Oklahoma Incentive Evaluation Commission

Draft Incentive Evaluations' Findings and Recommendations

November 12, 2026

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Today's Agenda

- Consideration of the September 30, 2026 draft evaluations' recommendations.
- Current/Next steps.

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Introduction

The following are the 10 incentives evaluated in 2026:

- Computer Services & Data Processing Tax Exemption (Last evaluated: 2023)
- Construction Materials Tax Exemption (2023)
- Credit for Investments in Clean-Burning or Electric Vehicle Property (2021)
- Ethanol Fuel Retailer Tax Credit (2021)
- Strategic Industrial Development Enhancement (SIDE) Act (New)
- Oklahoma Affordable Housing Tax Credit (2022)
- Tax Deduction for Eligible Investors (New)
- Capital Gain Deduction (2022)
- Pooled Finance (Last evaluated in 2023)
  - Business Expansion Incentive Program (BEIP)
  - Oklahoma Innovation Expansion Program (OIEP)
  - Public Private Partnership (P3)
- Quick Action Closing Fund (2022)
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Computer Services and Data Processing Tax Exemption

The Oklahoma Computer Services and Data Processing Tax Exemption exempts the purchase of machinery and equipment by persons and establishments primarily engaged in computer services and data processing from state sales and use taxes. These establishments include those defined under NAICS codes largely covering the computer and technology services industries, including data centers.

Recommendation: Retain with modifications.

Additional Recommendations:

- **Require the OTC to collect information on the dollar value of exempt purchases from certificate holders.** This data would better allow for the fiscal impact of the program to be calculated and provide more information for lawmakers and evaluators on what items are being purchased that are exempt from sales and use tax. Additionally, understanding the fiscal impact will allow policymakers to decide if the cost of the program justifies its continued use.
- **Explore new standards to be required in order to receive the incentive.** Oklahoma should consider new requirements in order to take the incentive, including requirements being implemented in other states, such as limiting water consumption and data centers supplying their own electricity.

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Construction Materials Tax Exemption

The Construction Materials Tax Exemption offers a full exemption from sales tax on purchases of tangible personal property by a qualified manufacturer that is used in the expansion or construction of a new manufacturing facility meeting new jobs and investment requirements.

Recommendation: Retain, with minor modifications.

Additional Recommendation:

- **Consider establishing a program sunset date.** The program has only been used once in the last two evaluation cycles, signaling this program may not be meeting its' intended use case. A sunset date would allow future legislators to establish a timeframe of discussions on the merits of continuing the program with more up-to-date data.

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Credit for Investments in Clean Burning or Electric Vehicle Property

Oklahoma's Credit for Investments in Clean Burning Fuel or Electric Vehicle Property is a one-time, non-refundable tax credit for investments in qualified clean-burning fuel and electric vehicle property; the credit can be carried forward for five years. Eligible purchases include certain vehicles, commercial fueling property and residential fueling property.

Recommendation: Retain, with modifications.

Additional Recommendations:

- **Clarify statutory eligibility language for commercial fueling property, specifically the phrases "for a fee or charge" and "metered-for-fee, public access recharging system."** To avoid potential confusion, the State should clarify its definitions of "for a fee or charge" and "metered-for-fee, public access recharging system."
- **Require disaggregated data reporting by fuel type and investment category as a condition of program participation**. To better understand which fuel types are driving claims and whether infrastructure investments are for commercial delivery, EV charging, or residential use, the State should require claimants to submit specific information on the intended use of the credit.
- **Require "fuel-type" check box to be used on Form 567-A before credit is awarded.** The Oklahoma Tax Commission (OTC) informed the evaluation team that the check box on Form 567-A which indicates the fuel type is unreliable and not consistently used, limiting the data available to the evaluation team. OTC should require this check box to be used to better understand what fuel types are driving the usage.

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Ethanol Fuel Retailer Tax Credit

Oklahoma retailers that sell fuel blends of gasoline containing up to 15 percent ethanol by volume (E15) are eligible for a motor fuel tax credit of $0.016 per gallon of ethanol blended into gasoline and sold in Oklahoma, as long as the retailer provides a price reduction to the purchaser of the ethanol fuel in the same amount.

