



Oklahoma Incentive Evaluation Commission

Incentive Evaluation Update

April 10, 2025

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Today's Agenda

- Introductions of the PFM team.
- Discussion of incentives under review.
- Timeline for the incentive evaluation process.
- Next steps.



Introducing the PFM Team

- Randy Bauer, PFM Director. Project Manager.
- Joe Buckshon, PFM Senior Managing Consultant. Deputy Project Manager.
- Mallory Richards, PFM Senior Analyst.
- Charlie Bell, PFM Analyst.
- Dr. Ellen Harpel, Founder, Smart Incentives. Subject Matter Expert.



Overview

- The following are the incentives under review in 2025 and the year they were last reviewed:
 - Home Office Insurance Premium Tax Credit (2021).
 - Quality Jobs Program (2021).
 - 21st Century Quality Jobs Program (2021).
 - Small Employer Quality Jobs Program (2021).
 - Aerospace Employee and Employer Tax Credits (2020).
 - Excise Tax Exemption on Aircraft Sales (2020).
 - Investment / New Jobs Tax Credits (2022).
 - Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions (2023).
 - Cybersecurity Employee Tax Credit (Initial Evaluation).
 - Aircraft Repairs and Modifications Sales Tax Exemption (2023).
 - Aircraft Maintenance Facilities Sales Tax Exemption on Aircraft and Parts (2019).



Home Office Insurance Premium Tax Credit

- Intent: To increase the concentration of insurance company home and regional offices in Oklahoma.
- Started: November 1, 1987.
- Last evaluated: 2021.
- Program description: Insurers establishing home offices or regional offices in Oklahoma are eligible for tax credits against the insurance premium tax. The credit is proportional to the number of full-time employees and can be a credit of as much as 50 percent.
- Financial impact: No data available yet.
- Benchmarking: Colorado, North Dakota, and South Dakota have similar programs with varying structures.



Quality Jobs Program

- Intent: To support establishments of certain industries that hold promise of significant development of the state's economy by providing incentives connected to jobs created in the state.
- Started: July 1, 1993.
- Last evaluated: 2021.
- Program description: The program provides qualifying participants with quarterly cash rebates of up to five percent of newly created taxable payroll for 10 years.
- Financial Impact: \$98,175,309 in FY2022.
- Benchmarking: There are many comparable programs across the country, including those in Arkansas, Colorado, Louisiana, Missouri, and New Mexico which are geographically proximate.



21st Century Quality Jobs Program

- Intent: To provide appropriate incentives to attract growth industries and sectors to Oklahoma in the twenty-first century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce.
- Started: November 1, 2009.
- Last evaluated: 2021.
- Program description: The program provides qualifying participants with quarterly cash rebates of up to 10 percent of newly created taxable payroll for 10 years.
- Financial Impact: \$0 in FY2022 (\$12,664,729 in FY2021).
- Benchmarking: Georgia, New Mexico, and South Carolina have similarly structured programs.



Small Employer Quality Jobs Program

- Intent: To support the creation of quality jobs in the state, particularly by small businesses, in certain industries.
- Started: January 1, 1998.
- Last evaluated: 2021.
- Program description: The program provides qualifying participants with quarterly cash rebates of up to five percent of newly created taxable payroll for seven years.
- Financial Impact: \$645,005 (maximum) in FY2021.
- Benchmarking: Five other states have similar programs – Alabama, Illinois, Kentucky, Louisiana, and South Carolina.



Aerospace Employee & Employer Tax Credits

- Intent: To address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry.
- Started: January 1, 2009, Sunset date of December 31, 2025 (expected to be extended).
- Last evaluated: 2020.
- Program description: Provides income tax credit of up to \$5,000 per employee per year (not to exceed five years) and / or for tuition reimbursement to a qualified employee (up to 50 percent through the first four years).
- Incentive characteristics: Capped per award.
- Financial Impact: \$9.4 million in FY2024.
- Benchmarking: Kansas (aviation) and Arkansas (State universities) have similarly designed tax credit programs for different occupational targets.



Excise Tax Exemption on Aircraft Sales

- Intent: To encourage the sale of qualified aircraft including those with a selling price in excess of \$2.5 million.
- Started: July 1, 1981.
- Last evaluated: 2020.
- Program description: Sales of certain aircraft are exempt from the 3.25 percent of purchase price excise tax, usually to avoid double taxation or incentivize certain types of transactions that are favorable to the State's industry.
- Financial Impact: Not available.
- Benchmarking: Colorado (jet fuel).



Investment / New Jobs Tax Credits

- Intent: To incentivize capital investment and job creation.
- Started: January 1, 1988.
- Last evaluated: 2022.
- Program description: Eligible companies may qualify for a tax credit equal to one percent of capital investment or \$500 per new employee hired. The credit doubles to two percent for facilities investing at least \$40 million.
- Incentive characteristics: Carry-forward eligible.
- Financial Impact: \$24.3 million in FY2024.
- Benchmarking: Georgia, Iowa, Kansas, New York, and North Carolina offer similarly structured tax credits.



Aircraft Maintenance and Manufacturing Facilities Sales Tax Exemptions

- Intent: The statute is designed to facilitate aircraft maintenance and manufacturing by exempting certain critical inputs from sales and use taxes.
- Started: January 1, 1991.
- Last evaluated: 2023.
- Program description: The State exempts sales of computers, data processing equipment, related peripherals and tangible personal property from sales tax when consumed for the construction or expansion of a qualifying facility.
- Financial Impact: Unknown.
- Benchmarking: Washington and Mississippi offer similar exemptions.



