



# OKLAHOMA

## STATE OF OKLAHOMA INCENTIVE EVALUATION COMMISSION

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TAX INCENTIVE EVALUATION REPORT  
2025



# STATE OF OKLAHOMA INCENTIVE EVALUATION COMMISSION

## VOTING MEMBERS

### **LYLE ROGGOW**

*Chairman*

### **CARLOS JOHNSON, CPA**

*Vice-Chairman*

### **EARL SEARS**

*Commissioner*

### **MANDY FULLER**

*Commissioner*

## NONVOTING MEMBERS

### **JON CHIAPPE**

*Ex-Officio Commissioner*

### **CHARLES ORTEGA**

*Ex-Officio Commissioner*

### **COMMISSIONER MARK WOOD**

*Ex-Officio Commissioner*

The Honorable Governor J. Kevin Stitt, Senate President Pro Tempore Lonnie Paxton, and Speaker of the House of Representatives Kyle Hilbert:

We would like to thank each of you for the opportunity to serve as members on the Incentive Evaluation Commission. As five voting members with diverse backgrounds and qualifications, we have taken our duties and responsibilities very seriously as commissioners.

In our 10th year, IEC reviewed 11 incentives during this evaluation process. We have continued our contractual relationship with Public Financial Management Inc., who won the bid in 2016, in 2020, and again in 2024. They are a nationally recognized firm specializing in public sector finances. IEC members received eight of the 11 draft evaluation reports on facts and findings on Sept. 30, 2025, and the remaining three draft evaluation reports on Oct. 1, 2025, with a formal presentation to the Commission Meeting on Oct. 9, 2025. As required in statute, a public hearing meeting took place on Oct. 23, 2025, to receive public comments regarding the consultant's recommendations.

The commission took into consideration all public comments received at the Nov. 13 meeting before deciding the final vote to approve, disapprove, or modify incentives under review. It is in hope that our votes, based on public comments and PFM's facts and findings, help in assisting each of you and the Legislature in making imperative decisions. This year, PFM made alternative recommendations for improvement on all incentives if IEC chose not to follow the final PFM report.

Pursuant to the Incentive Evaluation Act of 2015, 32 O.S. § 7001-7005, the commission is providing the honorable governor, president pro tempore, and speaker with the 2025 Year 10 report. The report will also be made publicly available on the Incentive Evaluation Commission website at [iec.ok.gov](http://iec.ok.gov) and at the Oklahoma Department of Commerce website at [documents.ok.gov](http://documents.ok.gov).

Enclosed in the packet is a commission action summation chart immediately following the letter and the compiled reports of PFM.

We hope the information provided to you is helpful during the upcoming 2nd Session of the 60th Legislature.

Respectfully,

*The Oklahoma Incentive Evaluation Commission*

# INCENTIVE EVALUATION COMMISSION ACTIONS

INCENTIVE	YEAR 10, EVALUATION RECOMMENDATION (2025)	COMMISSION ACTION
Home Office Premium Tax Credit	<p><b>PFM Recommendation: Reconfigure.</b></p> <ol style="list-style-type: none"> <li>1. Reconfigure the program to base the credit amount on payroll as opposed to premiums.</li> <li>2. Revise the program statute to base benefit tiers on payroll amount as opposed to number of jobs.</li> <li>3. Eliminate the credit and lower the insurance premium tax by a revenue neutral amount.</li> </ol> <p>In 1987, Oklahoma established the Home Office Tax Credit to increase the concentration of insurance company home and regional offices in Oklahoma. The program offers tax credits against the insurance premium tax base on insurance domicile and number of employees.</p>	Vote: 3-0 to <b>accept</b> PFM's recommendation, specifically recommendation three, as presented.
Quality Jobs Program	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Require establishments to pay the average county wage regardless of the statewide threshold wage.</li> <li>2. Require participants to file rebate claims within one year of a qualifying quarter.</li> <li>3. Regularly review eligible industries to ensure the list reflects the State's economic development goals.</li> <li>4. Review policy goals and national best practices to determine additional components of a "quality" job.</li> </ol> <p>Oklahoma's Quality Jobs Program, created in 1993, offers qualifying companies quarterly cash rebates equal to up to 5 percent of newly created taxable payroll for up to 10 years. Originally targeted at manufacturing firms, the program has been expanded to include a range of industries. In recent years, it has mostly been used by manufacturing and oil and gas companies. To qualify for the rebates, a company must operate in an eligible industry and meet requirements related to the amount of payroll associated with new jobs created, health insurance coverage, and wages.</p>	Vote: 3-0 to <b>accept</b> PFM's four recommendations as presented.
21 <sup>st</sup> Century Quality Jobs Program	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Require participants to file rebate claims within one year of a qualifying quarter.</li> <li>2. Regularly review eligible industries to ensure the list reflects the State's economic development goals.</li> <li>3. Consider providing an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.</li> </ol> <p>Oklahoma's 21st Century Quality Jobs program was created in 2009 under the 21st Century Quality Jobs Incentive Act. Its legislative intent is 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". The program offers quarterly payments of up to 10 percent of newly created payroll for a period of 10 years. To receive quarterly payments, companies must meet certain requirements related to new jobs and payroll as well as wages.</p>	Vote: 3-0 to <b>accept</b> PFM's first and second recommendations as presented.

INCENTIVE	YEAR 10, EVALUATION RECOMMENDATION (2025)	COMMISSION ACTION
<b>Small Employer Quality Jobs Program</b>	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li><b>1. Require participants to file rebate claims within one year of a qualifying quarter.</b></li> <li><b>2. Regularly review eligible industries to ensure the list reflects the State’s economic development goals.</b></li> </ol> <p>Oklahoma’s Small Employer Quality Jobs program was created in 1997 under the Small Employer Quality Jobs Incentive Act. The program provides qualifying companies with 500 or fewer employees quarterly rebate payments of up to five percent of the newly created payroll, for up to seven years. To qualify for payments, participants must meet requirements related to job creation and wages.</p>	<p>Vote: 3-0 to <b>accept</b> PFM’s two recommendations as presented.</p>
<b>Aerospace Engineer Employee and Employer Tax Credit</b>	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li><b>1. Increase the amount of the credit by an amount that accounts for some or all of the reduction in value because of inflation since the credit’s introduction.</b></li> <li><b>2. Provide a list of frequently asked questions with the tax form in order to limit the number of ineligible claimants.</b></li> </ol> <p>Effective January 1, 2009, Oklahoma established the Aerospace Employee and Employer Tax Credits designed to ‘address the critical shortage of engineering and technical talent’ in the State’s aerospace industry. Qualified employers can receive an income tax credit for compensation paid to a qualified employee, based on the employee’s education, while qualified employees can receive income tax credits of up to \$5,000 for five years.</p>	<p>Vote: 3-0 to <b>accept</b> PFM’s two recommendations as presented, with an addition to the first recommendation increasing the credit amount from \$5,000.00 to \$10,000.00.</p>
<b>Cyber Security Employee Tax Credit (New)</b>	<p><b>PFM Recommendation: Retain.</b></p> <ol style="list-style-type: none"> <li><b>1. To enhance program compliance, provide a list of frequently asked questions with the tax form on the Oklahoma Tax Commission website in order to avoid confusion around eligibility from applicants.</b></li> </ol> <p>In 2020, Oklahoma created a tax credit for cybersecurity personnel to seek to expand its cybersecurity skilled workforce. The credit is \$2,200 for seven years for those with a qualified bachelor’s degree or higher and \$1,800 for those with an associate’s degree, a credential, or certificate from an approved accredited program.</p>	<p>Vote: 3-0 to <b>accept</b> PFM’s recommendation as presented.</p>
<b>Investment/New Jobs Tax Credit</b>	<p><b>PFM Recommendation: Reconfigure.</b></p> <ol style="list-style-type: none"> <li><b>1. Eliminate the job creation tax credit for manufacturing firms.</b></li> <li><b>2. Raise the wage threshold to at minimum meet the average annual wages for manufacturing employees in the State.</b></li> <li><b>3. Require an application process for claimants instead of offering benefits by right and include requirements for awarded tax credits.</b></li> <li><b>4. Limit the indefinite carryforward period for capital investment credits to seven years.</b></li> <li><b>5. Amend the program statute to require additional data collection.</b></li> </ol> <p>In 1988, Oklahoma established the Investment New Jobs Tax Credits in order to incentivize capital investment and job creation. Manufacturing, aircraft maintenance, and web search portal facilities may qualify for a tax credit equal to one percent of the cost of investments made in depreciable property greater than \$50,000, or \$500 per new employee. The credit may be claimed annually for up to five years. The credit amount doubles for investments in depreciable property greater than \$40 million. Credits earned for investment in depreciable property may be carried forward indefinitely, while credits</p>	<p>Vote: 2-1 to <b>accept</b> PFM’s first recommendation to eliminate the job creation tax credit for manufacturing firms.</p> <p>Vote: 3-0 to <b>accept</b> PFM’s third, fourth, and fifth recommendations as presented, with an addition to the fourth recommendation to limit the indefinite carryforward period for “prospectively” capital investment credits to seven years.</p>

INCENTIVE	YEAR 10, EVALUATION RECOMMENDATION (2025)	COMMISSION ACTION
	earned for job creation may be carried forward for 15 years beyond the initial five-year period.	
Excise Tax Exemption on Aircraft Sales	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Improve the data collection process.</li> <li>2. Focus the excise tax exemptions around a specific policy goal.</li> <li>3. Identify the history of/basis for each excise tax exemption and evaluate whether it aligns with the State's economic and policy goals.</li> </ol> <p>Oklahoma state statute provides for 17 types of aircraft sales to be exempt from the 3.25% state excise tax on the purchase price of aircraft sold in the state.</p>	Vote: 3-0 to <b>accept</b> PFM's three recommendations as presented.
Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Consolidate statutory references. The sales tax exemptions are outlined in Sections 1357(16) and 1357(17) of Title 68, covering sales of computers, data equipment, and materials used in qualified aircraft facility construction or expansion. Other Title 68 sections address administrative provisions, though some contain unrelated or outdated references. Consolidating these provisions into a single section would improve clarity and administrative efficiency.</li> </ol> <p>Since 1991, the State of Oklahoma has offered multiple sales tax exemptions for use by qualified aircraft maintenance or manufacturing facilities (aircraft facilities). The exemptions apply to sales of: (1) computers, data processing equipment, related peripherals, and telephone, telegraph, or telecommunication services and equipment; and (2) tangible personal property consumed or incorporated in construction or expansion.</p>	Vote: 3-0 to <b>accept</b> PFM's recommendation to consolidate statutory references as presented.
Aircraft Facilities Sales Tax Exemption on Aircraft Parts	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Identify an achievable policy goal for the Sales Tax Exemption on Aircraft Parts.</li> <li>2. Consider integrating the exemption into maintenance or manufacturing sales tax exemption.</li> </ol> <p>The State of Oklahoma exempts sales of aircraft and aircraft parts from the state sales and use tax, provided these sales occur at a qualified aircraft maintenance facility.</p>	Vote: 3-0 to <b>accept</b> PFM's recommendation two recommendations as presented.
Aircraft Repairs and Modifications Sales Tax Exemption	<p><b>PFM Recommendation: Retain, with modifications.</b></p> <ol style="list-style-type: none"> <li>1. Consider tracking the number of exemptions claimed and amount reinvested into Oklahoma.</li> <li>2. Consider integrating the exemption into the maintenance or manufacturing sales tax exemption.</li> <li>3. Identify specific policy goals for which the Aircraft Repairs and Modifications Sales Tax Exemption can achieve.</li> </ol> <p>Beginning July 1, 2005, 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 the Oklahoma sales and use tax.</p>	Vote: 3-0 to <b>accept</b> PFM's three recommendations as presented.

**INCENTIVE EVALUATION COMMISSION****Meeting Minutes****Nov. 13, 2025, 10:00 AM****Oklahoma State Capitol****Senate Conference Room 230****Oklahoma City, OK 73105****MEMBERS PRESENT:**

Lyle Roggow, Chair designee of Select Oklahoma and Economic Development Partnership, Inc.  
Carlos Johnson, CPA, appointed by the Oklahoma Accountancy Board  
Earl Sears, appointed by the Speaker of the House of Representatives  
Mark Wood, Chair of the Oklahoma Tax Commission, Ex-Officio; Non-Voting  
Charles Ortega, OMES Executive Director designee; Non-Voting

**MEMBER VACANCY:**

Economist Member, Senate President Pro Tempore Appointment

**MEMBERS ABSENT:**

Mandy Fuller, Auditor/CPA, appointed by the Governor  
Jon Chiappe, Secretary of Commerce designee, Ex-Officio; Non-Voting

**STAFF/GUESTS:**

Beverly Hicks, OMES  
Randall Bauer, PFM  
Lorena Massey, OTC  
Jessica Haney, OTC

Howard McMurry, OTC  
Amanda Hall, State Chamber  
John Woods, Commerce

♦ *Office of Management and Enterprise Services (OMES)* ♦ *Public Financial Management Group Consulting LLC (PFM)*  
♦ *OK Tax Commission (OTC)*

**1. Announcement of filing of meeting notice and posting of the agenda in accordance with the Open Meeting Act:**

Chairman Roggow informs the audience that the meeting has been moved from the Senate Conference Room (SCR 4s.9) to SCR 230. He confirmed that a meeting notice was filed with the Secretary of State and that the agenda was posted in accordance with the Open Meeting Act.

**2. Call to order and establish a quorum:**

Chairman Roggow called this regular meeting to order at 10:04 a.m. A roll call was taken, and a quorum was confirmed.

**3. Welcome/Introductions:**

Chairman Roggow welcomed attendees and live-streamed guests to the meeting.

**4. Approval of minutes from the October 23, 2025, Commission special meeting:**

Carlos Johnson moved to approve the meeting minutes of October 23. Rep. Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, yes; Rep. Sears, yes; Mr. Roggow, yes.

## **5. Discussion and possible action on Year 10, 2025 Incentives Evaluations.** [Chair]

Chairman Roggow noted that a public hearing was held, as recorded in the previous minutes, and that no individuals spoke either for or against any of the incentives and recommendations presented by PFM to the Commission on October 9. He considers it very unique and also conveys that the actions of the Commission provide valuable information.

PFM Consultant Randall Bauer explained the process for accepting, rejecting, or amending recommendations and provided an overview of the eleven incentives.

### **Home Office Insurance Premium Tax Credit – PFM Recommendation: Reconfigure.**

Mr. Bauer discusses the Home Office Insurance Premium tax credit and presents four recommendations proposed by PFM for the Commission's consideration.

