

2011

**TASK FORCE
FOR THE
STUDY OF STATE TAX
CREDITS
&
ECONOMIC
INCENTIVES**

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GENERAL ITEMS

An Act

ENROLLED HOUSE
BILL NO. 1285

By: Dank, Pittman, Cannaday,
Kirby and Scott of the
House

and

Mazzei and Johnson
(Constance) of the Senate

An Act relating to revenue and taxation; creating the Task Force for the Study of State Tax Credits and Economic Incentives; providing for membership of Task Force; requiring organizational meeting; providing for quorum; providing for cochairs; requiring study of certain tax credits; providing for study of economic incentives; defining scope of study; providing Task Force subject to certain statutory provisions; providing for staff assistance; requiring final report; providing for termination of Task Force; providing for codification; providing an effective date; and declaring an emergency.

SUBJECT: Task Force for the Study of State Tax Credits and Economic Incentives

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.1A-1 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. There is hereby created the Task Force for the Study of State Tax Credits and Economic Incentives.

B. The Task Force shall consist of ten (10) members to be appointed or selected as follows:

claimed and any other economic incentives that affect state or local tax liabilities. The study shall include, but shall not be limited to:

1. The justification for the enactment of any state tax credits based upon the relevant economics of the applicable industry or economic sector affected;

2. The economic impact related to the utilization of state tax credits;

3. Analysis of the utilization of the credits by tax credit purchasers;

4. The impact of tax credits on any and all economic sectors of the state economy;

5. The adequacy or inadequacy of state tax credits or other economic incentives; and

6. Such other matters related to state tax credits or economic incentives as the Task Force deems relevant.

G. The Task Force shall be subject to the provisions of:

1. The Oklahoma Open Meeting Act; and

2. The Oklahoma Open Records Act.

H. Staff assistance for the Task Force shall be provided by the staff of the Oklahoma House of Representatives and the State Senate.

I. The Task Force shall produce a final written report of its findings and any recommendations regarding transferable tax credits. The report shall be submitted to the Governor, the Speaker of the Oklahoma House of Representatives and the President Pro Tempore of the State Senate not later than December 31, 2011.

J. The provisions of this section shall cease to have the force and effect of law and the Task Force shall terminate effective January 1, 2012.

SECTION 2. This act shall become effective July 1, 2011.

Passed the House of Representatives the 16th day of May, 2011.

Presiding Officer of the House of
Representatives

Passed the Senate the 17th day of May, 2011.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Governor this _____
day of _____, 20____,
at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma the _____ day of
_____, 20____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Secretary of State this _____
_____ day of _____, 20____,
at _____ o'clock _____ M.

By: _____



House of Representatives

STATE OF OKLAHOMA

July 14, 2011

TO: Rep. David Dank, Chairman, House Revenue and Taxation Subcommittee

FROM: Mark Harter, Deputy Chief Counsel

SUBJECT: Attorney General Opinion No. 2010-16: Constitutionality of Certain Tax Credits

The Opinion answered a number of questions related to the constitutionality of certain state tax credits.

According to a 1984 Oklahoma Supreme Court case, if an Attorney General Opinion concludes that a statute is unconstitutional, the opinion must be treated as advisory. This means that only a district court or the Oklahoma Supreme Court has the power to make a final and binding declaration regarding unconstitutionality.

Generally, the Opinion concluded that a state tax credit does not violate the provisions of the Oklahoma Constitution if it meets three tests:

1. The State of Oklahoma must have some form of "consideration" as a result of the tax credit. This could take the form of economic activity such as job creation or actual expenditures by a business entity such as those which qualify for the "investment tax credit" authorized by 68 O.S. Section 2357.4. In this case, the economic activity takes place before any tax credit is claimed on a tax return. The Opinion cited the tax credit for advanced small wind turbines as an example of a credit that meets this test because the credit cannot be claimed until the wind turbine is manufactured.

2. There must be a public purpose for the tax credit. The Opinion cited a number of cases from the Oklahoma Supreme Court which support the idea that economic development is a legitimate public purpose with the condition that the economic activity takes place before the credit can be claimed on a tax return.

3. There must be adequate safeguards and controls with respect to the tax credit. This requirement is related to the expenditure of public funds which according to the Oklahoma Constitution must be for a public purpose. If the Legislature authorizes the use of tax credits (the equivalent of spending public funds), then there must some type of safeguard or control related to the expenditures. The Opinion did not undertake to provide specific guidance about what constitutes adequate safeguards and controls, but did cite some examples of credits that lack adequate safeguard and controls.

4. With regard to transferable tax credits, the Opinion concludes that the three factor test of adequate consideration, public purpose and adequate safeguards must be met by the original credit "holder" (the credit transferor) and by any person or entity to whom or to which credits are transferred (the credit transferee). If a tax credit is transferable, according to the Opinion the credit must be subject to the same restrictions regardless of whether the credit is being used by the original entity to whom or to which the credit is provided or is being used by a person or entity to whom or to which the credit is transferred.

The Opinion focused attention on both the Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act as providing for tax credits that do not meet one or more of the three requirements, primarily adequacy of consideration to the State of Oklahoma for the investment of equity funds using the qualified capital company structure.

If I need to follow up, please let me know.

MH:tk/120920



OFFICE OF ATTORNEY GENERAL
STATE OF OKLAHOMA
ATTORNEY GENERAL OPINIONS
2010-16

The Honorable David Dank
State Representative, District 85
State Capitol, Room 400
Oklahoma City, Oklahoma 73105

December 20, 2010

Dear Representative Dank:

This office has received your request for an official Attorney General Opinion in which you ask, in effect, the following questions:

1. **Under what conditions may the State of Oklahoma authorize income tax credits? Must a taxpayer perform an economic activity to claim an income tax credit? Do income tax credits violate Sections 14 and 15 of Article X of the Oklahoma Constitution because the credit constitutes a gift?**
2. **If the State of Oklahoma authorizes a tax credit and also allows the tax credit to be transferred from the taxpayer originally entitled to the tax credit to another taxpayer, does the transfer violate Sections 14 and 15 of Article X of the Oklahoma Constitution because the taxpayer, to which the credit is transferable, may have the benefit of reducing a tax liability without any corresponding economic obligation?**
3. **Do the provisions of the Small Business Capital Formation Incentive Act or the provisions of the Rural Venture Capital Formation Incentive Act violate Sections 14 and 15 of Article X of the Oklahoma Constitution because the credit resulting from the investment activity constitutes a gift to a taxpayer entity making the investment upon which the credits are based?**

STANDARD OF REVIEW

Statutes are presumed constitutional. *Reherman v. Okla. Water Res. Bd.*, 679 P.2d 1296, 1300 (Okla. 1984). "Whenever possible, statutes should be construed so as to uphold their constitutionality." *Id.* If a statute's "language is susceptible to a meaning that will remove the objections to its validity, such interpretation should be adopted." *Way v. Grand Lake Ass'n*, 635 P.2d 1010, 1017, (Okla. 1981) (quoting *Herndon v. Anderson*, 25 P.2d 326, 328 (Okla. 1933)). The question to be answered

in evaluating a statute's constitutionality is not whether the Legislature is permitted to do such an act but whether the Legislature is prohibited from doing such an act. *Draper v. State*, 621 P.2d 1142, 1146 (Okla. 1980).

I.