Recommendation: Repeal

Additional Recommendation:

- Consider re-allocating the program's financial resources to the State's Tax Credit for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property incentive.

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Strategic Industrial Development Enhancement (SIDE) Act

The Strategic Industrial Development Enhancement (SIDE) Act was created during the 2022 legislative session and was effective on January 1, 2023. It enhances the competitiveness of rural industrial parks by creating or enhancing connections between Class II or III railroads and industrial park or other economic development sites through corporate or individual income tax credits.

Recommendation: Retain, with modifications.

Additional Recommendations:

- **The Legislature should provide direction on the program's specific goal or goals.** The program has two components, and how to weigh them for competing projects would be assisted by greater legislative clarity. It would also assist with future program evaluations.
- **Consider retaining some share of tax credit allocation for the second half of the year.** While the Department's stance that they will award credits to all worthy projects – even if that means there is only one application window – is understandable, it may mean that strong projects will not take place if they have to wait for up to a full year to determine if they will receive the state tax credits. In this case, with a second window, projects that did not receive tax credits in the first application period would still have an opportunity to have their application considered in the second round but other strong projects would have another chance to submit.
- **Provide an ongoing reporting requirement as part of the contract for receiving tax credits.** One of the challenges with incentive evaluations is the lack of ongoing data about the continued value of state investments. One approach is to require, as part of the contract for tax credit awards, that the party claiming new jobs and wages have to report on an annual basis for five years the new jobs and payroll associated with the project.

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Oklahoma Affordable Housing Tax Credit

The Oklahoma Affordable Housing Act, signed into law in June 2014, allocates up to $4.0 million per year in state low-income housing tax credits. State credits under the program are used to (1) raise private equity to finance affordable housing for families and seniors; and (2) provide affordable rent for low-to-moderate income Oklahomans (typically those earning 60 percent or less of the area median income2). Credits are claimed annually over a 10-year period (beginning when the building is placed in service), are nonrefundable, and can be carried forward for two years. The state tax credit program generally mirrors the federal low-income housing tax credit program.

Recommendation: Retain.

Additional Recommendation

- **Consider making the tax credit refundable rather than transferable.** As was mentioned in the previous evaluation, the state should consider making the tax credits refundable instead of transferable. Critics of transferrable tax credits question whether it is sound public policy to allow tax incentives, in this case designed specifically to spur affordable housing development, to be sold off to companies in entirely unrelated industries. Furthermore, selling the credits typically erodes their value, as developers are often forced to sell them at 85 to 90 cents on the dollar.

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Tax Deduction for Eligible Investors

The incentive provides a deduction from Oklahoma taxable income or adjusted gross income for qualified equity investments made by accredited investors in eligible Oklahoma venture capital companies. An accredited investor may deduct up to $25 million per taxable year. The deduction may not reduce Oklahoma taxable income below zero, and no carryover is allowed. The venture capital company accumulates funds to invest in for-profit business entities, and the Oklahoma Center for the Advancement of Science and Technology (OCAST) determines whether a business qualifies as an eligible Oklahoma business venture for receipt of that investment. The Oklahoma Tax Commission (OTC) administers the deduction.

The deduction was authorized for tax years 2022 through 2026 and was extended through tax year 2031 by HB 4028 (2026), effective January 1, 2027.

Recommendation: Retain, with modifications

Additional Recommendations:

- **Align the program with the priority industries identified in the Commerce Department or OCAST strategic plans.**
- **Define the goal of this program in relation to similarly situated venture capital and seed capital programs.**
- **Continue to enhance data collection.**
- **Require investors to register with OCAST to build a database.**

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Capital Gain Deduction

The incentive provides a 100 percent deduction from taxable income for gains from the sale of qualified Oklahoma-based property. Qualified gains include the sale of real and tangible personal property based in Oklahoma and stock or ownership interest in a business entity with a primary headquarters in Oklahoma.

Recommendation: Reconfigure.