#### **Reconfigure the program to base the credit amount on payroll as opposed to premiums.**

While premiums have risen nationwide, corporations have been able to claim increasing benefits without necessarily demonstrating a consistent increased contribution to the State economy through jobs or payroll.

**Revise the program statute to base benefit tiers on payroll amount as opposed to number of jobs.** By tying the benefit tier to the payroll, the State can ensure that they are not only encouraging new jobs to be created, but they are encouraging well-paying jobs. Claimants who open, for example, an insurance claims call center may be able to record significant new employment, but it is likely not employment of the caliber the State is seeking to incentivize.

**Eliminate the credit and lower the insurance premium tax by a revenue neutral amount.** As previously noted, the State's insurance premium tax is higher than average among the states and lowering the tax would provide broad-based benefit to insurance companies.

Chairman Roggow inquired which of the three recommendations Mr. Bauer believes the Commission should prioritize for maximum impact and industry benefit. Mr. Bauer advised choosing the third option—eliminating the credit and reducing the insurance premium tax by a revenue-neutral amount. Mr. Roggow concurred with Mr. Bauer's recommendation.

Rep. Sears moved to accept PFM's recommendation, specifically recommendation three, as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.



**Quality Jobs Program – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the Quality Jobs Program and presents four recommendations proposed by PFM for the Commission’s consideration, highlighting that the first would have the most financial impact on the program.

**Require establishments to pay the average county wage regardless of the statewide threshold wage.** Currently, establishments must match the lesser of the county average or a state threshold wage equal to \$37,785 as of 2022. Eliminating the statewide threshold wage would ensure the program is encouraging the creation of jobs that at least maintain average wage levels in each county.

**Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. The lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts. Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incentivized activity, as the relative value of the rebate (based on the time value of money) declines the later it is claimed and received. Shortening the lag time to a maximum of one year would still provide participants with sufficient time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.

**Regularly review eligible industries to ensure the list reflects the State’s economic development goals.** Since the program was created, industry eligibility has expanded several times, most often to include oil and gas related firms. As time passes, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.

**Review policy goals and national best practices to determine additional components of a “quality” job.** Wage and benefits have long been the target for programs in this area, but new types of benefits are becoming candidates for inclusion. For example, New York’s Excelsior program now includes credits for childcare expenditure as part of compensation. The Commerce Department should consider whether or not there are benefits that align with policy goals or State-wide priorities that could be easily incorporated into the Quality Jobs program.

Rep. Sears moved to accept PFM’s four recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.



**21<sup>st</sup> Century Quality Jobs Program – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the 21<sup>st</sup> Century Quality Jobs Program and presents three recommendations proposed by PFM for the Commission's consideration.

**Require participants to file rebate claims within one year of a qualifying quarter.**

**Regularly review eligible industries to ensure the list reflects the State's economic development goals.**

**Consider providing an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.** Conversations with Department of Commerce staff suggest firms that may qualify for the 21<sup>st</sup> Century Quality Jobs program but are unsure if they will be able to meet the wage and payroll requirements, are hesitant to apply to the program. Currently, if a firm fails to meet program requirements within three years of starting the program and is removed from the program, it would be ineligible to apply for Quality Jobs benefits for the same activity, even if qualified.

Rep. Sears moved to accept PFM's first and second recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Small Employer Quality Jobs Program – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the Small Employer Quality Jobs Program and presents two recommendations proposed by PFM for the Commission's consideration.

**Require participants to file rebate claims within one year of a qualifying quarter.**

**Regularly review eligible industries to ensure the list reflects the State's economic development goals.**

Rep. Sears moved to accept PFM's two recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Aerospace Engineer Employee and Employer Tax Credit – PFM Recommendation: retain, with modifications.**

Mr. Bauer discusses the Aerospace Employee/Employer tax credit and presents two recommendations proposed by PFM for the Commission's consideration.

**Increase the amount of the credit by an amount that accounts for some or all of the reduction in value because of inflation since the credit's introduction.** Since the credit's introduction in 2009, inflation has reduced the value of the credit by 50.6 percent. Due to these factors, the \$5,000 amount may no longer be sufficient to attract talent that would otherwise not locate in the State.

**Provide a list of frequently asked questions with the tax form in order to limit the number of ineligible claimants.** Despite clear language on the tax form itself, the by-right nature of the program and lack of clarity in identifying eligible programs contributes to a high volume of ineligible employees claiming credits.

Rep. Sears moved to accept PFM's two recommendations as presented, with an addition to the first recommendation increasing the credit amount from \$5,000.00 to \$10,000.00. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Cyber Security Employee Tax Credit (New) – PFM Recommendation: Retain.**

Mr. Bauer discusses the Cyber Security Employee tax credit and presents the following recommendation proposed by PFM for the Commission's consideration.

**To enhance program compliance, provide a list of frequently asked questions with the tax form on the Oklahoma Tax Commission website in order to avoid confusion around eligibility from applicants.**

Rep. Sears moved to accept PFM's recommendation as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Investment/New Jobs Tax Credit – PFM Recommendation: Reconfigure.**

Mr. Bauer discusses the Investment/New Jobs tax credit and presents the following five recommendations proposed by PFM for the Commission's consideration.

**Eliminate the job creation tax credit for manufacturing firms.** The job creation portion of the program has low and declining utilization, indicating that many firms may already be opting for the Quality Jobs Tax Credit. Further, the low wage requirement creates essentially no threshold for claimants, limiting the incentive ability of the program.

**Raise the wage threshold to at minimum meet the average annual wages for manufacturing employees in the State.** By creating a higher wage threshold, Oklahoma can both ensure the quality of jobs created and ensure a stronger return on investment due to increased consumer spending and greater income and sales tax revenues derived from newly created jobs.

**Require an application process for claimants instead of offering benefits by right and include requirements for awarded tax credits.** An application process will ensure that claimants meet eligibility criteria, help tie the use of the credit to the investment activity, and limit exposure to runaway costs associated with by-right entitlement.

**Limit the indefinite carryforward period for capital investment credits to seven years.** The lengthier carryforward period dilutes the value of credits and creates an ever-growing tax credit liability for the State. This could ‘grandfather’ in existing credits.

**Amend the program statute to require additional data collection.** The Oklahoma Tax Commission currently collects data from claimants through Form 506, however, this information is not stored in a way that makes it readily available for evaluation purposes.

Rep. Sears moved to accept PFM’s first recommendation to eliminate the job creation tax credit for manufacturing firms. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, no.

*Note: Because the Commission approved removing the first recommendation, the second recommendation is now irrelevant since the program has been discontinued.*

Rep. Sears moved to accept PFM’s third, fourth, and fifth recommendations as presented, with an addition to the fourth recommendation to limit the indefinite carryforward period for “prospectively” capital investment credits to seven years. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed.

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Excise Tax Exemption on Aircraft Sales – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the Excise Tax Exemption on Aircraft Sales and presents the following three recommendations proposed by PFM for the Commission’s consideration.

**Improve the data collection process.** Service Oklahoma should update its aircraft dealer report to require that the dealer explain whether the sale was taxable or exempt, and if exempt, for what reason. Additionally, Service Oklahoma should update its aircraft registration form for individuals to require that the owner state whether the aircraft was exempt from the excise tax and on what grounds.

**Focus the excise tax exemptions around a specific policy goal.** As currently structured, none of the State’s excise tax exemptions for aircraft sales include policy goals. Effective tax incentives are Aircraft Excise Tax Exemption Draft Evaluation 5 designed in support of well-defined

policy goals and objectives. Goals and objectives provide metrics that can support rigorous analysis of program effectiveness and return on investment. Well-defined goals facilitate the identification of policy targets (e.g., private sector jobs) and the identification and design of specific policy instruments (e.g., wage-based corporate tax credits to promote employment creation). In this case of this incentive, a specific policy goal might be to increase aerospace manufacturing industry employment.

**Identify the history of/basis for each excise tax exemption and evaluate whether it aligns with the State's economic and policy goals.** There are 17 categories of aircraft sales that are exempt from the excise tax. Some, like the sale to state or federal government, can be categorized as tax rather than business incentive policy, as the government does not collect taxes from itself and cannot collect them from the federal government. Others can be considered discretionary and may not have a clear reason to exist without a specific policy goal. If an exemption is found to be out of alignment, consider repealing the specific tax preference.

Rep. Sears moved to accept PFM's three recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the Aircraft Maintenance/Manufacturing Facilities Sales Tax Exemptions and presents the following recommendation proposed by PFM for the Commission's consideration.

Consolidate statutory references. The sales tax exemptions are outlined in Sections 1357(16) and 1357(17) of Title 68, covering sales of computers, data equipment, and materials used in qualified aircraft facility construction or expansion. Other Title 68 sections address administrative provisions, though some contain unrelated or outdated references. Consolidating these provisions into a single section would improve clarity and administrative efficiency.

Rep. Sears moved to accept PFM's recommendation to consolidate statutory references as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Aircraft Facilities Sales Tax Exemption on Aircraft Parts – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses Aircraft Facilities Sales Tax Exemption on Aircraft Parts and presents the following two recommendations proposed by PFM for the Commission's consideration.

**Identify an achievable policy goal for the Sales Tax Exemption on Aircraft Parts.** While the aircraft and aerospace MRO industry is vital to Oklahoma, the current exemption does not directly point to a specific policy goal and thus is not aligned with incentive best practices.

**Consider integrating the exemption into maintenance or manufacturing sales tax exemption.** Currently, Oklahoma offers both a sales tax exemption for sales made at a qualified aircraft maintenance facility as well as an exemption for purchases of materials that will be integrated into the construction or expansion of a qualified aircraft maintenance facility. While the exemptions are targeting two distinct purchases, there is overlap and redundancy with the overall intent, and growth in the aircraft maintenance industry in Oklahoma may be better achieved with a more uniform aircraft maintenance facility exemption.

Rep. Sears moved to accept PFM's two recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

**Aircraft Repairs and Modifications Sales Tax Exemptions – PFM Recommendation: Retain, with modifications.**

Mr. Bauer discusses the Aircraft Repairs and Modifications Sales Tax Exemptions and presents the following three recommendations proposed by PFM for the Commission's consideration.

**Consider tracking the number of exemptions claimed and amount reinvested into Oklahoma.** The Oklahoma Tax Commission may consider capturing data around number of value of total exemptions claimed to allow for further analysis of fiscal and economic impacts.

**Consider integrating the exemption into the maintenance or manufacturing sales tax exemption.** Currently, Oklahoma offers both a sales tax exemption for sales made at a qualified aircraft maintenance facility as well as an exemption for purchases of materials that will be integrated into the construction or expansion of a qualified aircraft maintenance facility. While the exemptions are targeting two distinct purchases, there is overlap and redundancy with the overall intent, and growth in the aircraft maintenance industry in Oklahoma may be better achieved with a more uniform aircraft maintenance facility exemption.

**Identify specific policy goals for which the Aircraft Repairs and Modifications Sales Tax Exemption can achieve.** While the aircraft and aerospace MRO industry is vital to Oklahoma, the current exemption does not directly point to a specific policy goal and thus is not aligned with incentive best practices.

Rep. Sears moved to accept PFM's three recommendations as presented. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Mr. Roggow, aye.

Mr. Bauer concluded his presentation by outlining the remaining steps for this year.

Commissioner Sears, in closing, expresses concerns about the legislative process and emphasizes the importance of House and Senate members reviewing the report and developing legislation.

**6. New Business:** No unexpected new business was reported.

**7. Announcements:**

Chairman Roggow announced that the next commission meeting is scheduled for December 4, at 10:00 a.m. in Senate Conference Room 4s.9.

**8. Adjournment:**

There being no further business, Rep. Earl Sears made the motion to adjourn. Carlos Johnson seconded the motion. Seeing no opposition, the Chair adjourned the meeting at 11:58 AM.

**INCENTIVE EVALUATION COMMISSION****Meeting Minutes****Oct. 23, 2025, 10:00 AM****Oklahoma State Capitol****Senate Conference Room 4s.9****Oklahoma City, OK 73105****MEMBERS PRESENT:**

Lyle Roggow, Chair designee of Select Oklahoma and Economic Development Partnership, Inc.  
Carlos Johnson, CPA, appointed by the Oklahoma Accountancy Board  
Earl Sears, appointed by the Speaker of the House of Representatives  
Charles Ortega, OMES Executive Director designee

**MEMBER VACANCY:**

Economist Member, Senate President Pro Tempore Appointment

**MEMBERS ABSENT:**

Mandy Fuller, Auditor/CPA appointed by the Governor  
Jon Chiappe, Secretary of Commerce designee, Ex-Officio; Non-Voting  
Mark Wood, Chair of the Oklahoma Tax Commission, Ex-Officio; Non-Voting

**STAFF/GUESTS:**

Beverly Hicks, OMES  
Randall Bauer, PFM  
Joe Buckshon, PFM  
Lorena Massey, OTC

Jessica Haney, OTC  
Howard McMurry, OTC  
John Woods, Commerce

♦ *Office of Management and Enterprise Services (OMES)* ♦ *Public Financial Management Group Consulting LLC (PFM)*  
♦ *OK Tax Commission (OTC)*

**1. Announcement of filing of meeting notice and posting of the agenda in accordance with the Open Meeting Act:**

Chairman Roggow confirmed that the meeting complied with the Open Meeting Act.

**2. Call to order and establish a quorum:**

Chairman Roggow called this regular meeting to order at 10:04 a.m. A roll call was taken, and a quorum was confirmed. A meeting notice was filed with the Secretary of State, and the agenda was posted in accordance with the Open Meeting Act.

**3. Approval of minutes from the October 9, 2025, Commission special meeting:**

Rep. Sears moved to approve the meeting minutes of October 9. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, yes; Rep. Sears, yes; Mr. Roggow, yes.



**4. Update on the evaluation process for the 2025 Year-Ten Incentives, by PFM Consultant Randall Bauer:**

- |  |  |
|--|--|
| <input type="checkbox"/> <b>Home Office Insurance Premium Tax Credit</b>     | <input type="checkbox"/> <b>Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions</b>      |
| <input type="checkbox"/> <b>Quality Jobs Program</b>                         | <input type="checkbox"/> <b>Cyber Security Employee Tax Credit (NEW)</b>                                   |
| <input type="checkbox"/> <b>21<sup>st</sup> Century Quality Jobs Program</b> | <input type="checkbox"/> <b>Aircraft Repairs and Modifications Sales Tax Exemptions</b>                    |
| <input type="checkbox"/> <b>Small Employer Quality Jobs Program</b>          | <input type="checkbox"/> <b>Aircraft Maintenance Facilities Sales Tax Exemptions on Aircraft and Parts</b> |
| <input type="checkbox"/> <b>Aerospace Employee Tax Credit</b>                |  |
| <input type="checkbox"/> <b>Aerospace Employer Tax Credit</b>                |  |
| <input type="checkbox"/> <b>Excise Tax Exemption on Aircraft Sales</b>       |  |
| <input type="checkbox"/> <b>Investment/New Jobs Tax Credit</b>               |  |

**Home Office Insurance Premium Tax Credit – Recommendation: Reconfigure.**

In 1987, Oklahoma established the Home Office Tax Credit to increase the concentration of insurance company home and regional offices in Oklahoma. The program offers tax credits against the insurance premium tax base on insurance domicile and number of employees.