**THE OKLAHOMA SUPREME COURT HAS UPHELD THE
CONSTITUTIONALITY OF OKLAHOMA INCOME TAX CREDITS**

"The legislature declares the fiscal policy of Oklahoma, and has the responsibility to do so." *Fent v. State ex rel. Okla. Tax Comm'n*, 99 P.3d 241, 247 (Okla. 2004).¹ The State of Oklahoma has fifty-five income tax credits.² Income tax credits that annually reduce Oklahoma state revenue by hundreds of millions of dollars have been enacted over the years.³ These credits can be broadly classified in two categories: non-economic development credits and economic development credits.

A. Non-Economic Development Tax Credits

Non-economic development income tax credits have been upheld by the Oklahoma Supreme Court. *Fent* upheld the validity of the Oklahoma earned income tax credit (68 O.S.2001, § 2357.43) as to various constitutional provisions, including Sections 14 and 15 of Article X of the Oklahoma Constitution. In analyzing the issue, *Fent* stated:

The issue before us concerns not the levying of a tax, but the adoption by the legislature of a tax credit. We have held previously that deductions to be allowed in computing net income depend entirely on the legislative will and must be clearly expressed. Deductions from gross income are a matter of legislative grace, and whether they are allowable [to the taxpayer] depends upon the statute. The same rationale applies to tax credits enacted by the legislature.

Id. 99 P.3d at 244 (citations omitted). Furthermore *Fent* said:

The State may classify persons and the origin of their incomes, and may apportion deductions or exemptions, provided the classifications and apportionment are

¹ Courts have "no authority to consider the desirability, wisdom, or practicability of fiscal legislation." *Calvey v. Daxon*, 997 P.2d 164, 171 (Okla. 2000). "In ruling on decisions made by the legislature to enact tax credits, it is not the duty or the privilege of this Court to rule on the wisdom, practicality or common sense of the tax credits." *Fent* at 247.

² See Tax Policy Division of the Okla. Tax Commission, *Okla. Tax Commission Tax Expenditure Rep. 2009-2010, II. Income Tax, A. Credits*, available at http://www.tax.ok.gov/reports/TER_2009-2010.pdf.

³ Table 1 contains Assistant Attorney General David Kinney's excerpts from the *Oklahoma Tax Commission Tax Expenditure Report, 2009-2010, II. Income Tax, A. Credits*. The report is the "Tax Commission's best estimate of the amount of state revenue that would have been collected" for each item in the report. See *id.* at 3. The 2010 fiscal year total costs of these income tax credits is almost \$260 million dollars. See Table 1.

reasonable and related to the object of taxation. All that is required is that there be reasonable classification and reasonable opportunity for uniform or equal incidence upon the classes created. The determination by this Court is whether our legislature has “classified reasonably and has set up a system designed to operate with reasonable uniformity and equality on the given classes.”

Id. at 245 (citations omitted).

Fent also looked at the constitutional provisions of Sections 14 and 15 of Article X of the Oklahoma Constitution. Sections 14 and 15(A) are generally construed in tandem. Section 14 is a restriction on the expenditure of public funds. In pertinent part it provides, “taxes shall be levied and collected by general laws, and for public purposes only.” OKLA. CONST. art. X § 14(A). Section 15 of Article X of the Oklahoma Constitution limits the ability of the State to give, pledge, loan or donate to individuals or entities:

- A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation.

Id. *Fent* found the Oklahoma earned income tax credit did “not constitute a gift by the state to individuals under Art. 10 § 15.” *Id.* 99 P.3d at 248.

B. Economic Development Tax Credits

To be Constitutional, Economic Development Tax Credits Must:

- 1. SERVE A PUBLIC PURPOSE,**
- 2. BE SUPPORTED BY ADEQUATE CONSIDERATION, AND**
- 3. HAVE ADEQUATE CONTROLS AND SAFE GUARDS.**

“Encouragement and promotion of commerce and industry in the state is an authorized function of the State of Oklahoma.” *In re Okla. Dev. Fin. Auth.*, 89 P.3d 1075, 1081 (Okla. 2004). “An economic development plan, in whatever form it takes, will be upheld so long as it serves a public purpose and otherwise meets constitutional requirements.” *State ex rel. Brown v. City of Warr Acres*, 946 P.2d 1140, 1144-45 (Okla. 1997). For an economic development income tax credit to be constitutional, three elements must be present:

1. The credit must serve a public purpose,

2. The credit must be supported by adequate consideration, and
3. The credit must have adequate controls and safeguards.

PUBLIC PURPOSE

“(T)he term ‘public purposes’ as used in section 14, Art. 10 is not to be construed in a narrow and restricted sense.” *Way*, 635 P.2d at 1015 (quoting *Bd. of Comm’r v. Shaw*, 182 P.2d 507, 515 (Okla. 1947)). *Way* noted that the term “public purpose” as used in a constitutional context is “synonymous with ‘governmental purposes.’ ” *Id.* It “means a purpose affecting the inhabitants of the state or taxing district *as a community*, and not merely as individuals.” *Id.* (emphasis added). *See also, Burkhardt v. City of Enid*, 771 P.2d 608, 610-11 (Okla. 1989). Further “[c]ourts are to give great deference to a legislative body’s determination that a particular project serves a public purpose,” and will reverse such determination “only upon a clear showing that it was manifestly arbitrary, capricious, or unreasonable.” *City of Warr Acres*, 946 P.2d at 1144.

ADEQUATE CONSIDERATION

The second factor for determining whether a legislative appropriation constitutes a gift as prohibited by Section 15, Article X turns on the presence of adequate consideration. “A gift within the meaning of this section is a gratuitous transfer of the property of the state voluntarily and without consideration.” *Hawks v. Bland*, 9 P.2d 720, 722, (Okla. 1932). The existence of consideration was the determining factor in *Childrens Home & Welfare Association v. Childers*, 171 P.2d 613 (Okla. 1946):

[W]e conclude that where the State receives property or service in return for the payment of its money, even though such payment by the State be voluntary in the sense that the contract whereunder the money was paid was voluntarily entered into, it is not to be treated as a gift.

Id. at 614.

Way found that the consideration test had been met by the legislation’s creation of a unilateral contract:

[A]nd by reason of the detailed requirements and qualifications together with the governmental controls and safeguards which are an integral part of the statutory plan under which the [private company] is enabled to receive legislative appropriations, the appropriation statutes are in the nature of a unilateral contract between an agency of state government and [the private company]. [The private companies] herein are not, therefore, in violation of Art. 10, s 15.

Way, 635 P.2d at 1018.

Burkhardt also found that, "Consideration may be measured by benefit to one party or by forbearance, detriment, loss or responsibility assumed by the other party." *Id.* 771 P.2d at 611. The court found the presence of adequate consideration in the private university's agreement to remain operating and to accept strict restrictions on the expenditure of the funds received from the city in exchange for the campus property. "Although a municipality may be flexible in structuring its plans for economic development, it must obtain *adequate consideration* and accountability from a private actor in exchange for the expenditure of public funds." *Id.* at 614 (emphasis added).

CONTROLS AND SAFEGUARDS

Way emphasized the "detailed conditions and governmental safeguards and controls" present in the legislation at issue. *Id.* 635 P.2d at 1015. The factual scenario involved in *Way* was an appropriation of state funds to the Oklahoma Tourism and Recreation Department for the purpose of providing funding to public and private agencies to cooperate with the Department in the promotion of tourism in Oklahoma. *Id.* at 1012. Given the detailed expressions of the legislative purposes and the restrictions and safeguards on how the funds could be spent by the corporations in furtherance of those purposes, *Way* concluded that the appropriations were for public purposes. *Id.* at 1018.

