BILL SUMMARY

1st Session of the 59th Legislature

Bill No.:	**SB210**
Version:	**Engrossed**
Request Number:	**NA**
Author:	**SPT Hilbert/ Sen. Haste**
Date:	**4/11/2023**
Impact:	**OTC: no negative revenue impact**

Research Analysis

Engrossed SB210 provides tax and business incentives for a newly constructed oil refinery. The incentives include:

- A $30 million corporate income tax exemption for tax year 2024 through 2034. Eligible establishments must employ at least 100 full-time employees and meet or exceed the wage requirements outlined in the Quality Jobs Program (QJP);

- amending the QJP Act to allow a qualified refinery to receive a 6 percent net benefit rate under the program. This would provide quarterly cash payments up to 6 percent of new payroll for up to 10 years; and

- amending the Investment/New Jobs Tax Credit to allow a qualified refinery to receive a tax credit equal to 3 percent of the cost of the qualified property.

Prepared By: Quyen Do

Fiscal Analysis

Officials for the Oklahoma Tax Commission communicated the following:

Engrossed SB 210 proposes to create an income tax exemption for the first $30 million of taxable income generated from the operation of an establishment that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the North American Industry Classification System (NAICS) Manual under Industry No. 324110, effective for tax years 2024 through 2034. Such establishment must be newly constructed in Oklahoma and placed in service after November 1, 2023.

To qualify for the exemption, an establishment must:

- Employ at least 100 full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission, for the entire tax year.
- Pay wages or salaries at a wage that equals or exceeds the average wage requirements in the Oklahoma Quality Jobs Program Act (68 O.S. § 3601 et seq.).
- Be primarily engaged in the processing of liquid fuel from crude oil or qualified fuels. No exemption is allowed for any refinery whose primary purpose is for use as a topping plant, asphalt plant, lube oil facility, or crude or product terminal.

The Oklahoma Tax Commission must provide an application for the exemption and determine annual eligibility. An establishment that fails to qualify for the exemption in any of the first five years of operations is not eligible for the exemption in any subsequent tax year.

SB 210 also proposes to amend 68 O.S. § 2357.4, which provides an income tax credit for certain investment in qualified depreciable property in Oklahoma or for a net increase in the number of certain full-time-equivalent employees in Oklahoma. The amendment provides a credit of 3% of the cost of property placed in service after November 1, 2023, that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the NAICS Manual under Industry No. 324110.[1]

SB 210 further proposes to amend 68 O.S. § 3603, which provides definitions under the Quality Jobs Program Act. A net benefit rate of 6% is proposed for a petroleum refinery establishment placed in service after November 1, 2023, that is defined in the NAICS Manual under Industry No. 324110.

No revenue impact is expected as a result of the proposal.[2]

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[1] An establishment that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the NAICS Industry No. 324110 would have to qualify as a "manufacturing operation" for the Oklahoma Investment/New Jobs Credit as defined under 68 O.S. § 1352.

[2] Under current law, $30 million of revenue would generate approximately $1.2 million of income tax.

Prepared By: John McPhetridge, House Fiscal Staff

Other Considerations

None.