Chairman Roggow opened the floor for public comment on the Home Office Insurance Premium Tax Credit, and no comments were received.

No action was taken. Public comment only.

**Quality Jobs Program – Recommendation: Retain, with modifications.**

Oklahoma's Quality Jobs Program, created in 1993, offers qualifying companies quarterly cash rebates equal to up to 5 percent of newly created taxable payroll for up to 10 years. Originally targeted at manufacturing firms, the program has been expanded to include a range of industries. In recent years, it has mostly been used by manufacturing and oil and gas companies. To qualify for the rebates, a company must operate in an eligible industry and meet requirements related to the amount of payroll associated with new jobs created, health insurance coverage, and wages.

Chairman Roggow opened the floor for public comment on the Quality Jobs Program, and no comments were received.

No action was taken. Public comment only.

**21<sup>st</sup> Century Quality Jobs Program – Recommendation: Retain, with modifications.**

Oklahoma's 21st Century Quality Jobs program was created in 2009 under the 21st Century Quality Jobs Incentive Act. Its legislative intent is 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". The program offers quarterly payments of up to 10 percent of newly created payroll for a period of 10 years. To receive quarterly payments, companies must meet certain requirements related to new jobs and payroll as well as wages.

Chairman Roggow opened the floor for public comment on the 21<sup>st</sup> Century Quality Jobs Program, and no comments were received.

No action was taken. Public comment only.

**Small Employer Quality Jobs Program – Recommendation: Retain, with modifications.**

Oklahoma's Small Employer Quality Jobs program was created in 1997 under the Small Employer Quality Jobs Incentive Act. The program provides qualifying companies with 500 or fewer employees quarterly rebate payments of up to five percent of the newly created payroll, for up to seven years. To qualify for payments, participants must meet requirements related to job creation and wages.

Chairman Roggow opened the floor for public comment on the Small Employer Quality Jobs Program, and no comments were received.

No action was taken. Public comment only.

**Aerospace Employee and Employer Tax Credit – Recommendation: retain, with modifications.**

Effective January 1, 2009, Oklahoma established the Aerospace Employee and Employer Tax Credits designed to 'address the critical shortage of engineering and technical talent' in the State's aerospace industry. Qualified employers can receive an income tax credit for compensation paid to a qualified employee, based on the employee's education, while qualified employees can receive income tax credits of up to \$5,000 for five years.

Chairman Roggow opened the floor for public comment on the Aerospace Employee and Employer Tax Credit, and no comments were received.

No action was taken. Public comment only.

**Cyber Security Employee Tax Credit (New) – Recommendation: Retain.**

In 2020, Oklahoma created a tax credit for cybersecurity personnel to seek to expand its cybersecurity skilled workforce. The credit is \$2,200 for seven years for those with a qualified bachelor's degree or higher and \$1,800 for those with an associate's degree, a credential, or certificate from an approved accredited program.

Chairman Roggow opened the floor for public comment on the Cyber Security Employee Tax Credit, and no comments were received.

No action was taken. Public comment only.

**Investment/New Jobs Tax Credit – Recommendation: Reconfigure.**

In 1988, Oklahoma established the Investment New Jobs Tax Credits in order to incent capital investment and job creation. Manufacturing, aircraft maintenance, and web search portal facilities may qualify for a tax credit equal to one percent of the cost of investments made in depreciable property greater than \$50,000, or \$500 per new employee. The credit may be claimed annually for up to five years. The credit

amount doubles for investments in depreciable property greater than \$40 million. Credits earned for investment in depreciable property may be carried forward indefinitely, while credits earned for job creation may be carried forward for 15 years beyond the initial five-year period.

Chairman Roggow opened the floor for public comment on the Investment/New Jobs Tax Credit, and no comments were received.

No action was taken. Public comment only.

**Excise Tax Exemption on Aircraft Sales – Recommendation: Retain, with modifications.**

Oklahoma state statute provides for 17 types of aircraft sales to be exempt from the 3.25% state excise tax on the purchase price of aircraft sold in the state.

Chairman Roggow opened the floor for public comment on the Excise Tax Exemption on Aircraft Sales, and no comments were received.

No action was taken. Public comment only.

**Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions – Recommendation: Retain, with modifications.**

Since 1991, the State of Oklahoma has offered multiple sales tax exemptions for use by qualified aircraft maintenance or manufacturing facilities (aircraft facilities). The exemptions apply to sales of: (1) computers, data processing equipment, related peripherals, and telephone, telegraph, or telecommunication services and equipment; and (2) tangible personal property consumed or incorporated in construction or expansion.

Chairman Roggow opened the floor for public comment on the Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemptions, and no comments were received.

No action was taken. Public comment only.

**Aircraft Repairs and Modifications Sales Tax Exemptions – Recommendation: Retain, with modifications.**

Beginning July 1, 2005, 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 the Oklahoma sales and use tax.

Chairman Roggow opened the floor for public comment on the Aircraft Repairs and Modifications Sales Tax Exemptions, and no comments were received.

No action was taken. Public comment only.

**5. New Business:** No unexpected new business was reported.

**6. Announcements:**

Chairman Roggow announced that the next commission meeting is scheduled for November 13th at 10:00 a.m. in Senate Conference Room 4s.9. He stated that during that meeting, the Commission will make its final recommendations on the Year 10 incentives. These recommendations will be included in the Commission's end-of-year report, which will be submitted to the Governor, the Senate President Pro Tempore, and the Speaker of the House of Representatives once approved at the final Commission meeting this year on December 4th.

## **7. Adjournment:**

There being no further business, Rep. Earl Sears made the motion to adjourn. Carlos Johnson seconded the motion. Seeing no opposition, the Chair adjourned the meeting at 10:10 AM.

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This table of contents may be navigated by selecting any of the 11 incentives listed below, each of which links to its full 2025 evaluation report.

Home Office Insurance Premium Tax Credit [Access full report](#)

Quality Jobs Program [Access full report](#)

21st Century Quality Jobs Program [Access full report](#)

Small Employer Quality Jobs Program [Access full report](#)

Aerospace Employee and Employer Tax Credits [Access full report](#)

Cybersecurity Employee Tax Credit [Access full report](#)

Invest / New Jobs Tax Credits [Access full report](#)

Excise Tax Exemption on Aircraft Sales [Access full report](#)

Aircraft Maintenance or Manufacturing Facilities  
Sales Tax Exemptions [Access full report](#)

Aircraft Maintenance Facilities Sales  
Tax Exemption on Aircraft and Parts [Access full report](#)

Aircraft Repairs and Modifications Sales  
Tax Exemption [Access full report](#)



# STATE OF OKLAHOMA INCENTIVE EVALUATION COMMISSION

## VOTING MEMBERS

**LYLE ROGGOW**

*Chairman*

**CARLOS JOHNSON, CPA**

*Vice-Chairman*

**EARL SEARS**

*Commissioner*

**MANDY FULLER**

*Commissioner*

## NONVOTING MEMBERS

**JON CHIAPPE**

*Ex-Officio Commissioner*

**CHARLES ORTEGA**

*Ex-Officio Commissioner*

**COMMISSIONER MARK  
WOOD**

*Ex-Officio Commissioner*

Oklahoma's Incentive Evaluation Act provides a solid foundation for the yearly evaluations of tax and other forms of incentives. Among the requirements for each incentive evaluation is to make "Recommendations for any changes to state policy, rules, or statutes that would allow the incentive to be more easily or conclusively evaluated in the future. These recommendations may include changes to collection, reporting and sharing of data, and revisions or clarifications to the goal of the incentive."

Many of the Oklahoma incentive evaluations highlight the need for better or more data to conclusively evaluate the incentive. This is not a concern that is specific to the Oklahoma incentives and incentive evaluation process. The National Conference of State Legislatures maintains a database containing hundreds of incentive evaluations of state (and a few local) programs. A review of those evaluations found that the need for more or better data is among the most common issues raised in incentive evaluations.

There are certainly trade-offs related to increased data collection. It can be an administrative burden, and it may create complexity. At the same time it is important for the state to determine whether it's investment in a particular tax incentive or other incentive program is a good deal for the state and its taxpayers. In the vast majority of cases, as the evaluations demonstrate, Oklahoma's incentives are 'a good deal' but there are opportunities to even more conclusively demonstrate that. The Commission recommends that the governor and Legislature pay particular attention to the concerns raised in state programs around the need for more or better data for incentive evaluations.

Respectfully,

*The Oklahoma Incentive Evaluation Commission*

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Home Office Tax Credit Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
42<sup>nd</sup> Floor  
Philadelphia, PA 19103





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# **Key Findings and Recommendations**



## Incentive Overview

In 1987, Oklahoma established the Home Office Tax Credit to increase the concentration of insurance company home and regional offices in Oklahoma. The program offers tax credits against the insurance premium tax based on insurance domicile and number of employers.

## Recommendation: Reconfigure.

### Key Findings

- **Insurance industry employment is increasing in Oklahoma.** Oklahoma insurance industry employment grew by a compound annual growth rate (CAGR) of 5.2 percent between 2020 and 2024. By contrast, employment declined by 4.0 percent between 2014 and 2019.
- **Use of the credit has decreased over the past decade, from \$22.6 million in tax year 2015 to \$16.0 million in tax year 2024.** Use of the credit was greatest in 2018 at \$25.7 million and has since declined, driven in part by two large firms, State Farm and Hartford Insurance Group, no longer qualifying for the credit.
- **From tax year 2020 to tax year 2024, there were 6 instances of an insurer claiming the credit while reporting fewer employees than the year prior.** Over this period, no insurer did this more than once, indicating an improvement from the previous review of the program, where there were 23 instances over the decade prior to 2020, with one insurer doing so over 5 consecutive years.
- **Two similar state tax incentive programs, in Colorado and Nevada, have recently been repealed.** There were varied reported reasons for ending these programs. In Colorado, it was part of a package of spending cuts necessary to balance the state budget after federal tax changes in the 2025 reconciliation bill. Lack of effectiveness in achieving the stated program goals, were also noted. In Nevada, they noted an issue raised in prior Oklahoma evaluations of this incentive: the program design is misaligned with outcomes, as the benefit is tied to premiums collected as opposed to jobs or payroll created.
- **As an alternative, the State could reduce the premium tax rate to 1.96 percent while remaining revenue neutral.** This would position Oklahoma's tax rate as the 30<sup>th</sup> highest among states with an insurance premium tax, down from 10<sup>th</sup> highest. 49 of the 50 states impose a retaliatory insurance premium tax on insurance companies domiciled in another state if the other state's insurance premium tax is higher. As a consequence, Oklahoma domestic insurance companies that write policies in other states would benefit across the board in a reduction in the tax rate. It also aligns with the tax principle of applying the lowest possible rate to the largest possible base.

### Recommendations (alternatives)

- **Reconfigure the program to base the credit amount on payroll as opposed to premiums.** While premiums have risen nationwide, corporations have been able to claim increasing benefits without necessarily demonstrating a consistent increased contribution to the State economy through jobs or payroll.
- **Revise the program statute to base benefit tiers on payroll amount as opposed to number of jobs.** By tying the benefit tier to the payroll, the State can ensure that they are not only encouraging new jobs to be created, but they are encouraging well-paying jobs. Claimants who open, for example, an insurance claims call center may be able to record significant new employment, but it is likely not employment of the caliber the State is seeking to incent.
- **Eliminate the credit and lower the insurance premium tax by a revenue neutral amount.** As previously noted, the State's insurance premium tax is higher than average among the states, and lowering the tax would provide broad-based benefit to insurance companies.



# Introduction



## Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the inception of the Commission, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in each given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## Summary of 2021 Evaluation Findings and Recommendations

The Home Office Tax Credit has been evaluated by the Commission in both 2017 and 2021. Based on the preceding framework, significant findings from the 2021 evaluation of the Home Office Tax Credit program are summarized in the following table.

**Table 1: Summary of 2021 Evaluation Findings and Recommendations**

Evaluation Category	Significant Finding(s)
Overall Findings	<ul style="list-style-type: none"><li>- Insurance industry employment declined by 22 percent between 2010 and 2019, despite the tax credit.</li><li>- Program benefits show little connection to employment growth. Between 2010 and 2020, there were 23 instances of an insurer claiming an increased credit amount while reporting fewer employees than the prior year.</li></ul>
Fiscal and Economic Impact	<ul style="list-style-type: none"><li>- No economic impact could be attributed to the program due to its lack of connection to job growth.</li><li>- \$18.5 million fiscal impact in 2020 (per 2021 evaluation)</li></ul>
Future Fiscal Impact Protections	<ul style="list-style-type: none"><li>- The incentive does not provide specific financial protections.</li></ul>
Administrative Effectiveness	<ul style="list-style-type: none"><li>- Reporting and administrative issues exist.</li></ul>
Achievement of Goals	<ul style="list-style-type: none"><li>- Insurance industry employment declined from 2010 to 2020 as it increased both nationally and in four of Oklahoma's six neighboring states.</li></ul>
Retain, Reconfigure or Repeal	<ul style="list-style-type: none"><li>- Based on its analysis of available data, the project team recommended in 2021 that the tax credit be reconfigured.</li></ul>



Evaluation Category	Significant Finding(s)
Other Recommendations	- If program is retained, reconfigure the tax credit to require a specific job verification process.

## 2025 Criteria for Evaluation

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation and, as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in employment for eligible insurers before/after credit;
- Distribution within the categories of number of full-time employees claimed;
- Change in payroll for eligible insurers before/after credit;
- Average wage for eligible insurers before/after credit;
- Change in employment for industry versus other states without credit;
- State return on investment.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Quality Jobs Program Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
42<sup>nd</sup> Floor  
Philadelphia, PA 19103





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# **Key Findings and Recommendations**



## Incentive Overview

Oklahoma's Quality Jobs Program, created in 1993, offers qualifying companies quarterly cash rebates equal to up to 5 percent of newly created taxable payroll for up to 10 years. Originally targeted at manufacturing firms, the program has been expanded to include a range of industries. In recent years, it has mostly been used by manufacturing and oil and gas companies. To qualify for the rebates, a company must operate in an eligible industry and meet requirements related to the amount of payroll associated with new jobs created, health insurance coverage, and wages.