In summary, for an economic development income tax credit to be constitutional three elements must be present:

1. a public purpose,
2. adequate consideration, and
3. adequate controls and safeguards.

C. Example of an Oklahoma Economic Development Tax Credit That Meets All Three Required Factors.

An example of an Oklahoma economic development income tax credit that appears to meet all three required factors is the credit for Oklahoma manufacturers of advanced small wind turbines. *See* 2010 Okla. Sess. Laws ch. 327, § 12 (amending 68 O.S.Supp.2009, § 2357.32B). A public purpose is present because using renewable energy to conserve our natural resources benefits all Oklahomans. Wind energy has a positive impact on the environment, and does not generate the pollutants caused by other energy generation sources.

Consideration is present because the credit is predicated on *the actual manufacture of "advanced small wind turbines."* *See id.* (emphasis added).

In Section 2357.32B(C) adequate controls are present as, before claiming the credit, a company "shall agree in advance to allow their production and claims to be audited by the Oklahoma Tax

Commission” and because no credit is available until the manufacturer has in fact manufactured advanced small wind turbines in Oklahoma.⁴ *Id.*

D. Example of an Oklahoma Economic Development Tax Credit That Does Not Meet All Three of the Required Factors.

An example of an Oklahoma economic development income tax credit that does *not* appear to have met the three factor test is the coast to coast airline service tax credit. 68 O.S.Supp.2009, § 2357.28.⁵ Under this statute, a tax credit was generated by making an eligible investment in an establishment that:

3. a. is headquartered in this state or is ultimately controlled by an entity headquartered in this state, and
- b. has been certified by the Tax Commission as meeting the following minimum qualifications:
 - (1) is included within the definition of “basic industry” as set forth in division (7) of subparagraph a of paragraph 1 of subsection A of Section 3603 of this title and has been preapproved by the Oklahoma Department of Commerce to receive incentive payments pursuant to the Oklahoma Quality Jobs Program Act. . . .
 - (2) can demonstrate *commitments from not fewer than twenty entities* doing business in this state, with such entities having in the aggregate not fewer than two thousand (2,000) employees in this state, *to utilize the services of the establishment in providing nonstop air transportation from this state to either the west coast or the east coast of the continental United States*, or both. Such *commitments, at a minimum, may be in the form of letters of intent* from authorized officers of such entities which demonstrate a best efforts intention to utilize such air transportation, and
 - (3) has received, or its parent has received, in calendar year 2000, a capitalization *commitment* in the amount of Fifteen Million Dollars (\$15,000,000.00) or more from a local governmental entity, including, but not limited to, proceeds from the issuance of revenue bonds, financial obligations or other evidences of indebtedness.

⁴ Whether the three factors are present for an Oklahoma economic development income tax credit is a question of fact that cannot be answered in an Attorney General Opinion. 74 O.S.2001, § 18b(A)(5).

⁵ This tax credit had a sunset date of 12/31/2005. *Id.* § 2357.28(A).

Id. (emphasis added).

The coast to coast airline service tax credit does not meet the three factor test because that tax credit provision lacks adequate consideration, and does not constitute a public purpose. As we learned from both the *Way* and *Burkhardt* cases, public purpose is synonymous with a “governmental purpose,” and “means a purpose affecting the inhabitants of the state or taxing district as a community, and not merely as individuals.” *Way*, 635 P.2d at 1015 (citation omitted); see *Burkhardt*, at 771 P.2d at 611. Certainly, the establishment of nonstop airline service from Oklahoma to either the east or west coast would constitute a public purpose affecting the inhabitants of the State as a community. But, the coast to coast airline service tax credit does not require the establishment of such a service in order for the credit to be earned.

Rather, to obtain the credit all that is necessary is that an investment be made in an eligible entity that has merely obtained letters of intent from twenty entities doing business in the state to use the services of the establishment’s nonstop air transportation from the state to either the east coast or west coast, and that the establishment also receive a moral obligation commitment for the required capitalization. There is no requirement that the establishment being invested in actually establish nonstop air transportation service from the state to either coast. Thus, the only benefits of the credit — in the absence of the establishment of such nonstop air service — are individual benefits to the investor and to the establishment in which they invested. The tax credit does not depend on a positive effect on the inhabitants of the State as a community, and therefore, does not serve a public purpose.

Further, as no public purpose is served, the State does not receive adequate consideration for the granting of the credit. The investment alone is no benefit to the inhabitants of the State as a community, nor is there any forbearance, detriment, loss or responsibility assumed by the taxpayer that would operate as a benefit to the State’s inhabitants as a community. Thus, adequate consideration is also lacking in the coast to coast airline service tax credit provisions.

E. Summary

In sum, the Legislature declares the fiscal policy of Oklahoma. *Fent*, 99 P.3d at 247. Two types of income tax credits exist in Oklahoma: non-economic development tax credits and economic development tax credits. Oklahoma non-economic development income tax credits have been held to be constitutional. *Id.* at 244-48. For an Oklahoma state economic development income tax credit to be constitutional three factors must be present.

First, it must promote a “‘public purpose,’ affect[ing] the inhabitants of the state or taxing district as a community.” *Burkhardt*, 771 P.2d at 611.

Second, adequate consideration must be present. *Id.*

Third, there must be adequate controls and safeguards in place. *Way*, 635 P.2d at 1018.

When these three factors are present, there is no gift and the Oklahoma economic development income tax credit does not violate Sections 14 and 15 of Article X of the Oklahoma Constitution. Whether these three factors are present for a specific economic development Oklahoma income tax credit is a question of fact that cannot be answered in an Attorney General Opinion. 74 O.S.2001, § 18b(A)(5).

II. TRANSFERABILITY OF TAX CREDITS

While the Legislature has declared that many Oklahoma economic development income tax credits are “freely transferable” to subsequent transferees,⁶ this description by the Legislature may be misleading, because the transferability of these tax credits under Oklahoma law is unconstitutional under Sections 14 and 15(A) of Article X of the Oklahoma Constitution unless the three factors discussed above are present.

⁶ The Oklahoma Legislature amended several of the statutes below, however those amendments are not germane to your questions. See 2010 Okla. Sess. Laws ch. 327, 2010 Okla. Sess. Laws ch. 418.

Oklahoma income tax credits that are “freely transferable” include:

credit for investments in qualified venture capital companies, 68 O.S.Supp.2009, § 2357.7(F);

Oklahoma Coal Production Incentive Act, 68 O.S.2001, § 2357.11(H), (I);

investment in certain enterprises, 68 O.S.Supp.2009, § 2357.28(B);

electricity generated by zero-emission facilities, 68 O.S.2001, § 2357.32A(F);

manufacturers of small wind turbines, 68 O.S.Supp.2009, § 2357.32B(E);

qualified rehabilitation expenditures – certified historic structures, 68 O.S.Supp.2009, § 2357.41(F);

investments by space transportation vehicle providers, 68 O.S.Supp.2009, § 2357.42(B);

contractor expenditures for construction of certain energy efficient residential properties, 68 O.S.Supp.2009, § 2357.46(E);

railroad reconstruction or replacement expenditures, 68 O.S.Supp.2009, 2357.104(C).

Contrast: the credit for commercial space industries provides: “In no event shall any credit generated pursuant to the provisions of this section be transferable or refundable.” 68 O.S.2001, § 2357.13(C).

