

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: January 20, 2023

BILL NUMBER: SB 207 **STATUS AND DATE OF BILL:** Introduced 1/9/23

AUTHORS: House: n/a Senate: Bergstrom

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

PROPOSAL: Amendatory

SB 207 proposes to amend the tax incentives available to inventors for products developed and manufactured in Oklahoma and to instate manufacturers of said products under 68 O.S. § 5064.7. Under the proposal, a product must be patented or have patent pending pursuant to federal law and must be registered with the Oklahoma Center for the Advancement of Science and Technology before November 1, 2023. In addition, an instate manufacturer of a product developed in this state by an inventor will no longer be eligible for either the Oklahoma Investment/New Jobs Credit or the income exclusion of 65% of the cost of depreciable property for assets placed in service after tax year 2023.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

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

FY 24: None.

FY 25: Unknown minimal increase in income tax revenue.

Jan. 20, 2023
DATE

Rick Miller
DIVISION DIRECTOR

bf

1/25/2023
DATE

Huan Gong
HUAN GONG, ECONOMIST

1/31/2023
DATE

Joseph P. Mazza
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 207 [Introduced] Prepared 1/20/23

SB 207 proposes to amend the tax incentives available to inventors for products developed and manufactured in Oklahoma and to instate manufacturers of said products under 68 O.S. § 5064.7.

Under current law, royalty earned by an inventor for a product developed and manufactured in Oklahoma is exempt from state income tax for a period of seven years from January 1 of the first year in which such royalty is received, as long as the manufacturer remains in Oklahoma. In addition, an instate manufacturer of a product developed in Oklahoma by an inventor may be eligible for an Oklahoma Investment/New Jobs Credit under 68 O.S. § 2357.4, as well as an income exclusion of 65% of the cost of depreciable property purchased and used directly in manufacturing the product, not to exceed \$500,000.

To qualify for these incentives, the product must be patented or have patent pending pursuant to federal law and be registered with the Oklahoma Center for the Advancement of Science and Technology.

Under this proposal, a product must be patented or have patent pending pursuant to federal law and must be registered with the Oklahoma Center for the Advancement of Science and Technology before November 1, 2023. In addition, an instate manufacturer of a product developed in this state by an inventor will no longer be eligible for either the Oklahoma Investment/New Jobs Credit or the income exclusion of 65% of the cost of depreciable property for assets placed in service after tax year 2023.

The estimated revenue effect of this proposal is an unknown minimal increase in income tax collections.¹

¹ Data is limited as to the amount of the tax expenditure for these items. The OTC only aggregates this data in limited amount on the Oklahoma individual income tax returns and does not aggregate on any other type of tax return.