## Recommendation: Retain, with modifications

### Key Findings

- **Rebates generated by program participants have declined in recent years, from a peak of \$85 million in 2014 to \$38 million in 2022.**<sup>1</sup> Reported jobs declined along with the number of companies participating in the program, though it's important to note COVID-19 and the associated recession was in this period.
- **The timeliness of rebate submissions is a factor when evaluating utilization and overall program performance.** As noted in the 2021 and 2017 evaluations, firms that participate may (and sometimes do) delay submission of documentation, creating a lag in payments and reporting.
- **From 2011 through 2022, the median wage of participants exceeded the state average wage.** Establishments must match the lesser of the county average or a state threshold wage equal to \$37,785 as of 2022, the most recent tax year for this evaluation.
- **From 2019 to 2024, professional services generated the largest share of rebates (37 percent).** The next-most rebated industry, manufacturing, received 16 percent over this period.
- **Participants are concentrated in Oklahoma and Tulsa counties.** From 2019 to 2024, these counties accounted for \$163 and \$143 million in rebates, respectively, combining for about 82 percent of the total.
- **From 2019 to 2024, economic and fiscal impact analysis found the program to be of net fiscal benefit to the State, generating \$276 million in revenues.** Based on the IMPLAN input-output economic impact model's estimate of state taxes generated, Quality Jobs returns a little over \$2 for every \$1 invested.
- **The break-even point – the amount of business activity that depends on the incentive for the program to pay for itself – is about 47 percent.** The 'but for' test seeks to determine whether or not an incentive was necessary for the business decision to locate or expand payroll. As this is often difficult to determine, the break-even analysis provides a weighing mechanism: a lower break-even percentage suggests it is more likely to pass the 'but for' test, while a higher percentage suggests it is less likely.
- **When benchmarked to peer state programs, Quality Jobs follows many best practices for program design.** Its ROI is a bit lower than some other states (such as New York), but it performs better in terms of fiscal impacts than others (such as Louisiana). Length of program payments is an

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<sup>1</sup> The analysis of program usage in this evaluation focuses on data provided by the Department of Commerce that includes information on participants' reported jobs, payroll, and wages in the quarters in which a rebate payment was generated. Due to the potential lag time in filing a claim for rebate payment, the analysis of the Department's data, which was provided for 2011 through 2022.



area where several states, including Oklahoma, do not entirely align with incentive best practices.

- **Strong program cost controls are in place.** All participants in the program are evaluated to determine the project is a net benefit to the State in order to qualify. The rebates paid to participants are based on the net benefit provided to the State. Rebates are paid only when participants meet or are ramping up to job and wage requirements.
- **Administration is simple and effective, with both internal and external stakeholders continuing to praise the program as was found in the prior evaluations in 2021 and 2017.** When compared to similar programs in peer states, the Oklahoma program stands out as being well managed and user-friendly for participants.

## Recommendations

- **Require establishments to pay the average county wage regardless of the statewide threshold wage.** Currently, establishments must match the lesser of the county average or a state threshold wage equal to \$37,785 as of 2022.

Despite this low threshold wage, the overall median wage of participants from 2011 through 2022 exceeded the statewide average wage. However, because of the low state threshold wage, there are instances where companies paid significantly less than their average county wage and still met program qualifications.

Eliminating the statewide threshold wage would ensure the program is encouraging the creation of jobs that at least maintain average wage levels in each county.

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.<sup>2</sup> Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incented activity, as the relative value of the rebate (based on the time value of money) declines the later it is claimed and received. Shortening the lag time to a maximum one year would still provide participants sufficient time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.
- **Regularly review eligible industries to ensure the list reflects the State's economic development goals.** Since the program was created, industry eligibility has expanded several times, most often to include oil and gas related firms. As time passes, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.
- **Review policy goals and national best practices to determine additional components of a "quality" job.** Wage and benefits have long been the target for programs in this area, but new types of benefits are becoming candidates for inclusion. For example, New York's Excelsior program now includes credits for childcare expenditure as part of compensation. The Commerce Department

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<sup>2</sup> Pew Charitable Trusts, "Reducing Budget Risks," December 2015. Accessed electronically at: [https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability\\_artfinal.pdf](https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf)



should consider whether or not there are benefits that align with policy goals or State-wide priorities that could be easily incorporated into the Quality Jobs program.



# Introduction



## Oklahoma Incentive Evaluation Commission Overview

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Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## Summary of 2021 Evaluation Findings and Recommendations

Based on the preceding framework, significant findings from the 2021 evaluation of the Quality Jobs Program are summarized in the following table.

**Table 1: Summary of 2021 Evaluation Findings**

Evaluation Category	Significant Finding(s)
Overall Findings	- The program was found to be a net benefit to the State, but rebate payments have mostly gone to establishments in industries that underperformed state averages.
Fiscal and Economic Impact	- The program was found to be a net benefit to the State
Future Fiscal Impact Protections	- The program features cost controls related to percentage of payroll eligible for rebate that have helped the State control costs
Administrative Effectiveness	- Program administration was found to be effective. The Department of Commerce thoroughly reviews applicant qualifications, and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to support establishments creating quality jobs in industries with the "promise of significant development" of the State economy. While the program overall was found to be a net benefit, industries generating most of the rebates exceeded State growth in annual pay and wages but lagged in employment growth.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2021 that the program be retained.
Other Recommendations	- Require companies to file information for payment each quarter - Establish regular review of eligible industries to better target the program - Centralize data collection across the Department of Commerce and the Tax Commission for more robust analysis.





The Commission voted 4-0 to accept PFM's recommendation to retain the incentive with modifications. The Commission elected to modify PFM's recommendation on requiring participants to pay the average county wage regardless of the statewide wage threshold – the Commission added the statewide threshold wage should be increased as well. The Commission elected to remove the recommendation to reset the minimum wage requirement after 5 years but were supportive of the requirement to file rebate claims within one year of a qualifying quarter and to regularly update eligible industries to be current with the State's goals for economic development.

### **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals established in state statute or legislation.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Ability of program administrative processes to establish the factual basis for claims related to hours, wages, and benefits
- Change in capital investment associated with the cash rebates
- “But-for” test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole
- State return on investment

### **2025 Evaluation Approach**

To conduct its 2025 review of the Quality Jobs Program, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Department of Commerce and the Oklahoma Tax Commission (OTC);
- Reviewed and analyzed provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the Department of Commerce and OTC;
- Conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **21<sup>st</sup> Century Quality Jobs Program Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
42<sup>nd</sup> Floor  
Philadelphia, PA 19103



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# **Key Findings and Recommendations**



## Incentive Overview

Oklahoma's 21st Century Quality Jobs program was created in 2009 under the 21st Century Quality Jobs Incentive Act. Its legislative intent is 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". The program offers quarterly payments of up to 10 percent of newly created payroll for a period of 10 years. To receive quarterly payments, companies must meet certain requirements related to new jobs and payroll as well as wages.

## Recommendation: Retain, with modifications

### Key Findings

- **Program use increased significantly from 2011 to 2022, with rebates increasing from about \$0.3 million to \$9.2 million.**<sup>1</sup> Rebates peaked in 2019 at \$14.6 million. Growth in program usage was driven almost entirely by one company.
- **However, it should be noted that rebate submissions can lag the actual job creation.** In prior evaluations, as much as two years' worth of data was impacted by the delay in filing. Data in this report is complete as of July 2025, but is subject to change following additional filings.
- **From 2011 to 2022, participants' median wages were significantly higher than the statewide average (as required by statute), and were often close to 300 percent of the statewide average.** Participants are required to meet the lesser of 300 percent of the county average where the job is located or the state index wage calculated by the Department of Commerce. The state index wage was \$112,100 for 2023, the most recent year evaluated.
- **Nearly all rebates from 2011 to 2022 were generated by firms in the aerospace, defense, and professional services sectors.** Aerospace accounted for 94.5 percent of total rebates, while professional services accounted for 4.9 percent.
- **Program use is more concentrated than the Quality Jobs program, with 97.9 percent of rebates from 2011 through 2022 generated in Oklahoma County.** Another 1.8 percent was generated in Tulsa County.
- **The fiscal impact analysis of the program from 2019 through 2024 found it to have a net fiscal cost to the state of \$24.3 million.** This is based on rebates paid during the period less the estimated state taxes generated through IMPLAN's model.
- **Economic impacts of the program from 2019 to 2024 total more than \$3.1 billion in total output.** Included in the total is \$663.4 million of direct labor income paid to Oklahomans.
- **Oklahoma's program is relatively unique compared to peers.** Only South Carolina approaches OK's wage requirement (250 percent of state average).
- **Administration of the program is very well received by both internal and external stakeholders.** The program is simple to manage and is noted as user-friendly.

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<sup>1</sup> The analysis of program usage in this evaluation focuses on data provided by the Department of Commerce that includes information on participants' reported jobs, payroll, and wages in the quarters in which a rebate payment was generated. Due to the potential lag time in filing a claim for rebate payment, the analysis of the Department's data, which was provided for 2011 through 2022, should be considered incomplete to some degree given the potential lag time.



## Recommendations

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.<sup>2</sup> Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incented activity, as the relative value of the rebate declines (based on the time value of money) the later it is received. Shortening the lag time to a maximum one year would still provide participants time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.
- **Regularly review eligible industries to ensure the list reflects the State's economic development goals.** The 21<sup>st</sup> Century Quality Jobs program uses the same eligible industries list as the Quality Jobs program, excluding oil and gas industries, and including additional industries specific to the program. The list has expanded several times. Over time, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.
- **Consider providing an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.** Conversations with Department of Commerce staff suggest firms that may qualify for the 21<sup>st</sup> Century Quality Jobs program, but are unsure if they will be able to meet the wage and payroll requirements, are hesitant to apply to the program. Currently, if a firm fails to meet program requirements within three years of starting the program and is removed from the program, it would be ineligible to apply for Quality Jobs benefits for the same activity, even if qualified. Allowing firms to try to achieve 21<sup>st</sup> Century Quality Jobs requirements, while having some assurance that they would be able to still receive Quality Jobs benefits if qualified, may increase interest and participation in the program. This Quality Jobs benefit could be discounted by some percentage (perhaps 5 percent) to deter companies from applying to the 21<sup>st</sup> Century Quality Jobs program even when they had little likelihood of meeting its requirements.

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<sup>2</sup> Pew Charitable Trusts, "Reducing Budget Risks," December 2015. Accessed electronically at: [https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability\\_artfinal.pdf](https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf)



# Introduction



## Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## Summary of 2021 Evaluation Findings and Recommendations

Based on the preceding framework, significant findings from the 2021 evaluation of the 21<sup>st</sup> Century Quality Jobs program are summarized in the following table.

Evaluation Category	Significant Finding(s)
Overall Findings	- The program was a net benefit to the State and has supported industries with strong growth in the State.
Fiscal and Economic Impact	- The program was a net benefit to the State.
Future Fiscal Impact Protections	- The program features cost controls related to quarterly requirements that have helped the State control costs.
Administrative Effectiveness	- Program administration was effective. The Department of Commerce thoroughly reviews applicant qualifications, and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to provide incentives to attract growth industries with a highly skilled and knowledge-based workforce. The incentive has largely been used by such industries, although most benefits have been paid to one company.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2021 that the program be retained, with modifications.
Other Recommendations	- Base the wage requirements on average county wage, regardless of statewide threshold - Require companies to file information for within one year of a qualifying quarter - Consider allowing firms that meet Quality Jobs criteria to receive those benefits even if they do not meet 21 <sup>st</sup> Century program standards





Following PFM's report on the incentive, the Commission voted 4-0 to accept PFM's recommendation to retain the incentive. Modifications were made to the Quality Jobs recommendations that were carried forward to the 21<sup>st</sup> Century program plus one additional recommendation to provide an option for participants in 21<sup>st</sup> Century who fall short of goals to instead receive the Quality Jobs program benefits (assuming all other criteria are met).

## **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Ability of program administrative processes to establish the factual basis for claims related to hours, wages, and benefits
- Change in capital investment associated with the cash rebates
- Number/amount of incentives by industry
- But-for-test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole
- State return on investment

## **2025 Evaluation Approach**

To conduct its 2025 review of the 21<sup>st</sup> Century Quality Jobs Program, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Department of Commerce and Oklahoma Tax Commission (OTC);
- Reviewed and analyzed provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the Department of Commerce and OTC;
- Conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Small Employer Quality Jobs Program Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
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# **Key Findings and Recommendations**



## Incentive Overview

Oklahoma's Small Employer Quality Jobs program was created in 1997 under the Small Employer Quality Jobs Incentive Act. The program provides qualifying companies with 500 or fewer employees quarterly rebate payments of up to five percent of the newly created payroll, for up to seven years. To qualify for payments, participants must meet requirements related to job creation and wages.

## Recommendation: Retain, with modifications

### Key Findings

- **Program utilization has been uneven over the 13 years studied for evaluation** – starting at 13 firms, 541 jobs, and \$938,000 in rebates in 2011; to lows of 4, 72, and \$172,000 in 2014; and then back up to 8 firms, 266 jobs, and \$686,000 in 2023.
- **Actual utilization data lags by as much as two years based on the 2025, 2021, and 2017 evaluations.** Firms can submit rebate filings outside of the period where the jobs were created, but still within the contract period with the Department of Commerce and still receive the benefit.
- **The median wage of reported jobs was about equal to or exceeded the statewide average wage each year from 2011 to 2023.** Participants are required to pay 110 percent of the average wage of county small employers.
- **Participating industries are more diverse compared to the 2021 evaluation.** Manufacturing firms accounted for 57 percent of total rebates (down from 89 percent), while professional services, aerospace and defense, and bioscience firms each accounted for at least 13 percent.
- **Use of the program is dispersed across multiple counties.** From 2011 to 2023, nine counties received at least five percent of the total amount of rebates generated.
- **From 2019 to 2024, the fiscal impact analysis identified a net fiscal benefit to the State.** If indirect and induced effects are included, the fiscal impact is a positive \$6.4 million. Using direct impacts only results in a net fiscal loss of \$275,000.
- **Total, direct output for the 2019 through 2024 period was approximately \$627.2 million.** When including indirect and induced output, this total grows to \$886.9 million.
- **The break-even point – the amount of business activity that depends on the incentive for the program to pay for itself – is about 34 percent.** The 'but for' test seeks to determine whether or not an incentive was necessary for the business decision to locate or expand payroll. As this is often difficult to determine, the break-even analysis provides a weighing mechanism: a lower break-even percentage suggests it is more likely to pass the 'but for' test, while a higher percentage suggests it is less likely.
- **Compared to other states with similar programs, Oklahoma allows firms with a larger number of employees to qualify as a small employer.** In three states with similar programs, maximum employees were set at either 99 or 49 compared to 500 in OK.
- **Similar to the 21<sup>st</sup> Century and Quality Jobs programs, the Small Employer version benefits from simple program guidelines and administration.** When weighing potential changes, it should be noted that by definition firms participating in this program are likely to have less capacity than the typically larger, more mature firms that utilize Quality Jobs.



