Oklahoma State Senate

Legislative Brief

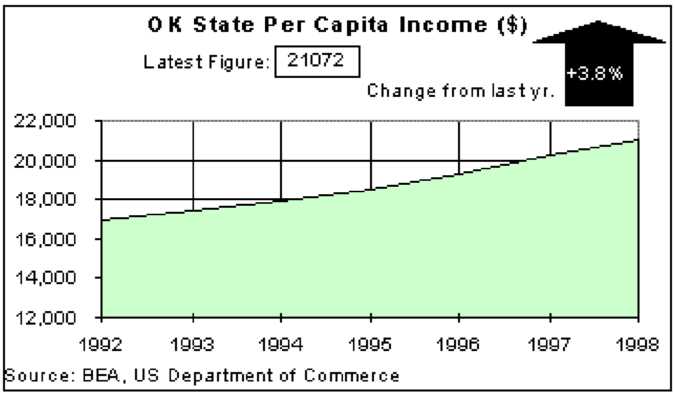
August 1999

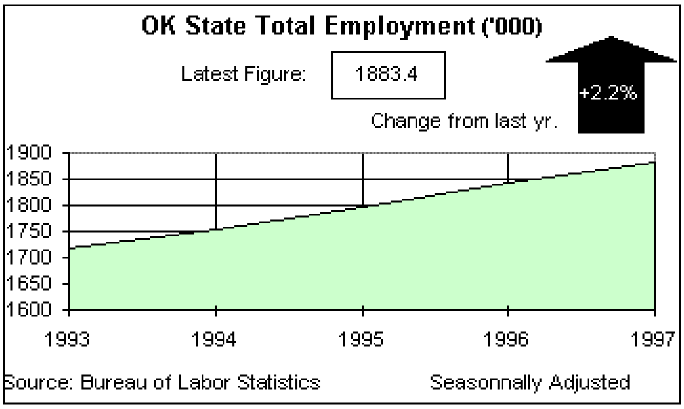
Business-Related Legislation

Issue Background
Oklahoma's manufacturing, business services, and general employment growth over the last five years exceeded the national rate of growth, according to the Oklahoma Department of Commerce. Manufacturing jobs, key to Oklahoma's increasingly diversified economy, grew at a rate of 15.2% during this five-year period, compared to a national growth rate of 5.7%. As illustrated by the graphs below, Oklahoma's per capita income, although still below the national average, climbed steadily during this period, and Oklahoma's total employment rose notably as well. Small businesses (less than 100 employees) accounted for most of Oklahoma's net new job growth in the early to mid 1990s (see Oklahoma Small Business State Profile, 1998).

Another measure of Oklahoma's economic growth, gross state product (GSP), consistently climbed during the 1990s. As predicted by OSU's economic forecast, in 1999 Oklahoma's nominal GSP will grow at a rate of 6.3%, exceeding the U.S. growth rate of 3.7%, with output reaching $86.6 billion in current dollars. When 1999 dollars are recalculated to 1992 dollars, Oklahoma's real GSP will be $76.1 billion which compares favorably to a 1992 GSP of approximately $61 billion and the 1982 boom-year high of $70 billion.

Although Oklahoma has benefited from a strong national economy, this factor alone does not explain Oklahoma's economic growth during the 1990s. Credit must also go to Oklahoma's Quality Jobs Program Act and other pro-business legislation which have created a climate conducive to strong business development. The Oklahoma Legislature continued its support of business growth and development with legislation enacted in 1999. This brief provides an overview of business-related legislation enacted during the 1999 session.





INSURANCE/BENEFITS COST REDUCTION

SB 259 (Fisher/Roach): Unemployment compensation
Extends for another two years the temporary employer tax rate reduction, which the Legislature granted in 1997 and deepened in 1998. The reduction will expire December 31, 2001. Effective 7-1-99.