As we have seen in Part I of this Opinion, in order for an Oklahoma state economic development tax credit to be constitutional, three factors must be present, the credit must serve a public purpose, be supported by adequate consideration, and there must be adequate controls and safeguards in place. When a tax credit that is not supported by all three of these elements is made transferrable by the Legislature under conditions in which the transferee to whom the tax credit is transferred enjoys the full benefit of the credit, the credit in the hands of the new transferee is also unconstitutional. This is so because the tax credit that was transferred was never supported by the required three elements in the first instance. Despite the Legislature's making the transfers "freely transferrable," the State would have recourse against the transferee to revoke all or part of the credit transferred, because the credit was unconstitutional.

An example of an Oklahoma economic development income tax credit that appears to meet the three factors and is transferable is once again the credit for Oklahoma manufacturers of advanced small wind turbines. 2010 Okla. Sess. Laws ch. 327, § 12 (amending 68 O.S.Supp.2009, § 2357.32B). The statutory language that provides for transferring credits states:

- E. The amount of the credit allowed but not used shall be *freely transferable* at any time during the ten (10) years following the year of qualification. *Any person to whom or to which a tax credit is transferred shall have only such rights to claim and use the credit under the terms that would have applied to the entity by whom or by which the tax credit was transferred.* The provisions of this subsection shall not limit the ability of a tax credit transferee to reduce the tax liability of the transferee regardless of the actual tax liability of the tax credit transferor for the relevant taxable period. The transferor originally allowed the credit and the subsequent transferee shall jointly file a copy of the written credit transfer agreement with the Tax Commission within thirty (30) days of the transfer. The written agreement shall contain the name, address and taxpayer identification number of the parties to the transfer, the amount of the credit being transferred, the year the credit was originally allowed to the transferor and the tax year or years for which the credit may be claimed. The Tax Commission may promulgate rules to permit verification of the validity and timeliness of a tax credit claimed upon a tax return pursuant to this subsection but shall not promulgate any rules that unduly restrict or hinder the transfers of such tax credit.

Id. (emphasis added).

While the credits are described as "freely transferable" that does not mean the transferee is without restrictions. First, under the language of the statute itself, the transferee of any credit authorized by Section 2357.32B(E) is subject to adjustments made to the transferor by the Oklahoma Tax Commission. Accordingly, the transferee does not enjoy the status of a bonafide purchaser for value, and thus under the statute the three requirements for constitutionality are equally applicable to the transferee and the transferor. That is, if the consideration supporting the tax credit required further

action by the transferor — which was never forthcoming, the lack of such consideration would nullify the credit in the hands of the transferee.

An example of an Oklahoma economic development income tax credit that does *not* appear to meet transferability rules is the tax credit for qualified rehabilitation expenditures. *See* 2010 Okla. Sess. Laws ch. 327, § 14, ch. 418, § 5 (amending 68 O.S.Supp.2009, § 2357.41). The statutory language that provides for transferring credits has the same language as the credit for Oklahoma manufacturers of advanced small wind turbines, Section 2357.32B. Section 2357.41(F) states, “Any person to whom or to which a tax credit is transferred shall have only such rights to claim and use the credit under the terms that would have applied to the entity by whom or by which the tax credit was transferred.” *Id.* But a limitation immediately following provides:

- G. Notwithstanding any other provisions in this section, on or after January 1, 2009, if a credit allowed pursuant to this section which has been transferred is subsequently reduced as the result of an adjustment by the Internal Revenue Service, Tax Commission, or any other applicable government agency, *only the transferor originally allowed the credit and not any subsequent transferee of the credit, shall be held liable to repay any amount of disallowed credit.*

Id. (emphasis added).

This transfer statute that does not permit enforcement of the three elements required to support a constitutional state economic tax credit against a transferor is infirm, for it would permit the granting of an economic development income tax credit to the transferee taxpayer without recourse, in instances when the transferor failed to provide the promised consideration, and in instances in which the tax credit either did not serve a “public purpose,” or did not have adequate protections and safeguards attached to it.

Another example of an Oklahoma economic development income tax credit that does *not* appear to meet transferability rules is the tax credit for contractor expenditures for construction of certain energy efficient residential properties. 2010 Okla. Sess. Laws ch. 327, § 15 (amending 68 O.S.Supp.2009, § 2357.46). The statute does not contain language providing that *any person to whom or to which a tax credit is transferred shall have only such rights to claim and use the credit under the terms that would have applied to the entity by whom or by which the tax credit was transferred.* Instead Section 2357.46(E) merely provides: “the credits authorized by this section shall be freely transferable to subsequent transferees.” *Id.* Recapture provisions that only apply to the transferor and not to transferees do not provide adequate controls and safeguards for the claim and use of an Oklahoma economic development income tax credit.⁷ No “detailed conditions and

⁷ The credits for qualified venture capital companies (68 O.S.Supp.2009, § 2357.7), Oklahoma Coal Production Incentive Act, (2010 Okla. Sess. Laws ch. 327, § 6 (68 O.S.Supp.2009, § 2357.11)); tax credit for investment in certain enterprises, (68 O.S.Supp.2009, § 2357.28); tax credit for contractor expenditures for construction of certain energy

governmental safeguards and controls” exist. *Way*, 635 P.2d at 1015. Many times the original taxpayer transferring the tax credit may no longer be in business, and/or has not provided adequate consideration, making an unrestricted tax credit in the transferee hands an unconstitutional gift.

III.
THE SMALL BUSINESS CAPITAL FORMATION INCENTIVE ACT
&
THE RURAL VENTURE CAPITAL FORMATION INCENTIVE ACT

The Small Business Capital Formation Incentive Act, 68 O.S.Supp.2009, §§ 2357.60 – 65A,⁸ and the Rural Venture Capital Formation Incentive Act, 68 O.S.Supp.2009, §§ 2357.71 –76A,⁹ both allow a taxpayer who makes a “qualified investment” in either “qualified small business capital companies” or “qualified rural small business capital companies,” respectively, a credit against the income tax or the insurance premium tax. 68 O.S.Supp.2009, §§ 2357.62; 2357.73. The acts specifically and in detail define “qualified investment,” “qualified small business capital company,” and “qualified rural small business capital company.” 68 O.S.Supp.2009, §§ 2357.61; 2357.72. Tax credits are generated only after the qualified capital company invests in an Oklahoma small business venture or Oklahoma rural small business venture, not when an investor buys an ownership interest in the qualified capital company. 68 O.S.Supp.2009, §§ 2357.62; 2357.73. The tax credits were created to be “used in pursuit of a legitimate business purpose” in the respective Acts. 68 O.S.Supp.2009, §§ 2357.62(B); 2357.73(B).

In addition to the very detailed definitions of investments that qualify for the tax credits, the Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act also mandate how the investments may be used and how they must be documented. These statutes authorize the Oklahoma Tax Commission to independently determine whether the proposed use of the investments qualifies for the credits. 68 O.S.Supp.2009, §§ 2357.61; 2357.63A; 2357.72; 2357.74A. Each “qualified small business capital company” and “qualified rural small business capital company” must also prepare and maintain specific and detailed records and reports. 68 O.S.Supp.2009, §§ 2357.63C(A); 2357.64; 2357.74C; 2357.75. Both acts authorized the Oklahoma Tax Commission to recapture tax credits if the investment is returned or refunded, or the Commission otherwise determines that the investment did not qualify. *See* 68 O.S.Supp.2009, §§ 2357.63B; 2357.74B.

efficient residential properties, (2010 Okla. Sess. Laws ch. 327, § 15 (68 O.S.Supp.2009, § 2357.46)) have similar statutory transferability language.