## Recommendations

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.<sup>1</sup> Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incented activity, as the relative value of the rebate (based on the time value of money) declines the later it is received. The longer lag time also makes it more difficult to weigh participation and performance for purposes of evaluating the program. Shortening the lag time to a maximum one year would still provide participants time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.
- **Regularly review eligible industries to ensure the list reflects the State's economic development goals.** The Small Employer Quality Jobs program uses the same eligible industries list as the Quality Jobs program, excluding oil and gas industries. The list has expanded several times. Over time, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.

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<sup>1</sup> Pew Charitable Trusts, "Reducing Budget Risks," December 2015. Accessed electronically at: [https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability\\_artfinal.pdf](https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf)



# Introduction



## Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## Summary of 2021 Evaluation Findings and Recommendations

Based on the preceding framework, significant findings from the 2021 evaluation of the Small Employer Quality Jobs program are summarized in the following table.

**Table 1: Summary of 2021 Evaluation Findings and Recommendations**

<b>Evaluation Category</b>	<b>Significant Finding(s)</b>
Overall Findings	- The program was a net benefit to the State, and nearly all the rebates were generated by manufacturing firms.
Fiscal and Economic Impact	- The program was found to be a net benefit to the State, with a breakeven point of 50 percent
Future Fiscal Impact Protections	- The program features cost controls related to quarterly requirements that have helped the State control costs
Administrative Effectiveness	- Administration of the program was effective. The Department of Commerce thoroughly reviews applicant qualifications, and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to support small employers creating quality jobs in industries with the "promise of significant development" of the State economy. While the program overall was found to be a net benefit, most payments reviewed for the period of 2012 to 2016 were made to establishments in industries growing slower than the State average.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2021 that the program be retained with modifications.
Other Recommendations	- Require companies to file information for payment each quarter - Establish regular review of eligible industries to better target the program - Centralize data collection across the Department of Commerce and the Tax Commission for more robust analysis.





Based on PFM's analysis and consideration of other factors, the Commission voted 4-0 to approve PFM's recommendation to retain the incentive with the same modifications as suggested for the Quality Jobs program.

### **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals established in state statute or legislation.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Change in capital investment associated with the cash rebates
- But-for-test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole
- State return on investment

### **2025 Evaluation Approach**

To conduct its 2021 review of the Small Employer Quality Jobs Program, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Department of Commerce and Oklahoma Tax Commission (OTC);
- Reviewed and analyzed provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the Department of Commerce and OTC;
- Conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Aerospace Employer & Employee Tax Credits Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
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# **Key Findings and Recommendations**



### Incentive Overview

Effective January 1, 2009, the State enacted a package of tax credits designed to “address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry,” including:<sup>1</sup>

**Table 3: Summary of Tax Credits for Aerospace Employers and Employees**

Incentive	Program Description*
Tax Credit for Compensation Paid by Aerospace Employers (“Employer Credit”)	Qualified employers can receive an income tax credit for compensation paid to a qualified employee. The credit is equal to 10% of the compensation paid for the first five years of employment in the aerospace sector if the employee graduated from an in-state institution or 5% if from an out-of-state institution. The credit is capped at \$12,500 per employee per year and is non-refundable, non-transferrable and cannot be carried forward.
Tax Credit for Aerospace Employees (“Employee Credit”)	Qualified employees in the aerospace sector can receive income tax credits of up to \$5,000 per year for up to five years. Unused credits can be carried forward for five years but are non-refundable.

Source: 68 O.S. §§ 2357.302-304

**Recommendation: Retain, with modifications.**

### Key Findings Pertaining to the Employer Tax Credit

- **Between 2020 and 2022, the number of employer returns claiming the credit decreased by a compound annual growth rate (CAGR) of 5.3 percent.** Simultaneously, the amount used to reduce tax liability, representing the foregone revenue to the State, has decreased by 7.8 percent, from \$291,056 to \$247,654. The amount used to reduce tax liability on a per return basis has decreased more modestly from \$5,018 to \$4,763, or by a CAGR of 2.6 percent.

### Key Findings Pertaining to the Employee Tax Credit

- **Between 2009, the year Oklahoma’s credits began being offered, and 2024, aerospace engineer employment has increased by a CAGR of 8.6 percent.** At the national level, aerospace engineer employment declined by a CAGR of 0.2 percent. This suggests that while a skills gap continues to exist, Oklahoma’s efforts to recruit aerospace engineers have been successful relative to other states, perhaps due, in some degree, to the existence of the incentive programs.
- **Despite the prevalence of the industry in Oklahoma’s economy, employers continue to face a skills gap in recruiting aerospace engineers.** The number of degrees conferred in engineering fields at public institutions in Oklahoma decreased between 2018 and 2024, from 2,814 to 2,140. The decrease in degree conferral simultaneous to the increase in employment may indicate Oklahoma’s relative success, due, in some degree, to the incentive, at attracting out-of-state talent.
- **The skills gap is compounded by growing recruitment and retention challenges.** According to a 2025 study conducted by the Aerospace Industries Association, roughly a quarter of the aerospace and defense workforce is over 55.
- **Annual median wage growth for aerospace engineers in Oklahoma has lagged behind that of other industries in Oklahoma as well as national industry trends.** Over the past twenty years, aerospace engineer wages have increased by a CAGR of 2.0 percent, compared to overall Oklahoma

<sup>1</sup> Per HB 3229



pay increases of 3.0 percent. In 2024, average annual aerospace engineer pay was \$109,920 in Oklahoma, compared to \$136,110 in bordering states and \$134,830 nationally. Some, but not all, of this difference is accounted for by regional price parity differences. While the credit is not aimed at payroll growth, the credit's value is diminished by the existing pay gap and may not be substantial enough to attract some talent that would otherwise be employed in another state.

- **Credit use and total amount claimed have remained fairly constant in recent years, declining slightly in tax year 2022.** While use was increasing annually at the time of the previous evaluation, use of the credit seems to have stabilized with an average of 2,738 jobs and \$21.2 million claimed.
- **The estimated State tax revenue exceeds the cost to the State on an annual basis, as measured by the amount claimed.** The Gross State Product (GSP) associated with program employment is estimated to generate over \$25.8 million in tax revenue to the State of Oklahoma, yielding \$1.23 in tax revenue per \$1.00 in program spending. In order for the fiscal returns to the state as a result of the program on a per dollar claimed basis to exceed \$1.00, at least 81 percent of the employment claiming the credit must be directly attributable to the tax credit program itself, meaning those employees would not have located in Oklahoma *but for* the availability of the incentive program.
- **The total economic activity associated with the tax credits substantially exceeds the cost to the State each year.** For each \$1 paid by the State between tax years 2020 and 2022, the economic output generated ranged from \$67 to \$76 annually. In 2022, the most recent year with data available, total economic activity associated with the 2,722 jobs for which claims were made reached \$1.5 billion. Indirect and induced activity supported an additional 1,262 jobs, with total employment reaching 3,984 jobs.
- **The incentive's Accreditation Board for Engineering and Technology (ABET) accreditation requirement continues to cause confusion for employees claiming the credit.** Several of the program's key stakeholders noted that many claimants learned that they did not qualify for the credits after their tax forms claiming the credit had been approved. Ineligible claims are identified through the Oklahoma Tax Commission's Compliance Division audits, whereover 5.7 percent of claimants were ineligible but had claimed the tax credits.
- **Oklahoma's tax credits for aerospace engineers remain somewhat unique compared to other states.** Kansas has a similar suite of programs aimed at recruiting aviation employees, including payroll-based benefits and tuition reimbursement. While some states, such as North Dakota and Arkansas, offer tax incentives in order to recruit for hard-to-fill positions or compensate employers for tuition reimbursement provided, none are aimed at a specific industry like Oklahoma's program.

#### Recommendations Pertaining to the Employee Tax Credit

- **Increase the amount of the credit by an amount that accounts for some or all of the reduction in value because of inflation since the credit's introduction.** Since the credit's introduction in 2009, inflation has reduced the value of the credit by 50.6 percent. Between 2009 and 2025, aerospace engineer pay has increased, as has the cost of living. Due to these factors, the \$5,000 amount may no longer be sufficient to attract talent that would locate in the state because of the program.
- **Provide a list of frequently asked questions with the tax form in order to limit the number of ineligible claimants.** Despite clear language on the tax form itself, the by-right nature of the program and the lack of simplicity related to identifying program eligibility contributes to a high volume of ineligible employees claiming credits, which later end up clawed back. A list of frequently asked questions or centralized repository to review eligible and ineligible programs may serve to deter this activity.



# Introduction



## Incentive Evaluation Commission Overview

In 2015, HB 2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. Between 2016 and 2024, the Commission conducted more than 100 evaluations.

The State's Tax Credits for Aerospace Engineer Employees and Employers, first evaluated in 2016 and evaluated again in 2020, are among the programs scheduled for an updated review by the Commission in 2025. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the Legislature related to these incentives.

## 2020 Evaluation: Key Findings and Recommendations

Significant findings from the 2020 evaluation of these programs are displayed in the following table.

**Table 1: Summary of Findings, 2020 Evaluation**

Fiscal and Economic Impact	<p>Fiscal Impact: Between 2013 and 2017, the average amount used to reduce tax liability, representing foregone tax revenue for the State, was \$1.6 million for the Employer Tax Credit and \$6.0 million for the Employee Tax Credit.</p> <p>Economic Impact: Between 2013 and 2017, the employer and employee tax credits resulted in between \$72 and \$89 of economic output per \$1 paid by the State. In 2017, the programs supported 2,384 jobs and \$1.6 billion in economic output.</p>
Adequate Protections for Future Fiscal Impact?	The various benefit limitations, coupled with the fact that these credits are neither transferable nor refundable and have a limited (5 year) carry-forward, provide adequate protection against significant, unanticipated fiscal impact.
Effective Administration?	The incentive's Accreditation Board for Engineering and Technology (ABET) accreditation requirement has led to confusion among some employees claiming the Employee Tax Credit.
Achieving Its Goals?	Overall, the "skills gap" still exists within the aerospace industry, however the industry continues to grow, and the number of aerospace engineers employed outperforms other types of engineering jobs. Additionally, Oklahoma has seen a rise in the number of related degrees conferred within the state.
Changes to Improve Future Evaluation	Enhance employer reporting to show the overlap with Quality Jobs incentives. Consider broadening the employee tax credit incentive eligibility and clarify eligibility requirements in statute.

The project team recommended in 2020 that the program be retained. The Commission voted 5-0 to approve the project team's recommendation, and the incentive is still in place. Further, the sunset date for this credit program was extended through tax year 2032, per SB287, which was enacted in 2024.

## 2025 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the Aerospace Employer and Employee Tax Credits Evaluation





stated goals as established in state statute or legislation. In the case of this tax credit, the specific goal included in legislation is to “address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry.”<sup>2</sup>

Additionally, to assist in a determination of program effectiveness, the Commission has adopted the following criteria:

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Payroll growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Change in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Use with other related State business incentives;
- Return on investment.

## **2025 Evaluation Approach**

To conduct its 2025 review of these tax credits, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Tax Commission (OTC);
- Reviewed and analyzed OTC-provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the OTC, Department of Commerce, and Oklahoma Department of Aerospace and Aeronautics;
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

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<sup>2</sup> Per HB 3239 of the 51<sup>st</sup> Oklahoma Legislature. Available at <http://okhouse.gov/Documents/2008SessionInReview.pdf>

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Cybersecurity Employee Tax Credit Evaluation**

**December 2, 2025**

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# **Key Findings and Recommendations**



## Incentive Overview

In 2020, Oklahoma created a tax credit for cybersecurity personnel to seek to expand its cybersecurity skilled workforce. The credit is \$2,200 for seven years for those with a qualified bachelor's degree or higher and \$1,800 for those with an Associate's degree, a credential, or certificate from an approved accredited program.

## Recommendation: Retain.

## Key Findings

- **While the growth in cybersecurity employment in Oklahoma outpaces the nation as a whole, a skills gap prevails in the industry.** The Oklahoma Board of State Regents for Higher Education has noted a need for more graduates in technology fields, and a study by Deloitte and the manufacturing industry identified a nationwide skills gap of roughly 2.0 million jobs between 2015 and 2025.<sup>1</sup> Software and cybersecurity employees are instrumental for companies across sectors as the technology adoption and data needs intensify. Specific sectors in Oklahoma, like aerospace and defense, may require more cybersecurity and software personnel due to the highly technical nature of the work.
- **The number of returns for the cybersecurity employee tax credit has been growing since the credit's inception in 2020.** Total claimants has growth from 46 to 939 between tax years 2020 and 2023. Simultaneously, the amount claimed has grown from \$95,995 to \$2.2 million. Growth in credit claimants exceeds growth in industry employment overall. Some of this is attributable to repeat users, as the credit is available for seven years.
- **Cybersecurity and software industry employment has been increasing in recent years. Between 2020 (the year the credit became available) and 2024, Oklahoma's 9.3 percent compound annual growth rate (CAGR) significantly exceeded the 6.8 percent national growth rate.** Prior to the availability of the credit, the industry employment CAGR in Oklahoma was slightly lower, at 8.4 percent.
- **While Oklahoma firms have exhibited success in recruiting software and cybersecurity employees, they have not kept pace with the compensation increases seen in other Oklahoma industries or with national compensation trends.** Average information security analyst pay in Oklahoma, at \$86,500 in 2024, is lower than in its bordering states and significantly trails the \$124,901 national average.
- **The total economic activity associated with employees claiming the credit exceeds the program cost, as measured by the annual amount claimed.** Between tax years 2020 and 2023, employment claiming the credit was associated with between \$78 and \$101 in economic output for every \$1 in credit claimed. However, not all of the employees claiming the credit represent roles that would not have been created or sustained but for the incentive program.
- **The total State tax revenue associated with employees claiming the credit exceeds the program cost to the State, as measured by amounts claimed.** Between tax years 2020 and 2023, every \$1.00 of credit claimed was associated with between \$2.73 and \$3.29 in State tax revenues. Applying a breakeven analysis to understand the level of program activity that would be required for the state to 'break even' on the cost indicates that at least 30.4 percent of claimants must be attributed to the incentive program for the program to generate a positive return on investment.

