



Oklahoma State Senate

Legislative Brief July 1998

1998 Session Tax Cuts (Part II)

Issue Background

Much attention has been given to the broad-based tax cuts enacted by the Oklahoma Legislature in the 1998 session (see 1998 Session Tax Cuts, Legislative Brief, June 1998). The Legislature in 1998 also enacted several other measures providing tax relief in specific areas, ranging from property tax relief for mandated pollution control property, to assistance for child care, to extension of existing credits for venture capitalists, to refinements to the popular Quality Jobs Program Act.

Actions

The following legislative measures are cited in this brief:

SB 782, authored by Senator Ted Fisher and Representative Russ Roach
SB 958, authored by Senator Kelly Haney and Representative James Hamilton
SB 1317, authored by Senator Herb Rozell and Representative Bob Ed Culver
SB 1350, authored by Senator Ben Brown and Representative Opio Toure
HB 2363, authored by Representative Don Ross and Senator Howard Hendrick
HB 2426, authored by Representative Mike Ervin and Senator Dick Wilkerson
HB 2437, authored by Representative Russ Roach and Senator James Dunlap
HB 2474, authored by Representative Mark Seikel and Senator Angela Monson
HB 2524, authored by Representative Bill Mitchell and Senator Ben Brown
HB 2721, authored by Representative Bill Settle and Senator Ben Robinson
HB 2754, authored by Representative Ron Langmacher and Senator Dick Wilkerson
HB 3204, authored by Representative Russ Roach and Senator Ted Fisher
HB 3205, authored by Representative Russ Roach and Senator Ted Fisher
HB 3278, authored by Representative Larry Rice and Senator Kevin Easley
HJR 1096, authored by Representative Larry Rice and Senator Kevin Easley

Quality Jobs Act

SB 782

Makes several changes to the Quality Jobs Program Act, including:

- Exempts airlines headquartered in Oklahoma and with reservations centers in Oklahoma from the requirement to have 75% of sales to out-of-state customers;
- Requires establishments located in high-employment counties (unemployment < 3.5%) to pay average annualized wages of at least \$18,720 to qualify for quality jobs payments. Exceptions are provided for "opportunity zones", in which at least 30% of residents have annual incomes below the federal poverty level;
- Allows assignment of up to 25% of quality jobs payments to municipalities to pay for infrastructure improvements; and
- Prohibits establishments receiving incentive payments from applying for additional payments for 12 quarters or until actual verified gross payroll for new direct jobs is at least \$2.5 million.

Ad Valorem Overpayment Reimbursement

SB 958

Requires the Tax Commission to expend approximately \$860,000 to refund amounts overpaid by taxpayers with manufacturing property exempt under the provisions of Section 6B of Article X of the Oklahoma Constitution.

Part-Year Residents to Deduct Moving Expenses

HB 2426 (Section 9)

Allows part-year residents to deduct moving expenses. This deduction was allowed prior to a change in 1994.

Sales Tax Exemption for Cab Fares

HB 2754 (Section 4)

Excludes taxi-cab fares from sales tax. These fares, although previously subject to sales taxes, were usually paid by cash and there was little compliance.

Sales Tax Exemption for Cellular Phones

HB 2754 (Section 5)

Exempts sales of wireless telecommunications equipment to a vendor who subsequently transfers the equipment at no charge or at a discounted charge to a customer as part of a promotional package or an inducement to enter into a contract for services.

Sales Tax Exemption for Authority

SB 1317

Exempts sales to the Northeast Oklahoma Public Facilities Authority or its contractors from sales taxes.

Exemptions for Health Screening Vehicles

HB 2524

Exempts vehicles owned by certain nonprofit fraternal or civic organizations and used to provide free health screenings from motor vehicle registration fees and excise taxes.

Enterprise Zone Modifications

HB 3204

Doubles the manufacturing investment income tax credit for entities with a capital investment of \$40 million or more. The definition of "enterprise" is modified to include limited liability companies and other legally constituted business entities. New criteria for determination of an enterprise zone include population decreases, per capita personal income levels and household income. Enterprises wishing to qualify for the benefits and incentives available must demonstrate that certain conditions exist, including property value increases, future potential business activity, business organization, likelihood of business success, local support and location in an enterprise zone. Applications must be reviewed by an Enterprise Zone Application Review Committee, which may select up to five enterprises in each zone.

Venture Capital Income Tax Credit

HB 3205

Extends the expiration date of the income tax credit for venture capital companies from 1/1/99 to 1/1/04 and requires venture capital companies to invest at least 75% of capitalization in Oklahoma business ventures (for capitalization occurring on and after 1/1/99).

Child Care Incentives

HB 2474

Allows income tax credits for:

- Employers incurring expenses in connection with child care for children of their employees. The credit is in the amount of 20% of eligible expenses; and
- Child care providers incurring expenses to receive accreditation. The credit is in the amount of 20% of such expenses.

Credits claimed under these provisions may not be for expenses for which a tax credit, exemption or deduction is claimed. Credits may be carried forward for up to four years.

Individual Development Accounts

SB 1350

Creates the Family Savings Initiative Act, which allows the Department of Human Services to enter into contracts with fiduciary organizations to allow state residents with income under 200% of the federal poverty level to open individual development accounts (IDAs). The Department must make grants to contracting fiduciary organizations, of which at least 85% must be used for matching contributions to IDAs. The match ranges from dollar-for-dollar to \$0.50 to the dollar, depending upon the income level of the account holder, up to \$500 per year. If insufficient amounts are available, matching funds are prorated. IDAs may be used for home purchases, business capitalization, postsecondary education, IRAs or automobile purchases or repairs. Penalties are provided for unauthorized withdrawals. Amounts in IDAs are protected from creditors and, up to \$2,000, are not counted as resources for purposes of determining eligibility for assistance.

Recycling Income Tax Credit

HB 2721

Changes the carryforward period for the recycling income tax credit from nine years to fourteen years.

Income Apportionment Among States

HB 2437

Modifies the allocation of interest income from investments held to generate working capital for a unitary business enterprise so that such income will be included in apportionable income. The effect of this is to lower Oklahoma taxable income for some business entities based in Oklahoma.

Community Development Capital

HB 2363

Creates the Community Development Capital Formation Study Act. The Community Development Capital Formation Task Force is created to conduct an analysis of the needs of communities for capital investment, placing special emphasis on the role of minority business enterprises.

Pollution Control Property Tax Exemption**HB 3278/HJR 1096**

Provides an ad valorem tax exemption for pollution control property. Qualifying property is defined and procedures are specified for applying for a permit from the Department of Environmental Quality. (Subject to voter approval of constitutional amendment.)

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[Legislative Brief Index](#)