

Fiscal Impact
2nd Session of the 57th Legislature

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SB 1204
INT
Sen. Smalley
02/07/2020

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT
SECOND REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 7, 2020

BILL NUMBER: SB 1204 **STATUS AND DATE OF BILL:** Introduced 1/6/2020

AUTHORS: House n/a Senate Smalley

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

PROPOSAL: Amended

SB 1204 proposes to amend 68 O.S. § 2357.405 which relates to the income tax credit for individuals employed as qualified software or cybersecurity employees.

EFFECTIVE DATE: Emergency – July 1, 2020

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 21: Estimated decrease in income tax collections of \$574,000.

<u>Feb 8, 2020</u> DATE	<u>Rick Miller</u> DIVISION DIRECTOR	mk
<u>2/8/2020</u> DATE	<u>Huan Gong</u> HUAN GONG, ECONOMIST	
<u>2/9/2020</u> DATE	<u>J. D. [Signature]</u> FOR THE COMMISSION	

The estimated 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 1204 [Introduced] Prepared: 2/7/20

SB 1204 proposes to amend 68 O.S. § 2357.405 which relates to the income tax credit for individuals employed as qualified software or cybersecurity employees.

Current Law - Qualified Software / Cybersecurity Employee Credit

Under current law, a credit of \$2,200 is available for a qualified software or cybersecurity employee who has been awarded a bachelor's or higher degree from an accredited program at a degree-producing institution. The credit is \$1,800 for a qualified software or cybersecurity employee who has been awarded an associate's degree from an accredited program at a degree-producing institution or a credential or certificate from an accredited program at a technology center. A "qualified software or cybersecurity employee" means any person employed by a qualifying employer in a qualifying industry on or after November 1, 2019, who has met certain educational requirements. This credit is capped¹ at \$5 million beginning with tax year 2022.

If an employer participates in one of the Quality Jobs programs (Oklahoma Quality Jobs Program Act, the Small Employer Quality Jobs Incentive Act or the 21st Century Quality Jobs Incentive Act) the qualified software or cybersecurity employees are included in the baseline employment for the purposes of the Quality Jobs program, which limits that employee's wages for QJ payment purposes.

Proposed Law

This measure modifies the definition of an "accredited program"; computer science and engineering degrees and software engineering degrees will no longer qualify as an accredited program for the purposes of this credit. This measure adds two new degrees to the definition of accredited program: a computer science degree program and a computer engineering degree program. These added degree programs would still need to have been accredited by the Computing Accreditation Commission (CAC) or the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology (ABET) and be offered at a degree-producing institution.

This measure also allows an employer to participate in one of the Quality Jobs programs and not be required to include a qualified software or cybersecurity employee in the baseline employment for the purposes of the Quality Jobs program.²

Revenue Impact

Data from Oklahoma colleges and universities indicates 261 degrees were conferred that would be eligible for the \$2,200 credit. These additional degrees suggest a potential revenue decrease of \$574,000³ in tax year 2020. Changes to withholding or estimated tax payments as a result of this credit are not expected; therefore a projected decrease in income tax collections of \$574,000 should occur in FY21. If the credits claimed in tax year 2020 exceed \$5 million, the credits authorized in tax year 2022 will be reduced as a result of the cap.

¹ The Tax Commission is required to calculate and publish the percentage by which the authorized credits will be reduced so the total credits used to offset tax do not exceed \$5 million per year. The formula to be used for the percentage adjustment is \$5 million divided by the credits claimed in the second preceding year.

² The changes to the Quality Jobs Incentive programs should have no impact on income tax collections due to revenue neutral features of the Quality Jobs programs. The Department of Commerce should calculate the effects of this tax credit when computing the net benefit rate for Quality Jobs purposes.

³ It is unknown how many additional employees will relocate to Oklahoma and qualify for the credit.