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<sup>1</sup> U.S. News and World Report, "Bridging the STEM Skills Gap Involves Both Education and Industry Commitments," (July 9, 2018). Available at <https://www.usnews.com/news/stem-solutions/articles/2018-07-09/commentary-industry-education-needed-to-bridge-stem-skills-gap>



- **Oklahoma's tax credits for cybersecurity and software employees are unique compared to surrounding states.** While similar programs exist in larger technology and cybersecurity hubs like New York and the Washington DC metro area, no comparable programs exist in nearby states. Other states, like Colorado, offer grants to eligible companies to support job creation or, like California, fund workforce development and education initiatives to build strong talent pipelines. Maryland and Virginia also fund cyber initiatives aimed at workforce development through educational partnerships to align career pathways with industry needs.
- **An alternate state approach is to incent cybersecurity businesses rather than employees.** Maryland offers seed funding and income tax credits to attract early-stage cybersecurity businesses, while Virginia attracts cybersecurity entrepreneurs through a business accelerator program, highlighting the variety of approaches to attracting cybersecurity companies and personnel.
- **Cybersecurity is a high-demand industry with strong market momentum and high paying jobs, indicating that tax credits for individual employees are likely not the deciding factor for talent attraction and retention.** Nationally, cybersecurity employment is projected to grow by 33 percent between 2023 and 2033, significantly higher than projected average employment growth of 4 percent for all other industries.<sup>2</sup> This growth underscores the already existing industry inertia, suggesting that a tax incentive may be unnecessary for attracting employees.
- **Key stakeholders noted confusion among claimants regarding accredited programs and credit eligibility.** Despite information provided, many claimants still struggle with interpreting the language on eligibility, or hold degrees that seem eligible, like a Master of Science in Information Systems (MSIS), but from ineligible schools, like a business school.

## Recommendations

- **To enhance program compliance, provide a list of frequently asked questions with the tax form and on the Oklahoma Tax Commission website in order to avoid confusion around eligibility from applicants.** While audit data on this program is not available, several key stakeholders noted that the by-right nature of the program coupled with the lack of simplicity in identifying program eligibility may contribute to a high volume of ineligible claimants. A list of frequently asked questions or centralized repository to review eligible and ineligible programs and credits may serve to deter this activity.

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<sup>2</sup> BLS Occupational Employment Statistics data for Information Security Analysts (Standard Occupational Classification code 15-1212). Estimates do not include self-employed workers.



# Introduction



## Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

The State's Software/Cybersecurity Workforce Tax Credit, established in 2019 and amended in 2020, has not been previously evaluated. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the Legislature related to this incentive.

## 2025 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this tax credit, the specific goal included in legislation is address the statewide shortage of qualified software and cybersecurity professionals by incentivizing individuals to work in Oklahoma in these fields.<sup>3</sup>

Additionally, to assist in a determination of program effectiveness, the Commission has adopted the following criteria:

- Number and dollar value of approved credits by year of program;
- Employment growth in state cybersecurity and software jobs – comparison to period prior to the credit and comparable states;
- Payroll growth in state cybersecurity and software industry – comparison to period prior to the credit and comparable states;
- Cost to the State by fiscal year;
- Economic impacts of jobs created or retained.

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<sup>3</sup> 68 OK Statute § 2357.405 (2024)





## **2025 Evaluation Approach**

To conduct its 2025 review of this tax credits, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Tax Commission (OTC) and Department of Commerce;
- Reviewed and analyzed provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the OTC and Department of Commerce;
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Investment/New Jobs Tax Credit Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
42<sup>nd</sup> Floor  
Philadelphia, PA 19103

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# **Key Findings and Recommendations**

## Incentive Overview

In 1988, Oklahoma established the Investment New Jobs Tax Credits in order to incentivize capital investment and job creation. Manufacturing, aircraft maintenance, or web search portal facilities may qualify for a tax credit equal to one percent of the cost of investments made in depreciable property greater than \$50,000, or \$500 per new employee. The credit may be claimed annually for up to five years.

The credit amount doubles for investments in depreciable property greater than \$40 million.

Credits earned for investment in depreciable property may be carried forward indefinitely, while credits earned for job creation may be carried forward for 15 years beyond the initial five-year period.

### Recommendation: Reconfigure.

## Key Findings

- **Use of the credit to offset tax liability has decreased over time, while the amount of unused credit carried forward has continued to increase.** Low credit usage on an annual basis, combined with the credit program's unlimited carry-forward for capital investment credits, contributes to this trend. It is thus likely that the carried forward liability to the State will continue to increase.

**Table 1: Credit Use, Tax Years 2020 through 2023 (Dollars in Millions)**

Tax Year	Number of Returns	Total Amount Claimed	Amount Used to Reduce Tax Liability	Unused Credit Carried Forward
2020	709	\$217.0	\$1.6	\$213.4
2021	601	\$243.7	\$2.4	\$215.8
2022	619	\$210.7	\$2.5	\$222.4
2023	451	\$15.2	\$0.8	\$226.3

- **Nearly all of the credits claimed were for capital investment.** Capital investment continues to account for more than 99 percent of new credits claimed. Less than one percent of credits claimed were related to job creation.
- **New credit claims in Tax Year 2023 were associated with \$164.4 million in capital investments.** Of this total, approximately 79.1 percent occurred in an enterprise zone.
- **It is unlikely that the credit is significantly influencing business investment and hiring decisions.** In Tax Years 2022 and 2023, the amount of the credit used of the amount claimed averaged 13 percent. It is difficult to expect the credit to have a significant influence on business decision making with such a low percentage of use of earned credits. Excluding Tax Years 2020 and 2021, which saw significant fluctuations due to COVID-19 impacts on business decisions and tax liabilities, the percent of the credit claimed that is used decreased by 21.1 percent between Tax Year 2008 and Tax Year 2019.<sup>1</sup>
- **Unused credits for capital investment may be carried forward indefinitely, creating a growing tax liability for the State.** The unlimited carry forward period both disconnects the investments made from the value of the credit and creates significant vulnerability for the State in the event of a high volume of carried forward claim use.

<sup>1</sup> Tax Years 2016 and 2017 are excluded, as usage in these years was subject to a \$25 million cap.

- **In contrast to both comparable programs in other states and many other incentives offered by Oklahoma, the Investment-New Jobs tax credit is by-right and does not require advance notice or an application and approval process to receive the benefits.** The credit is claimed on tax returns and does not require an application, so firms may claim the credit regardless of whether it played a role in the investment decision.
- **Since the 2021 evaluation, the value of the new jobs tax credit has continued to decline.** While the capital investment tax credit has been able to keep up with inflation because it is applied as a percentage of the total investment, the fixed value of the \$500 new jobs tax credit has not kept pace with growth in average annual pay.
- **The minimum salary requirement for the new jobs component of the tax credit has not been updated since the credit was created in 1980.** The minimum salary required to qualify for the new jobs tax credit is, because of federal minimum wage requirements, impossibly low at \$7,000. This is equal to 9.9 percent of average annual pay for manufacturing jobs in Oklahoma in 2024.<sup>2</sup>
- **The breakeven analysis indicates that 20 percent of capital investment activity and 10 percent of job creation activity must occur as a direct result of the incentive program for the State to ‘break even’ on the program costs.** This analysis does not consider unused claims that are carried forward. It may be more indicative of the low claim usage than the effectiveness of the program itself.
- **Oklahoma’s growth in manufacturing employment has slowed relative to peer states since the last evaluation, when it ranked second among the seven states.** Despite this, Oklahoma leads payroll growth and ranks second in capital investment growth from 2001 to 2024, even outperforming states like Arkansas and Kansas, which offer more generous capital investment incentives.

**Table 2: Compound Annual Growth for Manufacturing, 2001 to 2024**

State	Employment	Payroll	Capital Expenditures <sup>3</sup>
Texas	-0.24%	3.15%	0.9%
Kansas	-0.47%	2.74%	1.3%
Missouri	-0.79%	2.84%	-0.6%
<b>Oklahoma</b>	<b>-0.82%</b>	<b>3.20%</b>	<b>2.0%</b>
Colorado	-0.88%	2.80%	0.5%
Arkansas	-1.45%	3.17%	5.9%
New Mexico	-1.54%	2.71%	-4.5%
<b>Oklahoma Rank</b>	<b>4 of 7</b>	<b>1 of 7</b>	<b>2 of 7</b>
<b>US Total</b>	<b>-1.09%</b>	<b>3.04%</b>	<b>2.9%</b>

## Recommendations

- **Eliminate the job creation tax credit for manufacturing firms.** The job creation portion of the Investment New Jobs Tax Credit has low and declining utilization, indicating that many firms may already be opting for the Quality Jobs Tax Credit. Further, the low wage requirement of \$7,000 per job in the Investment New Jobs Tax Credit creates essentially no barrier or threshold for claimants, limiting the incenting ability of the credit program. While an alternative would be to increase the wage threshold in order to incent the creation of high-paying jobs, this intent is already addressed through the Quality Jobs tax credit programs available in Oklahoma.

<sup>2</sup> US Bureau of Labor Statistics, Quarterly Census of Employment and Wages. Average annual pay for manufacturing in Oklahoma as of 2024 is \$70,892.

<sup>3</sup> The capital expenditure CAGR is based on 2003-2017 data from the Annual Survey of Manufacturers. More recent data at the state level is not yet available.

- **Raise the wage threshold to at minimum meet the average annual wages for manufacturing employees in the State.** By creating a higher wage threshold, Oklahoma can ensure the quality of jobs created, aligning the incentive better with the State's overall goals of creating stronger, better paying jobs.<sup>4</sup> Additionally, by requiring higher wages, the State can ensure a stronger return on investment due to increased consumer spending and greater income and sales tax revenue derived from newly created jobs.
- **Require an application process for claimants instead of offering the benefits by right, and include requirements for awarded tax credits.** An application process will ensure that claimants meet eligibility criteria, help tie the use of the credit to the investment activity itself, and limit exposure to runaway costs associated with by right entitlement. The application process would require claimants to justify their investment activities and can create a low but thoughtful barrier for applicants such that the credit doesn't act as a blanket subsidy but rather a strategic tool. Further, imposing an application process would allow Oklahoma to better capture detail on investment data to support impact analysis.
- **Limit the current indefinite carryforward period for prospective capital investment credits to seven years.** The lengthier carryforward period dilutes the value of the credit and creates an ever-growing unused tax credit liability for the State.
- **Amend the program statute to require additional data collection.** The Oklahoma Tax Commission (OTC) currently collects data from claimants through Form 506, however, this information is not stored in a way that makes it readily usable for evaluation purposes. The statute should be amended to require the OTC to store the information reported on Form 506 for the purposes of program evaluation, as well as to require additional data points to be collected and stored:
  - North American Industry Classification System (NAICS) code.
  - Amount of unused carried forward for the new jobs tax credit.
  - Amount of unused carried forward for the capital investment tax credit.
  - Average wage of new jobs created.
  - Type of capital investment (i.e. new or expanding facility, equipment upgrade or replacement).

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<sup>4</sup> Oklahoma Department of Commerce, Oklahoma's Strategic Plan for Economic and Community Development (2025). Available at <https://www.okcommerce.gov/wp-content/uploads/Oklahomas-Strategic-Plan-for-Economic-and-Community-Development.pdf>.



# Introduction

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Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final draft evaluation on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed. The project team also makes recommendations (where indicated) for changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or reconfigure each incentive under review. It then submits a final report to the Governor and Legislature. This incentive was first evaluated in 2018 and last evaluated in 2022.

## Summary of 2022 Evaluation Findings and Recommendations

**Table 1: Summary of 2022 Evaluation Findings and Recommendations**

<b>Evaluation Category</b>	<b>Significant Finding(s)</b>
Fiscal and Economic Impact	Data collected by the Oklahoma Tax Credit was insufficient for economic impact analysis. As of Tax Year 2022, the program to date has incurred a \$734.1 million potential liability for the State. Based on data from Tax Year 2019, the credit generates \$0.73 in new State tax revenue for each \$1.00 of foregone State revenue.
Administrative Effectiveness	No administrative issues were raised, other than a lack of sufficient data for economic impact analysis.
Achievement of Goals	In Tax Year 2019, credits claimed were associated with total capital investment of \$1.3 billion and 72 jobs.
Retain, Reconfigure or Repeal	Based on its analysis of available data, the project team recommended reconfiguring the program.
Other Recommendations	<p>The project team recommended several modifications to control program costs including:</p> <ul style="list-style-type: none"><li>▪ Limiting the carry forward to seven years;</li><li>▪ Requiring claims to be filed each year of the carry forward period, regardless of whether the credit was used to offset tax liability,</li><li>▪ Requiring an application and approval before allowing claims,</li><li>▪ Eliminating the new jobs credit, in favor of incenting job creation through the Quality Jobs program,</li><li>▪ Amending the statute to require data collection for the purposes of incentive evaluation and usage tracking.</li></ul>

Based on PFM's analysis and consideration of other factors, the Commission voted 5-0 to approve PFM's recommendation to reconfigure the incentive with the modification that the application submittal date change from within 30 to within 60 days of the capital investment being placed in service, and to add a review process by the Incentive Approval Committee.<sup>5</sup> No statutory changes were made since these recommendations were made.

## **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in employment, payroll, and capital investment from qualified facilities
- Change in employment, payroll, and capital investment from qualified industries before/after program
- Change in employment, payroll and capital investment in qualified industries in other states
- State return on investment

## **Manufacturing in Oklahoma**

The Investment-New Jobs Tax Credit is one of three major incentives for manufacturers offered by Oklahoma, along with the Five-Year Ad Valorem Tax Exemption and the Quality Jobs Program.<sup>6</sup> While the Five-Year Ad Valorem Tax Exemption reduces overhead costs and the Quality Jobs Program reduces the cost of labor, this Credit primarily seeks to reduce the cost of capital investment.