SB 680 (Henry/Ervin): Workers' compensation
Requires the State Insurance Fund to declare a dividend to policyholders if the surplus as regards policyholders is above a certain level. Dividends to state agencies would be deposited to the Special Indemnity Fund, which is renamed the Multiple Injury Trust Fund (MITF), for use in paying the $29.5 million owed to injured persons having claims against the MITF. The bill also allows state agencies to purchase workers' compensation insurance from private carriers if certain procedures and requirements are met. Permanent partial disability awards would no longer be compensable by the MITF. SB 680 also cuts the assessment on workers' compensation awards by $20 which results in a 20% reduction in the assessment paid by employers and a 1% increase in benefits for injured workers. Finally, effective immediately, the bill creates a joint committee to investigate

the financial condition of the State Insurance Fund to ensure that the required dividend and reduction in assessment will not damage the Fund. Effective 11-1-99

TAX INCENTIVES

SB 467 (Fisher/Ervin): Ad valorem tax exemption/Quality Jobs Program changes

Changes the date by which construction must be commenced for distribution facilities to qualify for the five-year manufacturer's ad valorem tax exemption from October 1, 1993, to December 31, 1999. Grocery wholesale distribution facilities and insurance claims processors are added to the list of basic industries for purposes of the Oklahoma Quality Jobs Program Act. Effective 4-28-99

SB 523 (Fisher/Roach): Tax credit for investment in new airline company

Provides an income tax or insurance premium tax credit for investors in certain airlines. The credit applies to investments made between 1/1/99 and 12/31/00 and is transferable. The qualifying establishment must be headquartered in this state, have equity capitalization of not less than $10 million and demonstrate commitments from at least 20 state companies with at least 2,000 employees to use the establishment to provide nonstop air transportation from Oklahoma to the east or west coast. The maximum investment amount against which credits may be claimed is $30 million and the credits are redeemable over a five year period at the rate of 10% (plus a 6% inflater) each year. The establishment in which investments are made may not receive payments under the Quality Jobs Program Act until the state is repaid the entire amount of the credit. If such payments are not sufficient for repayment, the Tax Commission must withhold certain motor fuel tax revenues to account for 2/3 of the deficit, and a local governmental entity must pay the other 1/3. An establishment may elect to participate in the Quality Jobs Program Act in lieu of its investors taking the tax credit. Effective 6-9-99

SB 573 (Robinson/Ervin): Tax exemptions for lease of rail cars

Provides sales and use tax exemptions for leases of rail transportation cars to haul coal to coal-fired electric generating plants, effective 1/1/91. Effective 5-17-99

SB 719 (Capps/Bonny): Income tax credit for space industry investment

Provides a corporate income tax credit for investment made after July 1, 1999, in a new or expanding facility, or combination of two facilities, which creates at least 100 new jobs in the state and is engaged in an industry that the Oklahoma Space Industry Development Authority is authorized to promote. The credit is 5% of eligible capital costs of a qualifying project, is granted only against taxes to be paid on income generated by the qualifying project, and cannot exceed the following percentages of this liability:

- 100% of the liability if the cumulative capital investment is more than $100 M
- 75% of the liability if the cumulative capital investment is more than $50 M but not exceeding $100M
- 50% of the liability if the cumulative capital investment is $25 M or more but not exceeding $50 M
- 0% of the liability if the cumulative capital investment is less than $25 M.

The tax credit is not transferable but can be carried over for four years. A project receiving incentive payments under the Quality Jobs Program Act is not eligible to also receive payments under this Act. Effective 7-1-99

SB 720 (Taylor/Benson): Commercial spaceport development and related tax incentives

Creates the Oklahoma Space Industry Development Authority as an agency of the state, authorizes the Authority to develop a spaceport for commercial space launches, grants the Authority certain powers and duties pertaining to spaceport construction, operation, safety, and funding, and specifies an area in Washita County within which the spaceport will be established. The Authority will be activated upon agreement of designated officials that appropriate action has occurred to necessitate creation of a spaceport. The bill exempts from taxation the sales of goods, including motor fuel, to the Authority and spaceport users, and the sales of space facilities, parts, vehicles and related equipment and property, and from documentary stamp taxes any deeds or other instrument to which the Authority or a spaceport user is a party. Effective 7-1-99

HB1003X (Rice/Easley): Oil production tax rate changes

Changes the state's 7% gross production tax rate on oil production to a rate based upon the price of oil. If the price of oil equals or exceeds $17 per barrel, the rate remains at 7%. If the price per barrel is $14 or more but less than $17, the rate will be 4%, and if the price is less than $14 per barrel, the rate will be 1%. The tax on gas production remains at 7%. The per-barrel price is determined monthly by the Tax Commission, based upon data submitted by the three largest oil purchasers. HB1003X also advances the date of the gross production tax refund for "at risk" oil leases for production in calendar year 1998 from July 1, 1999, to April 1, 1999. The bill earmarks funds into which the first $100 million of tax revenues, collected when oil prices reach $14 a barrel, is deposited and apportioned as follows: 30% for higher education capital needs, 30% for tuition assistance, 30% for common education classroom technology, 5% for county road and bridge improvements, and 5% for REAP. Effective 2-5-99