⁸ The Legislature enacted a moratorium on the Small Business Capital Formation Incentive Act from June 1, 2010 through December 31, 2011 during the 2010 session. 2010 Okla. Sess. Laws ch. 433, § 1.

⁹ The Legislature enacted a moratorium on the Rural Venture Capital Formation Incentive Act from June 1, 2010 through December 31, 2011 during the 2010 session. 2010 Okla. Sess. Laws ch. 433, § 4.

In spite of these definitions and controls, the statutes do *not* comply with the constitutional mandates recognized in *Way* and *Burkhardt*. The mere investment of money into a company does not satisfy the three factors necessary for an Oklahoma economic development income tax credit to be valid. The State does not “receive property or service” on an investment; hence consideration is absent. *Childrens Home & Welfare Ass’n*, 171 P.2d at 614. For these acts to be constitutional and not violate Sections 14 and 15 of Article X of the Oklahoma Constitution the three factors for an Oklahoma economic development income tax credit must be present. First, the tax credit must promote a “public purpose” affecting “the inhabitants of the state . . . as a community, and not merely as individuals.” *Burkhardt*, 771 P.2d at 611 (citation omitted). Second, adequate consideration must be present. *Id.* Third, there must be adequate controls and safeguards in place. *Way*, 635 P.2d at 1018. Based on the foregoing, as a matter of law, the Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act are constitutionally infirm under Sections 14 and 15 of Article X of the Oklahoma Constitution, because while the investment of monies in a business entity may serve to benefit the individual entity, investment alone does not serve a public purpose affecting the inhabitants of the State as a community, and does not provide adequate consideration.¹⁰ To constitute a public purpose, the investment must result in something more, a benefit to the inhabitants of the State in the form of — for instance, the actual construction of wind turbines or the actual establishment of coast to coast direct air service to Oklahoma. If a tax credit is predicated on investment only and not actual benefit to the inhabitants of the State, it is only the individual company receiving the money that is benefitted, and no public purpose is served.

It, therefore, the official Opinion of the Attorney General that:

- 1. The Legislature declares the fiscal policy of Oklahoma. *Fent v. State ex rel. Okla. Tax Comm’n*, 99 P.3d 241, 247 (Okla. 2004). The Oklahoma Supreme Court has upheld the constitutionality of Oklahoma non-economic development income tax credits. *Id.* at 244-48. They are not a gift and do not violate Sections 14 and 15 of Article X of the Oklahoma Constitution. *Id.* They must, however, have a “reasonable classification and reasonable opportunity for uniform or equal incidence upon the class created.” *Id.* at 245.**
- 2. To be constitutional an Oklahoma economic development income tax credit must have three factors present:**

**First the tax credit must promote a “public purpose”
“affecting the inhabitants of the state as a community, and**

¹⁰ An Attorney General's Opinion stating that an act of the Legislature is unconstitutional is advisory only and not binding on a state official. *State ex rel. York v. Turpen*, 681 P.2d 763, 767 (Okla. 1984). Only a court of competent jurisdiction can issue a binding opinion that a legislative act is unconstitutional. *Id.*

not as individuals.” *Burkhardt v. City of Enid*, 771 P.2d 608, 611 (Okla. 1989).

Second, adequate consideration must be present, (*id.*) and

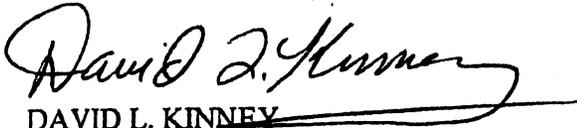
Third, there must be adequate controls and safeguards in place. *Way v. Grand Lake Ass’n*, 635 P.2d 1010, 1018 (Okla. 1981).

3. The mere investment of money into a company does not satisfy the three factors for a valid Oklahoma economic development income tax credit. *Childrens Home & Welfare Ass’n v. Childers*, 171 P.2d 613, 614 (Okla. 1946). When the three factors are present there is no gift and the Oklahoma economic development income tax credit does not violate Sections 14 and 15 of Article X of the Oklahoma Constitution. *State ex rel. Brown v. City of Warr Acres*, 946 P.2d 1140, 1144 (Okla. 1997). Whether the three factors are present for an economic development Oklahoma income tax credit is a question of fact that cannot be answered in an Attorney General Opinion. 74 O.S.2001, § 18b(A)(5).
4. Oklahoma economic development income tax credits that are freely transferable do not violate Sections 14 and 15(A) of Article X of the Oklahoma Constitution if the credit has the three factors present: public purpose, consideration, and adequate controls and safeguards. All three factors must be present before a transferred Oklahoma economic development income tax credit may be claimed and used. The mere investment of money into a company does not alone satisfy the three factors necessary for a valid Oklahoma economic development income tax credit. *See State ex rel. Brown*, 946 P.2d at 1144; *Childrens Home & Welfare Ass’n*, 171 P.2d at 614; *Way*, 635 P.2d at 1018. Rather, the investment must result in the service of a public purpose which affects the inhabitants of the State as a community, not merely as individuals. *Burkhardt*, 771 P.2d at 611; *Way*, 635 P.2d at 1015.
5. The Small Business Capital Formation Incentive Act, 68 O.S.Supp.2009, §§ 2357.60 – 65A, and the Rural Venture Capital Formation Incentive Act, 68 O.S.Supp.2009, §§ 2357.71 –76A, provide Oklahoma economic development income tax credits to be “used in pursuit of a legitimate business purpose” in the respective Acts. 68 O.S.Supp.2009, §§ 2357.62(B); 2357.73(B). Tax credits are generated when a qualified capital company invests in an Oklahoma small business venture or Oklahoma rural small business venture. 68 O.S.Supp.2009, §§ 2357.62; 2357.73. For these tax credits to meet the constitutional requirements of

Section 14 and 15(A) of Article X of the Oklahoma Constitution, the three factors must be present: public purpose, consideration, and adequate controls and safeguards. *Burkhardt*, 771 P.2d at 611; *Way*, 635 P.2d at 1018. The mere investment of money into a company does not satisfy the three factors necessary for a valid Oklahoma economic development income tax credit. *Childrens Home & Welfare Ass'n*, 171 P.2d at 614. The Small Business Capital Formation Incentive Act and the Rural Venture Capital Formation Incentive Act are, as a matter of law, constitutionally infirm under Sections 14 and 15 of Article X of the Oklahoma Constitution.¹¹



W.A. DREW EDMONDSON
ATTORNEY GENERAL OF OKLAHOMA



DAVID L. KINNEY
ASSISTANT ATTORNEY GENERAL



M-1

¹¹ An Attorney General's Opinion stating that an act of the Legislature is unconstitutional is advisory only and not binding on a state official. *State ex rel. York v. Turpen*, 681 P.2d 763, 767 (Okla. 1984). Only a court of competent jurisdiction can issue a binding opinion that a legislative act is unconstitutional. *Id.*

TABLE 1**Assistant Attorney General David Kinney's Excerpts From The
Oklahoma Tax Commission Tax Expenditure Report 2009 – 2010,
II. Income Tax, A. Credits**