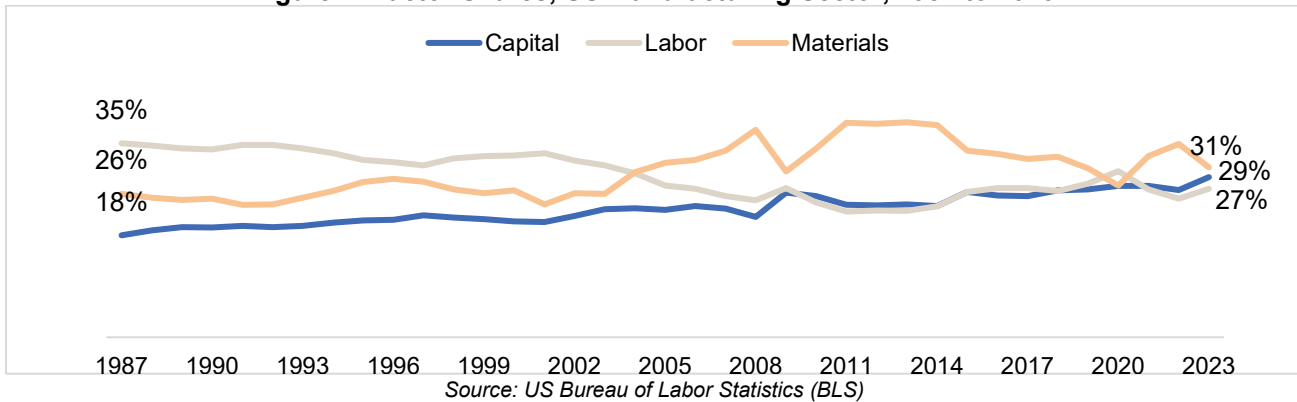
Capital investment is increasingly important in manufacturing, as automation and technological developments push many traditional manufacturers towards more capital-intensive models. Overall, capital has been increasing, particularly since 2010, while labor's factor share, the proportion of total economic output attributed to a particular factor of production, has been decreasing. Capital surpassed labor in 2010 as the largest factor share of manufacturing productivity. Since 1987, capital has grown as a factor of productivity in United States manufacturing by a compound annual growth rate (CAGR) of 1.6 percent, while labor and materials declined by 0.5 percent and 0.3 percent, respectively. Technological advancements that reduce capital costs in combination with both the offshoring and automation of labor in manufacturing are possible drivers of this shift.

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<sup>5</sup> Oklahoma Incentive Evaluation Commission, "Tax Incentive Evaluation Report," (2022). Available at [https://oklahoma.gov/content/dam/ok/en/omes/documents/iec/archive/reports/IEC2022FinalReport\\_FINAL.pdf](https://oklahoma.gov/content/dam/ok/en/omes/documents/iec/archive/reports/IEC2022FinalReport_FINAL.pdf).

<sup>6</sup> The most recent Five-Year Ad Valorem Tax Exemption Report is available at [https://oklahoma.gov/content/dam/ok/en/omes/documents/AdValoremExemption\\_Draft\\_%2010.1.2024.pdf](https://oklahoma.gov/content/dam/ok/en/omes/documents/AdValoremExemption_Draft_%2010.1.2024.pdf). The most recent Quality Jobs report is available at <https://oklahoma.gov/content/dam/ok/en/omes/documents/iec/archive/reports/2021IECReport.pdf>. The Quality Jobs program is being evaluated in the 2025 evaluation cycle.

**Figure 1: Factor Shares, US Manufacturing Sector, 1987 to 2023**



This national trend is reflected in Oklahoma, where manufacturing employment has declined by a CAGR of 0.8 percent from 2001 to 2024, while manufacturing capital expenditures increased at twice the rate (2.0 percent). Compared to neighboring states, manufacturing payroll grew fastest in Oklahoma, and the State trailed only Kansas in employment growth, and Arkansas in capital expenditure growth.

**Table 2: Compound Annual Growth, Manufacturing, 2001 to 2024**

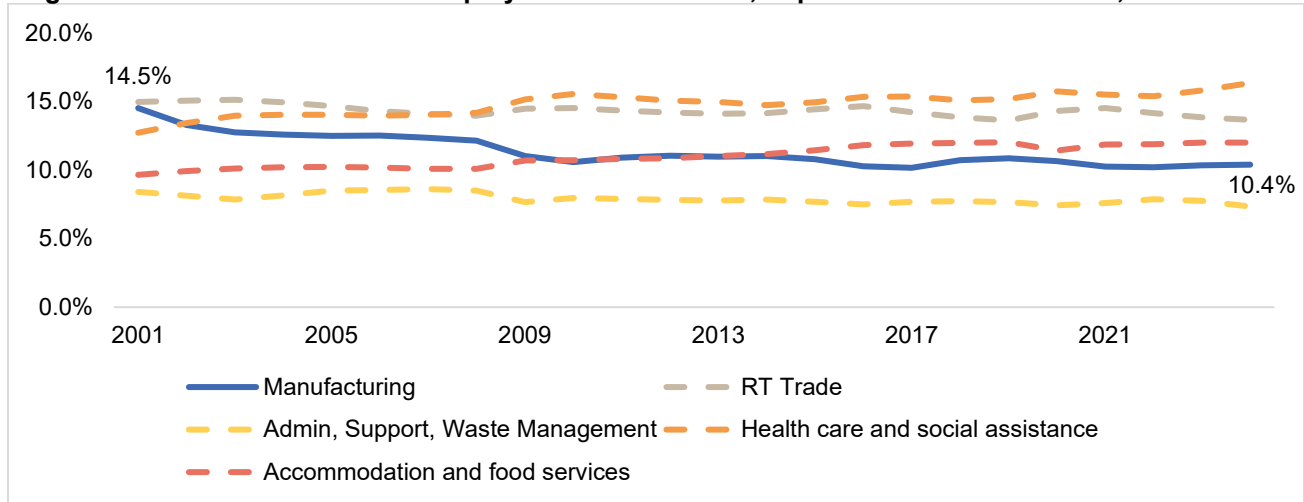
State	Employment	Payroll	Capital Expenditures <sup>7</sup>
Arkansas	-1.45%	3.17%	5.9%
Colorado	-0.88%	2.80%	0.5%
Kansas	-0.47%	2.74%	1.3%
Missouri	-0.79%	2.84%	-0.6%
New Mexico	-1.54%	2.71%	-4.5%
<b>Oklahoma</b>	<b>-0.82%</b>	<b>3.20%</b>	<b>2.0%</b>
Texas	-0.24%	3.15%	0.9%
<b>Oklahoma Rank</b>	<b>4 of 7</b>	<b>1 of 7</b>	<b>2 of 7</b>
<b>US Total</b>	<b>-1.09%</b>	<b>3.04%</b>	<b>2.9%</b>

Source: US Census Annual Survey of Manufacturers

Manufacturing in Oklahoma has remained a top-five sector by share of total private employment, but its share has declined significantly. In 2001, manufacturing accounted for 14.5 percent of employment in the State, but this declined to 10.4 percent in 2024.

<sup>7</sup> The capital expenditure CAGR is based on 2003-2017 data from the Annual Survey of Manufacturers. More recent data at the state level is not yet available.

**Figure 2: Share of Total Private Employment in Oklahoma, Top-Five Sectors as of 2021, 2001 to 2024**



Source: US BLS

[\*Access full report\*](#)

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Excise Tax Exemption on Aircraft Sales Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
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# **Key Findings and Recommendations**





## Incentive Overview

Oklahoma State Statute provides for a 3.25 percent excise tax on the purchase price of aircraft sold in the State. Revenue derived from this source primarily supports the (ODAA), specifically the ODAA's revolving fund. State statute provides 17 types of aircraft sales that are exempt from the excise tax.

**Recommendation: Retain with modifications.**

## Key Findings

- **Aircraft Excise Tax collections are estimated to have increased by a compound annual growth rate (CAGR) of 9.7 percent since 2019.** While there is incomplete data, preliminary findings suggest \$4.3 million in foregone excise tax revenue. Growth in excise tax collections shows the market for aircraft transactions continues to grow in Oklahoma, highlighting the enduring strength of this industry and its' importance to Oklahoma's economy. This is higher than the CAGR of 3.2 percent in the last excise tax evaluation, which measured growth from 2015-2019.
- **The economic impact of the exemption is difficult to assess.** There is currently no systematic reporting on the economic activity associated with exempt aircraft sales and the reasons for exemption claims are not tracked.
- **Oklahoma has a high number of aircraft registrations relative to the surrounding states.** On a per 100,000 resident basis, with 151, Oklahoma has more than most surrounding states, with the exception of Kansas (at 184). According to the FAA, with a total of more than 6,500 aircraft registrations, Oklahoma has fewer than Texas and Colorado and has more than Arkansas, Kansas, Missouri and New Mexico.
- **Oklahoma ranks high in number of recent aircraft registrations nationwide.** Oklahoma has the fifth highest number of recent aircraft registrations according to the FAA, with 140 aircraft registered in the previous 30 days. Although lower than Texas, Florida, California and Delaware, Oklahoma ranks above Washington, Ohio, Utah, Minnesota, and Georgia.
- **Aircraft excise tax collections and administration of the excise tax exemption was moved from the Oklahoma Tax Commission (OTC) to Service Oklahoma in 2024.** Due to the transition of data collection processes between the two agencies, updated data on total aircraft units sold, total exempt units sold, and total purchase price for the previous five fiscal years was not available during the evaluation timeline. Per Service Oklahoma, it is possible this data will be made available in February 2026.
- **Comparable tax exemptions exist in most states.** While most states do not apply a specific excise tax on aircraft sales, all of Oklahoma's neighboring states offer similar tax exemptions for various types of aircraft transactions.
- **Service Oklahoma does not collect information on the reasons exemptions are claimed for the aircraft excise tax.** While the agency administers multiple forms related to the tax—including the monthly dealer report and the application for registration of aircraft form—neither requires dealers or purchasers to identify the basis for an exemption if claimed. Dealers must report the number of aircraft sold and purchased each month, including exempt units, but are not required to provide the exemption reason or the value of exempt sales. Similarly, the registration form collects detailed purchaser and aircraft information but does not capture whether the sale was taxable or exempt, or why. As a result, the State's ability to evaluate the use and impact of exemptions is limited.

## Recommendations

- **Improve the data collection process.** Service Oklahoma should update its aircraft dealer report to require that the dealer explain whether the sale was taxable or exempt, and if exempt, for what reason. Additionally, Service Oklahoma should update its aircraft registration form for individuals to require that the owner state whether the aircraft was exempt from the excise tax and on what grounds.
- **Focus the excise tax exemptions around a specific policy goal.** As currently structured, none of the State's excise tax exemptions for aircraft sales include policy goals. Effective tax incentives are



designed in support of well-defined policy goals and objectives. Goals and objectives provide metrics that can support rigorous analysis of program effectiveness and return on investment. Well-defined goals facilitate the identification of policy targets (e.g., private sector jobs) and the identification and design of specific policy instruments (e.g., wage-based corporate tax credits to promote employment creation). In this case of this incentive, a specific policy goal might be to increase aerospace manufacturing industry employment.

- **Identify the history of/basis for each excise tax exemption and evaluate whether it aligns with the State's economic and policy goals.** There are 17 categories of aircraft sales that are exempt from the excise tax. Some, like the sale to state or federal government, can be categorized as tax rather than business incentive policy, as the government does not collect taxes from itself and cannot collect them from the federal government. Others can be considered discretionary and may not have a clear reason to exist without a specific policy goal. If an exemption is found to be out of alignment, consider repealing the specific tax preference.



# Introduction



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The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## 2020 Evaluation Findings and Recommendations

Key findings from the 2020 evaluation are displayed in the following table:

**Table 1: Summary of Findings, 2020 Evaluation**

Topic Area	Findings
Fiscal and Economic Impact	<b>Fiscal Impact:</b> An average of \$2.6 million in excise tax revenue is foregone annually, which is about 40 percent of actual collections. Collections are earmarked to support the operations of the Oklahoma Aeronautics Commission, so they do not have a broad programming impact.  <b>Economic Impact:</b> The available data was insufficient to conduct an economic impact analysis.
Adequate Protections for Future Fiscal Impact?	The available data was insufficient to conduct a comprehensive future fiscal impact analysis. Absent a material change in this industry in Oklahoma, it is unlikely that these exemptions will have a significant future fiscal impact.
Effective Administration?	Useful information related to the identity of the purchaser and the purchased aircraft is collected; however, dealers are not required to explain whether the reported sale was taxable or tax exempt, and if exempt, for what reason.
Achieving Its Goals?	Goals are not identified, and data does not provide a ready method of determining overall impact on the industry in the state.
Changes to Improve Future Evaluation	Require dealer reporting on aircraft transactions to identify the rationale for exempting sales from excise tax.

Based on these findings, the 2020 recommendation was to reconfigure the program by focusing it around a policy goal. The Commission voted 5-0 to approve this recommendation.



While the legislature did not act on this recommendation, the administration and collection of aircraft excise taxes was moved from the Oklahoma Tax Commission to Service Oklahoma following the passage of SB 773, effective July 1, 2024.

### **Aircraft Incentives Overview**

Four distinct aircraft and aerospace tax exemptions are included in the 2025 evaluation schedule. The chart below highlights statute citations, relevant taxpayer entities who qualify, summary of benefits and any incentive usage data for each exemption.



Incentive	Statute Citation	Taxpayer Entity/Type	Benefit Summary	Incentive Usage
Aircraft Excise Tax Exemption	O.S. § 68-6003.	Individuals and entities completing qualified transactions.	Certain categories of aircraft/aircraft transactions are exempt from the 3.25% excise tax	Total usage unknown due to lack of data
Aircraft Facilities Sales Tax Exemption on Aircraft Parts	68 O.S. § 1357 [20]	Individuals and entities completing qualified transactions at a qualified aircraft maintenance facility.	Certain transactions of aircraft and aircraft parts are exempt from sales tax provided they occur at a qualified aircraft maintenance facility.	No usage data – last five fiscal years
Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemption	68 O.S. § 1357 [16], [17]	Qualified aircraft maintenance facility; Contractor or subcontractor who has entered into a contractual relationship with a qualified aircraft maintenance facility.	Sales of computers, data processing equipment, tangible personal property consumed or incorporated into the construction or expansion of qualified aircraft maintenance facilities are exempt from Oklahoma sales tax.	One applicant - did not complete application.
Aircraft Repairs and Modifications Sales Tax Exemption	68 O.S. § 1357 [28]	Entities and individuals purchasing aircraft engine repairs, modification and replacement parts.	Certain sales of aircraft engine repairs, modification and replacement parts, other aircraft modification services and parts purchased are exempt from Oklahoma sales tax.	Per Tax Expenditure Report: \$3,248,000 in FY2024



## **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals established in state statute or legislation. In the case of this program, a specific goal is not provided.

To assist in a determination of program effectiveness, the Commission adopted the following criteria:

- Growth in sales of exempted aircraft within the state – comparison to the period prior to the exemption and with other comparable states.
- Growth in employment in aircraft industry within the state – comparison to the period prior to the exemption and with other comparable states.
- Return on investment related to economic impact from exemption versus its cost.
- Use with other related State business incentives.