Additional Recommendations:

- **Reconfigure the program with legislative intent tied to a specific strategic goal or one of Commerce's seven priority industries.**
- **Narrow the eligible capital gains allowed to be deducted under the program; for example, keeping agriculture sector transactions but limiting other types of investments that are less likely to be influenced by the program.**
- **Consider capping the value of an individual or corporate deduction to limit fiscal exposure, informed by benchmarking (Colorado: $100,000; Vermont: $350,000).**
- **Improve OTC data collection on corporate claims, property type, and industry to support the but-for and strategic-alignment assessments required in future evaluation cycles.**

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Pooled Finance

The Economic Development Pooled Finance Program was established in 2009 by the Oklahoma Community Economic Development Pooled Finance Act. The Program supports economic development and public infrastructure projects to attract private investment, create and sustain jobs, and develop essential infrastructure.

The program operates via a $250 million pool of financing made available to for-profit entities for local infrastructure or economic development projects.1 Cash payment awards for approved projects are determined by the Oklahoma Department of Commerce (Commerce) and disbursed by the Oklahoma Development Finance Authority (ODFA). The Program operates as a revolving fund, and funding is replenished through payroll tax rebates generated by the for-profit entities receiving funding, or through a new tax or tax increase levied by local government funding recipients.

The program contains three distinct financing tools, each targeting a different segment of economic development activity:

- **The Business Expansion Incentive Program** (BEIP) provides loans to for-profit businesses undertaking local infrastructure or economic development projects. Repayment is made by diverting payroll taxes generated by the qualifying company's workforce. Eligible businesses must meet or exceed $2 million in both capital investment and total annual payroll.
- **The Oklahoma Innovation Expansion Program** (OIEP) is similarly structured but focuses on smaller, high-impact capital investments that will lead to either new product development or increased capacity at a company. The maximum award amount is $150,000.
- **The Public-Private Partnership Pooled Finance Program** (P3) provides financing for infrastructure and economic development projects where there is a benefit to both a local government and for-profit entity. Repayment is provided through locally levied taxes or other dedicated revenue.

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Pooled Finance (continued)

Recommendation: Retain, with minor modifications.

Additional Recommendations:

- **Continue process improvement, particularly for the OIEP program, which has a short application period and award-contract turnaround timeline**. Further enhancements may help reduce the administrative burden or reviewing applications and structuring contracts.
- **Create a centralized application database to ensure applicants can move between programs where applicable**. While Commerce supports firms in selecting a program appropriate for their intended investment or activity, a centralized database would enable Commerce to move applicants between programs. This would mitigate the administrative cost of data collection and help streamline applicants across Commerce-administered incentives.

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Quick Action Closing Fund

The Quick Action Closing Fund was established in 2011 to attract high-impact businesses to Oklahoma when award funds are likely to be the deciding factor in a business' location decision. Administered by the Department of Commerce and subject to final approval by the Governor, the Fund operates on a fully discretionary, case-by-case basis, with no fixed statutory minimum for job creation or capital investment. The Department of Commerce evaluates each project's anticipated job creation and retention, wages, capital investment, and likelihood of generating related business activity before an award is recommended.

Recommendation: Retain, with modifications.

Additional Recommendations:

- **Require additional reporting on awards**. Currently, Oklahoma provides information on award recipient, amount, year of award, and a brief description of how the award is used. As this program is discretionary, transparency in how the program is used and the projects it supports is essential for building and maintaining public trust. Based on the information provided by peer state, Oklahoma should consider providing the following metrics for each award:
  - Expected Capital Investment
  - Expected Job Creation
  - Expected Average Wage
  - Award Amount Paid
  - Actual Capital Investment
  - Actual Job Creation
  - Actual Average Wage

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Quick Action Closing Fund (continued)

Additional Recommendations (continued):

- **Enhance data collection process so that more data is available for incentive evaluation.** In addition to the identified metrics Oklahoma should provide publicly, the State should provide a more detailed breakdown on capital investment, including spending on machinery, construction, and land, and a breakdown of average wage for both jobs retained and jobs created. This additional data will enable a more robust and detailed analysis and discussion of funding recipient performance.

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Current/Next Steps

- PFM has provided final evaluations to the Commission.
- PFM has prepared the draft report on changes to incentives resulting from Commission recommendations.
- PFM would like to discuss, at the December meeting, possible changes to the format of the incentive evaluations for 2027.

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Questions and Discussion