Investment in Equipment Used for Recycling, Reuse, or Source Reduction of Hazardous Waste	27A O.S. § 2-11-303	\$3,300.00
Low Income Sales Tax Relief	68 O.S. § 1370.3	\$0
Taxes Paid to Another State	68 O.S. § 2357	\$33,987,000.00
Child Care	68 O.S. § 2357	\$28,991,000.00
Gas Used in Manufacturing	68 O.S. § 2357	\$79,000.00
Water Treatment & Pollution Control Facility	68 O.S. § 2357	\$0
Oklahoma Investment/New Jobs	68 O.S. § 2357.4	\$28,497,000.00
Energy Conservation Assistance Fund	68 O.S. § 2357.6	\$21,000.00
Venture Capital	68 O.S. § 2357.7	\$12,294,000.00
Oklahoma Coal Production	68 O.S. § 2357.11	\$4,276,000.00
Commercial Space Industries Credit	68 O.S. § 2357.13	\$0
Investment in Clean- Burning or Electric Motor Vehicles	68 O.S. § 2357.22	\$15,600,000.00

Agriculture Processing Facilities	68 O.S. § 2357.25	\$2,517,000.00
Child Care Services – Employers	68 O.S. § 2357.26	\$33,000.00
Child Care Service Providers	68 O.S. § 2357.27	\$198,000.00
Coast to Coast Airline Service	68 O.S. § 2357.28 (Sunset 12/31/2005).	\$2,000.00
Ad Valorem Tax	68 O.S. § 2357.29	\$26,000.00
Small Business Guaranty Fee	68 O.S. § 2357.30	\$227,000.00
Health Insurance	68 O.S. § 2357.31	\$0
Wind or Photovoltaic Energy Systems	68 O.S. § 2357.32	\$0
Credit for Electricity Generated by Zero-Emission Facilities	68 O.S. § 2357.32A	\$1,239,000.00
Credit for Manufacturers of Advanced Small Wind Turbines	68 O.S. § 2357.32B	\$775,000.00
Hepatitis Immunization	68 O.S. § 2357.33	\$19,000.00
Tourism Promotion Credit	68 O.S. §§ 2357.34 – 2357.40	\$0
Tax Credit for Qualified Rehabilitation Expenditures	68 O.S. § 2357.41	\$671,000.00
Space Vehicle Provider Incentive	68 O.S. § 2357.42	\$0

Oklahoma Earned Income Tax Credit	68 O.S. § 2357.43	\$31,887,000.00
Credit for Donations to Biomedical Research Foundations	68 O.S. § 2357.45	\$364,000.00
Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property	68 O.S. § 2357.46	\$3,776,000.00
Credit for Eligible Wages Paid by an Employer to an Injured Employee	68 O.S. § 2357.47	\$31,000.00
Credit for Modification Expenses Paid by an Employer for an Injured Employee	68 O.S. § 2357.47	\$2,500.00
Qualified Recycling Facility	68 O.S. § 2357.59	\$32,000.00
Investment in Qualified Small Business Capital Companies and Small Business Ventures	68 O.S. §§ 2357.62, 2357.63	\$11,060,000.00
Credit for Qualified Ethanol Facilities	68 O.S. § 2357.66	\$0
Credit for Eligible Biodiesel Facility	68 O.S. § 2357.67	\$0
Investment in Rural Venture Capital Companies and Rural Small Business Ventures	68 O.S. §§ 2357.73, §2357.74	\$37,406,000.00

Investment Incentive Credit	68 O.S. § 2357.81	\$150.00
Poultry Litter Tax Credit	68 O.S. § 2357.100	\$173,000.00
Film and Music Profit Reinvestment Credit	68 O.S. § 2357.101	\$34,000.00
Dry Fire Hydrant Credit	68 O.S. § 2357.102	\$45,000.00
Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures	68 O.S. § 2357.104	\$1,130,000.00
Computer Industry Credit	68 O.S. § 2357.201	Minimal
Aerospace Industry Credit	68 O.S. § 2357.202	Minimal
Specially Trained Canine Credit	68 O.S. § 2357.203	\$129,000.00
Credit for Tuition Reimbursement for Employers in the Aerospace Sector	68 O.S. § 2357.302	No data; effective January 1, 2009
Credit for Employers in the Aerospace Sector	68 O.S. § 2357.303	No data; effective January 1, 2009
Credit for Employees in the Aerospace Sector	68 O.S. § 2357.304	No data; effective January 1, 2009
Wire Transmitter Fee Credit	68 O.S. § 2357.401	No data; effective tax year 2010
Volunteer Firefighter Credit	68 O.S. § 2358.7	\$418,000.00
Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act	68 O.S. § 2370	\$35,000.00

Credit for Stafford Loan Origination Fee	68 O.S. § 2370.3	\$349,000.00
Low Income Property Tax Relief	68 O.S. § 2907	\$226,000.00
Sales Tax Relief	68 O.S. § 5011	\$43,212,000.00
Oklahoma Research and Development Incentives Act	68 O.S. § 54006	\$14,000.00
Oklahoma Capital Investment Board	74 O.S. § 5085.7	\$0

511CR Credits - Tax Year 2009

Credit #	Credit Name	Amount Used
Credit 20	Rural Small Business Capital Credit	31,816,319
Credit 01	Oklahoma Investment/New Jobs Credit	16,942,510
Credit 03b	Credit for Investment in Qualified Electric Motor Vehicle Property	9,405,220
Credit 04	Small Business Capital Credit	9,176,498
Credit 33	Credit for the Construction of Energy Efficient Homes	6,662,445
Credit 21	Credit for Electricity Generated by Zero-Emission Facilities	2,454,206
Credit 23	Credit for Manufacturers of Small Wind Turbines	1,457,134
Credit 34	Credit for Railroad Modernization	806,200
Credit 05	Oklahoma Agricultural Producers Credit	704,435
Credit 26	Volunteer Firefighter Credit	596,927
Credit 02	Coal Credit	569,691
Credit 39	Credit for Employees in Aerospace Sector	548,538
Credit 03a	Credit for Investment in Clean-Burning Motor Vehicle Property	435,050
Credit 38	Credit for Biomedical Research Contribution	432,859
Credit 18	Credit for Qualified Rehabilitation Expenditures	423,309
Credit 09	Credit for Venture Capital Investment	301,218
Credit 13	Credit for Entities in the Business of Providing Child Care Services	140,505
Credit 25	Poultry Litter Credit	121,008
Credit 22	Credit for Fin. Institutions Making Loans under Rural Econ Dev Loan Act	80,391
Credit 40	Credit for Employers in Aerospace Sector	65,508
Credit 06	Small Business Guaranty Fee Credit	44,260
Credit 37	Credit for Gas Used in Manufacturing	36,577
Credit 08	Credit for Energy Assistance Fund Contribution	35,818
Credit 28	Film or Music Project Credit	27,250
Credit 30	Credit for Wages Paid to an Injured Employee	22,591
Credit 29	Credit for Breeders of Specially Trained Canines	18,926
Credit 07	Credit for Food Service Estab that Pay for Hepatitis A Vaccination	17,082
Credit 12	Credit for Employers Providing Child Care Programs	4,615
Credit 35	Research & Development New Jobs Credit	4,415
Credit 17	OK Local Development & Enterprise Zone Incentive Leverage Act Credit	4,295
Credit 15	Credit for Nonstop Air Service from Oklahoma to the Coast	3,153
Credit 24	Credit for Qualified Ethanol Facilities	2,349
Credit 27	Credit for Qualified Biodiesel Facilities	1,566
Credit 11	Credit for Qualified Recycling Facility	1,408
Credit 10	Credit for Hazardous Waste Control	177
Credit 31	Credit for Modification Expenses Paid for an Injured Employee	143
Credit 32	Dry Fire Hydrant Credit	56
Credit 14	Credit for Commercial Space Industries	0
Credit 16	Credit for Tourism Development or Film or Music Production Facility	0
Credit 19	Credit for Space Transportation Vehicle Provider	0
Credit 36	Credit for Stafford Loan Origination Fee	0