## **2025 Evaluation Approach**

To conduct its 2025 review of the Excise Tax Exemption on Aircraft Sales, the project team conducted the following activities:

- Submitted an information request to the OTC and Service Oklahoma
- Reviewed and analyzed OTC-provided data.
- Completed subject matter expert/internal stakeholder interviews with representatives from OTC and the Oklahoma Aeronautics Commission (OAC).
- Benchmarked Oklahoma's incentive relative to peer state programs.
- Conducted an economic impact analysis of the incentive.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Expedited Evaluation: Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemption**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
1735 Market Street  
43<sup>rd</sup> Floor  
Philadelphia, PA 19103





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# **Key Findings and Recommendations**



## Incentive Overview

Since 1991, the State of Oklahoma has offered multiple sales tax exemptions for use by qualified aircraft maintenance or manufacturing facilities (aircraft facilities). The exemptions apply to sales of: (1) computers, data processing equipment, related peripherals and telephone, telegraph, or telecommunication services and equipment; and (2) tangible personal property consumed or incorporated in construction or expansion.

The statute defines a “qualified aircraft maintenance or manufacturing facility” as “a new or expanding facility primarily engaged in aircraft repair, building or rebuilding whether or not on a factory basis, whose total cost of construction exceeds the sum of Five Million Dollars (\$5,000,000.00) and which employs at least two hundred fifty (250) new full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission, upon completion of the facility.” Additionally, to qualify for this exemption, the cost of items purchased by the facility must equal or exceed \$2,000,000.<sup>1</sup>

## Expedited Review

Per 62 OK Stat § 7004, the Commission may conduct an expedited evaluation for any incentive that has been evaluated at least two times from calendar years 2016 through 2023 and has not had a material change to the program since its prior evaluation. The aircraft maintenance or manufacturing facilities sales tax exemption has been evaluated in 2019 and 2023 and has had no material changes since then. PFM and the Incentive Evaluation Commission agreed to conduct an expedited evaluation of the exemption for the 2025 review.

## Recommendation: Retain, with modifications

## Key Findings

- **The State’s aircraft maintenance facility-related sales tax exemptions are not currently in use.** According to Oklahoma Tax Commission (OTC) representatives, these incentives have not been used in at least the last five fiscal years. One company qualified for the tangible personal property sales tax exemption during the time period, but to date it has failed to substantiate its refund claim. Because these exemptions are not being used, the State is not currently at risk of untenable future fiscal impacts.

**No economic or fiscal impact can be attributed to the sales tax exemptions.** Because no taxpayers have used these incentives, the State has not foregone any sales tax revenue. There has also been no economic impact as a result of the incentives.

## Recommendations

- **Consolidate statutory references.** Per the previous evaluation, the sales tax exemptions are identified as 1357(16) – Sales of computers, data processing equipment, related peripherals, and telephone; and 1357(17) – Sales of tangible personal property consumed or incorporated in the construction or expansion of a qualified aircraft maintenance or manufacturing facilities. In addition, other sections of Title 68 pertain to the administration of the exemptions. However, there are references to other sections of Title 68 which do not relate to these specific aircraft exemptions. Furthermore, there are multiple versions of Title 68 which have outdated and inconsistent statutory references. Consolidation of the existing paragraphs into one section of Title 68 would allow for a more effective and efficient administration of the incentive.

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<sup>1</sup> 68 O.S. § 1357 [16, 17]



***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Aircraft Facilities Sales Tax Exemption on Aircraft Parts Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
BNY Mellon Center  
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# **Key Findings and Recommendations**



## Incentive Overview

The State of Oklahoma exempts sales of aircraft and aircraft parts from the state sales and use tax, provided the sales occur at a qualified aircraft maintenance facility.

**Recommendation: Retain with modifications.**

## Key Findings

- **According to the Oklahoma Tax Commission (OTC), there have been no submitted applications for refunds in the last seven years.** Because there is no data associated with exemption use, the fiscal impact to the State cannot be determined. Additionally, the economic impact of the incentive cannot be determined.
- **Among all states, Oklahoma's civil aviation maintenance industry employment is fifth highest.** Oklahoma employs over 14,500 individuals across the maintenance, repair, and overhaul (MRO) and parts manufacturing and distributing sectors, with only Texas, Florida, California and Georgia employing more people in this sector.
- **Growth in Oklahoma's civil aviation maintenance industry since 2023 ranks fifth nationwide.** Tennessee, North Carolina, Texas and Illinois industry growth exceeded 13 percent, with Oklahoma's industry employment growing at a rate of 5.6 percent in the same period.
- **Growth in civil aviation maintenance industry economic activity in Oklahoma has outpaced the national average.** Between 2019 and 2025, Oklahoma's civil aviation maintenance industry economic activity has growth by a compound annual growth rate of 5.8 percent, exceeding the national average of 3.1 percent, and falling behind only Tennessee, North Carolina, Texas and Washington.
- **South Carolina, Ohio, New York and Washington are some of the states that offer similar tax exemptions on aircraft repairs and parts.**

## Recommendations

- **Identify an achievable policy goal for the Sales Tax Exemption on Aircraft Parts.** While the aircraft and aerospace MRO industry is vital to Oklahoma, the current exemption does not directly point to a specific policy goal and thus is not aligned with incentive best practices.
- **Consider integrating the exemption into maintenance or manufacturing sales tax exemption.** Currently Oklahoma offers both a sales tax exemption for sales made at a qualified aircraft maintenance facility as well as an exemption for purchases of materials that will be integrated into the construction or expansion of a qualified aircraft maintenance facility. While the exemptions are targeting two distinct purchases, there is overlap and redundancy with the overall intent, and growth in the aircraft maintenance industry in Oklahoma may be better achieved with a more uniform aircraft maintenance facility exemption.





# **Introduction & Project Background**



## **Incentive Evaluation Commission Overview**

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the inception of the Commission, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in each given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

The sales tax exemption on aircraft and aircraft parts sold at a qualified maintenance facility has not been previously evaluated by PFM. During its January 23, 2025, meeting the Oklahoma Incentive Evaluation Commission voted unanimously to include this exemption for the 2025 evaluation schedule.<sup>1</sup>

## **Aircraft Incentives Overview**

Four distinct aircraft and aerospace tax exemptions are included in the 2025 evaluation schedule. The chart below highlights statute citations, relevant taxpayer entities who qualify, summary of benefits and any incentive usage data for each exemption.

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<sup>1</sup> Oklahoma Incentive Evaluation Commission, "Regular Meeting Minutes" (2025). Accessed electronically at <https://oklahoma.gov/content/dam/ok/en/omes/documents/iec-minutes-2025-01-23.pdf>



Incentive	Statute Citation	Taxpayer Entity/Type	Benefit Summary	Incentive Usage
Aircraft Excise Tax Exemption	O.S. § 68-6003.	Individuals and entities completing qualified transactions.	Certain categories of aircraft/aircraft transactions are exempt from the 3.25% excise tax	Total usage unknown due to lack of data
Aircraft Facilities Sales Tax Exemption on Aircraft Parts	68 O.S. § 1357 [20]	Individuals and entities completing qualified transactions at a qualified aircraft maintenance facility.	Certain transactions of aircraft and aircraft parts are exempt from sales tax provided they occur at a qualified aircraft maintenance facility.	No usage data – last five fiscal years
Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemption	68 O.S. § 1357 [16], [17]	Qualified aircraft maintenance facility; Contractor or subcontractor who has entered into a contractual relationship with a qualified aircraft maintenance facility.	Sales of computers, data processing equipment, tangible personal property consumed or incorporated into the construction or expansion of qualified aircraft maintenance facilities are exempt from Oklahoma sales tax.	One applicant - did not complete application.
Aircraft Repairs and Modifications Sales Tax Exemption	68 O.S. § 1357 [28]	Entities and individuals purchasing aircraft engine repairs, modification and replacement parts.	Certain sales of aircraft engine repairs, modification and replacement parts, other aircraft modification services and parts purchased are exempt from Oklahoma sales tax.	Per Tax Expenditure Report: \$3,248,000 in FY2024



## 2025 Criteria and Evaluation Approach

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation (where applicable) and as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be identified and used for the evaluation.

The purpose of the Aircraft Facilities Sales Tax Exemption on Aircraft Parts is not articulated in the enabling legislation, though it is reasonable to assume that the intent is to encourage investment in aircraft maintenance and manufacturing activities in Oklahoma. The Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Changes to industry measures (e.g., size sector GDP, employment compared to other sectors)
- Comparisons of changes in sector versus states with/without similar exemptions
- Changes in Oklahoma industry employment
- Changes in Oklahoma industry capital investment
- State return on investment

To conduct its 2025 review of the Aircraft Facilities Sales Tax Exemptions, the PFM team undertook several project tasks, including (but not limited to) the following:

- Reviewed and analyzed Tax Commission and other relevant data and information.
- Conducted subject matter expert and internal stakeholder interviews.
- Met with leadership from the State, Oklahoma City, and Tulsa Chambers of Commerce and interested industry representatives.
- Benchmarked Oklahoma to other states.

***[Access full report](#)***

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **Aircraft Repairs and Modifications Sales Tax Exemption Evaluation**

**December 2, 2025**

**PFM Group Consulting LLC**  
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# **Key Findings and Recommendations**



## Incentive Overview

Beginning July 1, 2005, 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 the Oklahoma sales and use tax.

## Recommendation: Retain with Modifications.

### Key Findings

- **The five-year fiscal impact of the exemption is estimated at \$14 million.** Per-year totals average between \$2.4 and \$3.2 million in foregone revenue between 2015 and 2023.
- **The number and value of exemptions are not tracked.** While the Oklahoma Tax Commission's (OTC) Tax Expenditure Report provides an annual expenditure estimate for the exemption, the value is based on an estimate from 1995 adjusted for 2024 dollars from the Center for Economic and Management Research at the University of Oklahoma (OU) and the Office of Business and Economic Research at Oklahoma State University (OSU). When adjusted for inflation since 2015, these expenditure estimates have grown by a CAGR of 3.0 percent, or from roughly \$2.5 million to \$3.2 million.
- **The aviation and aerospace industry is vital to Oklahoma's economy.** According to the Oklahoma Department of Aerospace and Aeronautics (ODAA), the aviation and aerospace industry generates a total of \$43.7 billion of economic activity statewide.
- **Economic impact was derived from the revenue estimate.** Assuming the exemption is reinvested fully into Oklahoma firms, 181 total jobs are supported over the five-year period and an estimated \$13.3 million in labor income was generated for Oklahoma residents.
- **Several states offer similar tax exemptions on aircraft repairs and parts.** While many states across the United States offer some sort of sales tax exemption related to the purchase of aircraft maintenance or manufacturing parts, fewer states have separate exemptions for sales occurring at a qualified aircraft maintenance facility in addition to sales of aircraft engine repairs and interior modification parts and sales of services employed in the replacement of parts.
- **There is no substantial administrative burden in the management of the aircraft repairs and modification sales tax exemption.**

### Recommendations

- **Consider tracking the number of exemptions claimed and amount reinvested into Oklahoma.** The Oklahoma Tax Commission may consider capturing data around number of value of total exemptions claimed to allow for further analysis of fiscal and economic impacts.
- **Consider integrating the exemption into the maintenance or manufacturing sales tax exemption.** Currently Oklahoma offers both a sales tax exemption for sales made at a qualified aircraft maintenance facility as well as an exemption for purchases of materials that will be integrated into the construction or expansion of a qualified aircraft maintenance facility. While the exemptions are targeting two distinct purchases, there is overlap and redundancy with the overall intent and growth in the aircraft maintenance industry in Oklahoma may be better achieved with a more uniform aircraft maintenance facility exemption.
- **Identify specific policy goals for which the Aircraft Repairs and Modifications Sales Tax Exemption can achieve.** While the aircraft and aerospace MRO industry is vital to Oklahoma, the current exemption does not directly point to a specific policy goal and thus is not aligned with incentive best practices.





# Introduction



## **Incentive Evaluation Commission Overview**

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the inception of the Commission, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in each given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

This evaluation of the Aircraft Repairs and Modifications Sales Tax exemption administered by the Oklahoma Department of Commerce ("the Department") and the Oklahoma Tax Commission (OTC) is one of 11 evaluations being conducted by the Commission in 2025 and fits within the aircraft and aerospace industry related incentives. The aircraft repairs and modifications sales tax exemption has not been previously evaluated.

Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to this program.

## **Incentive Background**

Per 68 O.S. § 1357.28, "Beginning July 1, 2005, 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 the Oklahoma sales tax, which is currently 4.5%.<sup>1</sup>

## **Aircraft Incentives Overview**

Four distinct aircraft and aerospace tax exemptions are included in the 2025 evaluation schedule. The chart below highlights statute citations, relevant taxpayer entities who qualify, summary of benefits and any incentive usage data for each exemption.

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<sup>1</sup> 68 O.S. § 1357 [28]



Incentive	Statute Citation	Taxpayer Entity/Type	Benefit Summary	Incentive Usage
Aircraft Excise Tax Exemption	O.S. § 68-6003.	Individuals and entities completing qualified transactions.	Certain categories of aircraft/aircraft transactions are exempt from the 3.25% excise tax.	Total usage unknown due to lack of data.
Aircraft Facilities Sales Tax Exemption on Aircraft Parts	68 O.S. § 1357 [20]	Individuals and entities completing qualified transactions at a qualified aircraft maintenance facility.	Certain transactions of aircraft and aircraft parts are exempt from sales tax provided they occur at a qualified aircraft maintenance facility.	No usage data – last five fiscal years.
Aircraft Maintenance or Manufacturing Facilities Sales Tax Exemption	68 O.S. § 1357 [16], [17]	Qualified aircraft maintenance facility; Contractor or subcontractor who has entered into a contractual relationship with a qualified aircraft maintenance facility.	Sales of computers, data processing equipment, tangible personal property consumed or incorporated into the construction or expansion of qualified aircraft maintenance facilities are exempt from Oklahoma sales tax.	One applicant - did not complete application.
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## **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this program, a specific goal is not provided.

To assist in a determination of program effectiveness, the Commission adopted the following criteria:

- Growth in employment in aircraft industry within the state – comparison to the period prior to the credit and with other comparable states;
- Return on investment related to economic impact from exemption versus its cost;
- Use with other related State business incentives.

## **2025 Evaluation Approach**

To conduct its 2025 review of the Aircraft Repairs and Modifications Sales Tax Exemption, the project team conducted the following activities:

- Submitted an information request to the OTC;
- Reviewed and analyzed OTC-provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from OTC and the Oklahoma Department of Aerospace and Aeronautics;
- Benchmarked Oklahoma's incentive relative to peer state programs;
- Conducted an economic impact analysis of the incentive.

***[Access full report](#)***