Cybersecurity Employee Tax Credit

- Intent: To encourage the creation of cybersecurity employment in the State.
- Started: January 1, 2020, Sunset date of January 1, 2030.
- Last evaluated: First evaluation.
- Program description: An income tax credit is allowed for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The amount of the credit is either \$2,200 or \$1,800, depending upon the employee's level of education, and is available for no more than 7 years.
- Incentive characteristics: Capped at \$5 million.
- Financial Impact: \$1.2 million in FY2024.
- Benchmarking: Washington DC.



Aircraft Repairs and Modifications Sales Tax Exemption

- Intent: To reduce the burden associated with qualified sales of aircraft engine repairs, modifications, and replacement parts.
- Started: July 1, 2005.
- Last Evaluated: 2023.
- Program description: 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 are exempt from state sales tax.
- Financial Impact: \$3,248,000 (2023-24).
- Benchmarking: Illinois, Ohio, South Carolina, and Washington.



Aircraft Maintenance Facilities Sales Tax Exemption on Aircraft and Parts

- Intent: To reduce the costs of aircraft purchase or repair at qualified maintenance facilities.
- Started: December 31, 2007 (sunset date: December 31, 2029).
- Last evaluated: 2019.
- Program description: Sales of aircraft and aircraft parts are exempted from state sales tax when the sales occur at a qualified aircraft maintenance facility.
- Financial Impact: Unknown.
- Benchmarking: New York, Ohio, and Washington.



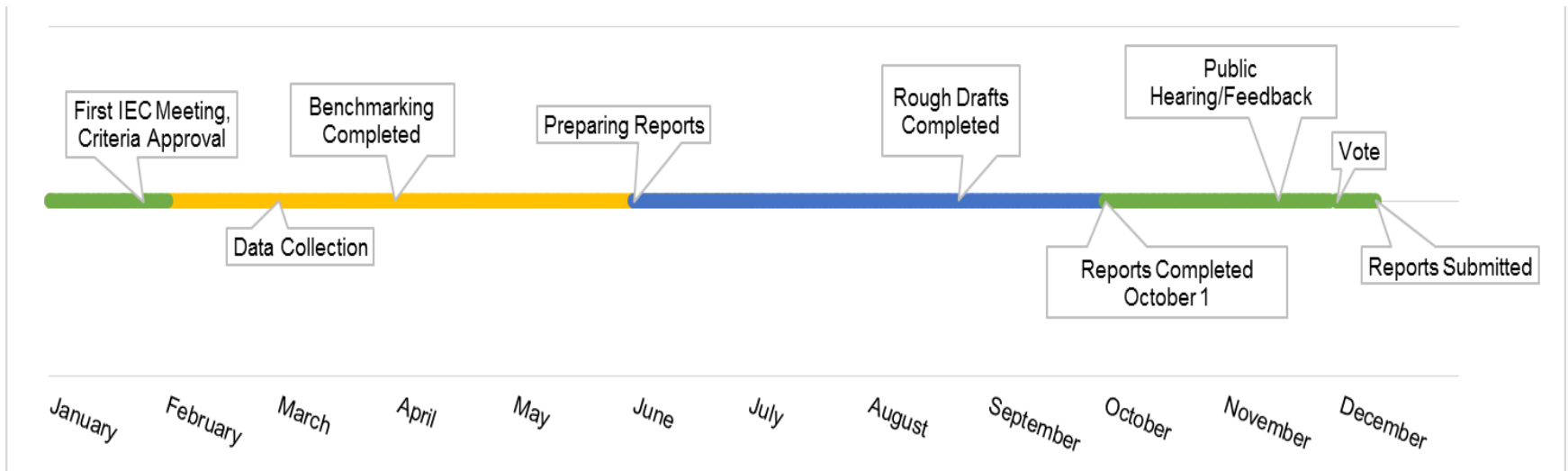
Key Benchmarking Takeaways

- No states are ‘perfect peers’ – there are multiple differences in economic, demographic and political factors that must be considered.
- It is exceedingly rare that any two state incentive programs will be exactly the same.
- Generally, Oklahoma’s incentive programs are comparable to those offered in states with similar programs or, in some cases, states are pursuing similar program designs.
- There continues to be increasing interest among the states in incentive evaluation, but few states have produced as many evaluations as Oklahoma.
- The project team is reviewing relevant program evaluations as a starting point for this year’s analysis.
- In the end, however, the Oklahoma incentive evaluations are separate and distinct from others because of the statutory requirements for them.



2025 Incentive Evaluation Commission Timeline

- The timeline is the same as in recent years.
- We are completing the benchmarking and are now into the interview stage.





Next Steps

- We will send a written information request to the entities that administer the programs we are evaluating in the next few weeks.
- We will work with those entities to get the necessary information.
- We will schedule detailed interviews with program leaders and subject matter experts, primarily targeted for once the legislature has completed its 2025 regular session business, but some may occur sooner.
- As in past years (and as the revised statute now requires), we will provide rough drafts to the Commission. We are suggesting delivery on or around August 18, 2025.
- As the revised statute now provides, draft reports will be submitted by October 1, 2025.



Questions and Discussion