OKLAHOMA *T*AX COMMISSION

STATE OF OKLAHOMA

Tax Expenditure Report **2009-2010**

PREPARED BY THE
TAX POLICY DIVISION
OF THE
OKLAHOMA TAX COMMISSION

TAX EXPENDITURE REPORT



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I. INTRODUCTION

The following report is the tenth issue of the Oklahoma Tax Expenditure Report. Pursuant to section 1 of Enrolled Senate Bill No. 135 of the Forty-fifth Legislature, First Regular Session, codified at Section 205 of Title 68, the report includes the Tax Commission's best estimate of the amount of state revenue that would have been collected but for the existence of each exclusion, deduction, credit, exemption, deferral, or other preferential tax treatment allowed by law for the previous fiscal year. Enrolled House Bill 2426 of the Forty-sixth Legislature, Second Regular Session amended Section 205 to provide that the report will be prepared no later than October 1 of each even-numbered year. Our next report will be issued October 1, 2012 with estimates for the fiscal year 2012.

The provisions of state tax law that fall within this definition of a "tax expenditure" are separated by tax type. Statutory provisions that affect more than one tax type are listed under each tax. Tax expenditures do not include incentive payment programs or exemptions to taxes not administered, regulated, or collected by the Tax Commission.

The estimates are based upon information from actual tax returns and secondary data sources. Each estimate has a different level of reliability based upon the accuracy of both the data and the estimation procedure. The different categories are as follows:

- Level 1 Estimate based upon information contained in actual tax returns. The data collected is from returns verified for accuracy and unverified returns. This is the highest level of reliability.
- Level 2 Estimate based upon a projection from a composite of a fraction of returns filed or average amount of collections for the particular tax type involved.
- Level 3 Estimate derived from secondary data sources, such as other governmental agencies, industry sources, or national reports.
- Level 4 Level assigned for those items for which no known reliable data source exists.

The estimation process for income tax expenditures prevents the summing of each expenditure and the drawing of any precise conclusions about their aggregate value. Estimates which are less than Twenty-five Thousand Dollars (\$25,000.00) are listed as "Minimal" unless a Level 1 estimate is available. Expenditures for which data resources are unavailable to provide an estimate contain the notation N/A (not available). The Commission will continue to strive to provide an estimate for these expenditures in subsequent reports. In 1995, the Tax Commission contracted with the Center for Economics and Management Research (CEMR) at the University of Oklahoma and the Office of Business and Economic Research (OBER) at Oklahoma State University wherein the departments utilized their resources to provide revenue estimates for sales tax expenditures. The expenditures for which the departments provided estimates are noted in the "Data Source" line as "OU/OSU Group". The original estimates provided by the OU/OSU

Group have been adjusted for the 2010 fiscal year. The sales and use tax estimates were not adjusted for the remuneration allowed for vendors as compensation for collecting taxes, partial compliance upon the removal of an exemption, or changes in buyer patterns due to the loss of an exemption.

This report does not propose to offer an official list of tax expenditures. Rather, it describes as many statutory "tax expenditures" as possible and provides revenue estimates for as many provisions of the state tax laws as can be isolated and measured. Further, each description is a very brief overview and is not intended to describe the tax expenditure with specificity.

II. INCOME TAX

A. CREDITS

Oklahoma offers a variety of income tax credits. Tax credits directly reduce tax and in some cases are fully refundable, transferable, or can be carried over to a subsequent tax year. (Credits are nontransferable and have no carryover unless otherwise indicated below).

1. ***Investment in Equipment Used for Recycling, Reuse, or Source Reduction of Hazardous Waste***

Citation: 27A O.S. §2-11-303
Description: One time nonrefundable credit against income tax for an investment in equipment and installation of processes used for the recycling, reuse or source reduction of hazardous waste. The credit is not to exceed twenty percent (20%) of the net investment cost. The credit must be taken within three (3) years of installation and is not to exceed a total of Fifty Thousand Dollars (\$50,000.00) for three consecutive tax years.
Estimate: \$3,300.00 / 3 returns
Data Source: Income Tax Returns
Reliability: 1

2. ***Low Income Sales Tax Relief***

Citation: 68 O.S. §1370.3
Description: For Oklahoma residents whose gross household income is under Twelve Thousand Dollars (\$12,000.00) per year, a refundable credit of Forty Dollars (\$40.00) per personal exemption is allowed. Credit is only available if sales tax is levied under 68 O.S. §1370.2. To date, sales tax has not been levied under 68 O.S. § 1370.2. This credit is different than the Sales Tax Relief Credit authorized under 68 O.S. § 5011.
Estimate: Zero¹

3. ***Sales Tax Relief***

Citation: 68 O.S. §5011
Description: Persons domiciled in this state during the entire calendar year and whose gross household income does not exceed Twenty Thousand Dollars (\$20,000.00) for individuals and Fifty Thousand Dollars (\$50,000.00) for those who claim a dependent, are at least sixty-five (65) years old or have a physical disability constituting a substantial handicap to employment may file a claim for sales tax relief. This relief is in the form of a refundable income tax credit.
Estimate: \$43,212,000.00 / 520,746 returns
Data Source: Income Tax Returns
Reliability: 1

¹ Sales tax has not been levied under 68 O.S. § 1370.2.

4. ***Low Income Property Tax Relief***
Citation: 68 O.S. §2907
Description: A refundable income tax credit for an Oklahoma taxpayer, head of household, at least sixty-five (65) years of age or totally disabled, with a gross household income which does not exceed Twelve Thousand Dollars (\$12,000.00). The credit is based on the property tax that exceeds one percent (1%) of the household income, limited to a maximum credit of Two Hundred Dollars (\$200.00).
Estimate: \$226,000.00 / 1,402 returns
Data Source: Income Tax Returns
Reliability: 1
5. ***Oklahoma Earned Income Tax Credit***
Citation: 68 O.S. §2357.43
Description: Allows a refundable Oklahoma Earned Income Tax Credit equal to five percent (5%) of the federal Earned Income Tax Credit.
Estimate: \$31,887,000.00 / 307,253 returns
Data Source: Income Tax Returns
Reliability: 1
6. ***Taxes Paid to another State***
Citation: 68 O.S. §2357
Description: Nonrefundable credit for taxes paid to another state by resident individuals upon personal services compensation.
Estimate: \$33,987,000.00 / 30,753 returns
Data Source: Income Tax Returns
Reliability: 1
7. ***Child Care / Child Tax Credit***
Citation: 68 O.S. §2357
Description: An income tax credit (nonrefundable) for child care expenses in the amount of twenty percent (20%) of the federal child care credit. Beginning with tax year 2008, taxpayers could elect to take the greater of the child care credit or five percent (5%) of the federal child tax credit authorized under the Internal Revenue Code. In both cases, federal adjusted gross income can not exceed One Hundred Thousand Dollars (\$100,000.00). This credit is allowed to residents and part-year residents, subject to proration of Oklahoma adjusted gross income to federal gross income.
Estimate: \$28,991,000.00 / 362,470 returns
Data Source: Income Tax Returns
Reliability: 1