HB 1230 (Rice/Easley): Quality Jobs Program changes/Coal tax credit

Extends the expiration date for income tax credits for the use of Oklahoma coal from 12/31/99 to 12/31/02. The bill also provides that the term "new direct job" for purposes of the Quality Jobs Program Act includes employment of employees leased or otherwise provided to a qualified establishment, if the employment did not exist in Oklahoma prior to the establishment's application. Effective 7-1-99

HB 1294 (Settle/Fisher): Sales tax exemption for aircraft repair parts

Exempts from sales tax sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services employed in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint. The exemption is limited to aircraft repairs, modification, and replacement parts for aircraft weighing more than 12,500 pounds and less than 100,000 pounds and which are brought into this state exclusively for such repairs or modification and is limited to repairs or modifications made by a new or expanded aircraft repair facility. A new or expanded aircraft repair facility is required to have an investment of more than $4 million and construction must have commenced or was in progress on or after 1/1/99. Effective 11-1-99

HB 1770 (Ervin/Fisher): Manufacturing ad valorem tax exemption changes

Changes the requirement of 15 new jobs to qualify for a five-year manufacturing ad valorem exemption to a net increase of $200,000 or more in payroll or $500,000 or more in capital improvements while maintaining or increasing payroll. Effective 1-1-00

SMALL EMPLOYER PROVISIONS

SB 121 (Section 13) and SB 122 (Haney/Settle): Small business revolving loan funds

Allocates money to the Oklahoma Department of Commerce to match federal funds made available for revolving loans to Oklahoma small businesses. (The revolving loan funds are administered by Rural Enterprises of Oklahoma, Inc., a private, nonprofit organization created to assist rural businesses and communities.) Effective 9-1-99

SB 315 (Fisher/Ervin): Small Employer Quality Jobs Act revisions

Modifies the Small Employer Quality Jobs Act with the intent of making the Act more user friendly and clarifying some provisions. Replaces the requirement that applicants approved for incentive payments report their eligibility to the Tax Commission quarterly with a requirement for annual reporting. Eliminates some of the requirements a business must meet in order to continue to receive incentive payments, but requires the business to continue to meet job creation and wage requirements. Effective 4-7-99

SB 340 (Helton/Braddock): Dealership transfers

Prohibits vehicle manufacturers and distributors from unreasonably withholding approval of transfer of a franchise when a dealership is sold, transferred, or assigned. Effective 4-27-99

HB 1254 (Bonny/Maddox): SBA guaranty fees tax credit

Allows a credit against the tax paid by financial institutions for amounts paid for Small Business Administration guaranty fees paid on or after 1/1/00. The credit may be carried forward for up to 5 years. Effective 1-1-00

HB 1468 (Corn/Robinson): Property transfer

Provides a documentary stamp tax exemption for transfer of property from a person to their family-owned corporation, partnership, or limited liability company. Effective 7-1-99

OTHER PROVISIONS

SB 291 (Weedn/Mitchell): Industrial park development

Directs the Department of Transportation to transfer certain federal funds to the Oklahoma Department of Commerce which will provide oversight administration of the funds. The funds are allocated for use by the Continental Gateway Authority for the completion of feasibility studies for, and the development of, a trade center and industrial park. The bill sets out procedures and requirements for selecting and negotiating with a consultant to conduct the studies required. Effective 7-1-99

SB 589 (Smith/Askins): Trademark protection

Creates the "Trademark Anti-Counterfeiting Act" to prohibit the distributing, displaying, or selling of items bearing a counterfeit mark. A first offense is a misdemeanor with one-year county jail and a one thousand-dollar fine. Any person manufacturing any item bearing a counterfeit mark is guilty of a felony. Law enforcement may seize and forfeit any items bearing a counterfeit mark. Effective 7-1-99

HB 1325 (Weaver/Morgan): Y2K protection

Creates the Y2K Protection Act to limit the liability of, and actions which may be brought against, individuals and business who have made reasonable efforts to protect against damages from a year-2000 computer date failure. Effective 7-1-99

HB 1411 (Perry/Robinson): Electronic commerce

To further the study of electronic commerce issues, extends the life of the Electronic Commerce Pilot Program Steering Committee until December 15, 1999, and creates a new 38-member Task Force on Electronic Commerce through May 31, 2000, to review the technology of, and applications for, electronic commerce. Effective 5-24-99

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