 Two Million Dollars (\$2,000,000.00) in any tax year, the Tax  
19 Commission shall permit any excess over Two Million Dollars  
20 (\$2,000,000.00), but shall factor such excess into the percentage  
21 adjustment formula for subsequent years.

22 SECTION 2. This act shall become effective November 1, 2018.

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