



Oklahoma
State
Senate

Legislative Brief

August 2003

Business and Economic Development Measures

Background:

Lawmakers across the country are watching economic indicators with hopes for additional evidence of an economic recovery. In spite of continuing high unemployment, the national recession appears to be ending. In its 2003 Economic Outlook, OSU economists point to positive factors for the U.S. which include growth in the Gross Domestic Product, continued consumer spending, rebounds in business spending, and low interest rates.

The Oklahoma economy, while vulnerable to the fortunes of the national economy, has fared better than a number of states. For example, Oklahoma had the 11th best job growth performance in the nation in 2002. This positive trend is undermined, however, by recent announcements that suggest our state may be losing jobs in industries key to several local economies. These announcements will lay the groundwork for future legislative efforts.

Legislative efforts this session to tackle our economic challenges include varied measures that address issues such as international trade, local and rural development, telecommunications, and taxation.

International Trade:

SB 439 (Nichols/ Mitchell): Creates a statutory structure for the establishment of an "international trade processing authority" as a public trust with the powers to construct, acquire, equip and operate an international trade processing center. Effective 7-1-03.

SJR 18 (Kerr/ Braddock): Enabling legislation for designation of Jackson County as a foreign trade zone under federal law in order to promote the use of the county by those seeking a viable location to conduct profitable and desirable business enterprises.

Local and Rural Development:

SB 671 (Monson/ Pope): Broadens the application of the Local Development Act by incorporating a definition for "project area". Clarifies the application of time periods and time limits as they relate to the apportionment of certain taxes and fees and the length of time to maturity for certain bonds. Effective 11-1-03.

HB 1300 (Turner/Gumm): Creates the Rural Area Development Task Force which will develop recommendations specifically designed to improve the economic development of rural areas of the State. Effective 8-29-03.

HB 1724 (Braddock/Gumm): Changes the Municipal and County Industrial Development Bonds Act to the Municipal and County Economic and Community Development Bonds Act, and specifies qualified economic and community development purposes for which bonds may be issued. At least 90% of bonds must be for such purpose or for debt service, and terms of the bonds are modified. The Local Development Act is amended to provide for the financing of projects for private as well as public purposes and to prohibit the repeal or amendment of authorizing municipal ordinances. Effective 7-1-03.

Telecommunications:

SB 556 (Price/ Pope): Creates a 16-member Task Force on Oklahoma's Communications Infrastructure to assess the strengths and weaknesses of the state's existing infrastructure and its impact on economic development. Recommendations will address creation of a seamless delivery system for voice, data, video and internet access. Effective 5-21-03

Taxation:

SB 300 (Gumm/ Carey): Modifies the five-year ad valorem tax exemption for manufacturers by clarifying and adding new requirements for qualification. Effective 6-6-03.

SB 429 (Laughlin/ Covey): Allows an income tax credit for any ethanol facility which meets specified criteria. Effective 7-1-03.

SB 440 (Rabon/ Pope): Exempts service transactions between related entities from sales taxes, for services that become taxable after 7-1-03 and allows the manufacturing investment tax credit to be carried forward beyond the initial twenty-year period. Effective 7-1-03.

SB 535 (Easley/Rice): Makes various changes relating to taxation of oil and gas production, including modification of procedures for the computation of oil and gas prices used in the determination of the tax rate and an extension of certain gross production tax exemptions. Effective 7-1-03. (Section 1). Effective 6-7-03 for other sections.

SB 708 (Monson/Pope): Enacts the Streamlined Sales and Use Tax Administration Act and directs the Tax Commission to enter into the multi-state Streamlined Sales and Use Tax Agreement. This legislation is intended to simplify the administration of sales tax across state lines and serve as a basis for Congressional action which will allow states to collect sales tax from sales of out of state vendors. Effective 11-1-03.

HB 1251 (Mitchell/Morgan): Provides tax and fee relief with respect to damages from the May 8 or 9, 2003 tornadoes. Effective 6-4-03.

HB 1356 (Pope/Rabon): Makes various changes to the tax code, including the following:

- ◆ Modifies definition of manufacturing and manufacturing operation under the Oklahoma Sales Tax Code;
- ◆ Provides an income tax credit for donations to an independent biomedical research institute. Effective 8-29-03.

HB 1605 (Roggow/Maddox): Lowers threshold for warehouses to qualify for quality jobs and small employer quality jobs payments; eliminates certain requirements for research and development establishments and testing laboratories to come under the Small Employer Quality Jobs Incentive Act; requires payment of wages of at least 100% of the average county wage (110% if health benefits are included), up to \$25,000, to qualify for payments, except in opportunity zones; and allows payments to research and development establishments and testing laboratories located anywhere in the state under the Small Employer Quality Jobs Incentive Act. Effective 8-29-03.

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