8. ***Child Care Services – Employers***
Citation: 68 O.S. §2357.26
Description: An income tax credit of twenty percent (20%) of the amount paid by employers to provide accredited child care programs for the children of their employees. Unused credit may be carried over for a period of four (4) years.
Estimate: \$33,000.00 / 7 returns
Data Source: Income Tax Returns
Reliability: 1
9. ***Child Care Service Providers***
Citation: 68 O.S. §2357.27
Description: A nonrefundable income tax credit of twenty percent (20%) of eligible expenses incurred by entities primarily engaged in the business of providing child care services. Unused credit may be carried over for a period of four (4) years.
Estimate: \$198,000.00 / 38 returns
Data Source: Income Tax Returns
Reliability: 1
10. ***Gas Used in Manufacturing***
Citation: 68 O.S. §2357
Description: A nonrefundable income tax credit for gas used in manufacturing process. This credit is available to Oklahoma manufacturers who use or consume natural or casinghead gas (with certain limitations) in their manufacturing establishment.
Estimate: \$79,000.00 / 6 returns
Data Source: Income Tax Returns
Reliability: 1
11. ***Water Treatment & Pollution Control Facility***
Citation: 68 O.S. §2357
Description: Income tax credit (nonrefundable) for water treatment facilities and pollution control devices.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
12. ***Oklahoma Investment/New Jobs²***
Citation: 68 O.S. §2357.4
Description: Income tax credit (nonrefundable) for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average levels of employment in said

² Under 62 O.S. §690.4 (Enterprise Zone Incentive and Initiative) the Oklahoma investment/new jobs credit (68 O.S. §2357.4) available to manufacturers and processors located in designated enterprise zones is increased. Estimate is not available for this particular part of the incentive since tax return source data does not differentiate between normal investment / new jobs credit and enterprise zone investment / new jobs credit

12. ***Oklahoma Investment/New Jobs (Continued)***
 facilities. Credits not used can be carried over to subsequent tax years.
Estimate: \$28,497,000.00 / 894 returns
Data Source: Income Tax Returns
Reliability: 1
13. ***Energy Conservation Assistance Fund***
Citation: 68 O.S. §2357.6
Description: Individuals or corporations are allowed a credit (nonrefundable) against income tax for fifty percent (50%) of monies contributed to the Energy Conservation Assistance Fund described in 63 O.S. §2901.
Estimate: \$21,000.00 / 110 returns
Data Source: Income Tax Returns
Reliability: 1
14. ***Agricultural Processing Facilities***
Citation: 68 O.S. §2357.25
Description: A nonrefundable income tax credit for Oklahoma agricultural producers who invest in Oklahoma producer-owned agricultural processing cooperatives, ventures or marketing associations.
Estimate: \$2,517,000.00 / 47 returns
Data Source: Income Tax Returns
Reliability: 1
15. ***Oklahoma Coal Production***
Citation: 68 O.S. §2357.11
Description: Section 2357.11 (B) provides for a nonrefundable coal credit, for the purchase of Oklahoma-mined coal, to businesses providing water, heat, light or power from coal to the citizens of Oklahoma or to those which burn coal to generate heat, light or power for use in manufacturing operations in Oklahoma. An additional credit is allowed for Oklahoma-mined coal purchased.
 Section 2357.11 (D) provides for a nonrefundable coal credit to businesses primarily engaged in mining, producing or extracting coal in this state. A valid permit issued by the Oklahoma Department of Mines must be held. The credit provided for in this paragraph will be allowed for coal mined, produced or extracted in any month in which the average price of coal is Sixty-eight Dollars (\$68.00) or more per ton, excluding freight charges. Credit is transferable and may be claimed up to five (5) years.
Estimate: \$4,276,000.00 / 19 returns
Data Source: Income Tax Returns
Reliability: 1

16. ***Commercial Space Industries Credit***
Citation: 68 O.S. §2357.13
Description: Provides for a nonrefundable income tax credit based on an investment in qualified commercial space industry projects. The credit is five percent (5%) of the eligible capital costs.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
17. ***Space Vehicle Provider Incentive***
Citation: 68 O.S. §2357.42
Description: Provides for a nonrefundable transferable income tax credit or insurance premium tax credit for investment in a space transportation vehicle provider. This credit sunsetted December 31, 2008, but any credit not used may be carried over for a period of three (3) years.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
18. ***Investments in Clean-Burning or Electric Motor Vehicles***
Citation: 68 O.S. §2357.22
Description: A one-time nonrefundable income tax credit for conversion of gas or diesel powered vehicles to clean-burning fuel or electricity. The credit is fifty percent (50%) of the cost of investment in the clean-burning fuel or electrical equipment. In cases where no credit is previously claimed and a motor vehicle is purchased with "factory installed" clean-burning fuel or electrical equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to One Thousand Five Hundred Dollars (\$1,500.00). Credit may be carried over for three (3) years.
Estimate: \$15,600,000.00
Data Source: Income Tax Returns
Reliability: 1
19. ***Coast to Coast Airline Service***
Citation: 68 O.S. §2357.28 (Sunset 12/31/2005)
Description: A nonrefundable income tax credit allowed to an establishment that demonstrates commitment to provide nonstop air transportation from this state to either the west coast or the east coast of the continental United States, or both. This credit sunsetted December 31, 2005 but any credit not used may be carried over for a period of three (3) years.
Estimate: \$2,000.00 / 14 returns
Data Source: Income Tax Returns
Reliability: 1

20. ***Ad Valorem Tax***
Citation: 68 O.S. §2537.29
Description: Refundable credit allowed for residential property damaged or destroyed by the tornado or similar cyclonic winds on May 3, 1999, October 9, 2001, or May 8 or 9, 2003.
Estimate: \$26,000.00 / 200 returns
Data Source: Income Tax Returns
Reliability: 1
21. ***Small Business Guaranty Fee***
Citation: 68 O.S. §2357.30
Description: A nonrefundable income tax credit for small business operating within this state for amounts paid to the U.S. Small Business Administration as a guaranty fee pursuant to the obtaining of financing guaranteed by the Small Business Administration. Unused credit may be carried over for a period of five (5) years.
Estimate: \$227,000.00 / 154 returns
Data Source: Income Tax Returns
Reliability: 1
22. ***Health Insurance***
Citation: 68 O.S. §2357.31
Description: A refundable income tax credit to employers (corporations, partnerships, or sole proprietors) who provide health insurance to their employees. This credit is only available to those employers who had not provided health insurance in the past. To be eligible for the credit, the employers must participate in a health care plan approved by the Oklahoma Basic Health Benefits Board. The credit is allowed for a two-year period and is Fifteen Dollars (\$15.00) per month per eligible employee.
Estimate: Zero³
23. ***Wind or Photovoltaic Energy Systems***
Citation: 68 O.S. §2357.32
Description: A nonrefundable income tax credit based on the cost of installing a wind or photovoltaic energy system. The credit is calculated by applying a percentage to the total cost of the system. This percentage varies by year. The maximum allowable cost to which the percentage is applied is Twenty Five Thousand Dollars (\$25,000.00) for residential property and One Hundred Fifty Thousand Dollars (\$150,000.00) for non-residential property. To the extent the credit is not utilized, it may be carried over for a period not to exceed five (5) years.
Estimate: Zero⁴

³ This credit was available only to "state-certified, basic health benefits plans" authorized under 36 O.S. § 6503, which was repealed in 1997.

⁴ Costs for this credit had to be incurred no later than 1995, but any unused credit had a five (5) year carryover.

24. ***Credit for Electricity Generated by Zero-Emission Facilities***
Citation: 68 O.S. §2357.32A
Description: Provides for a nonrefundable income tax credit based on the amount of electricity generated by a qualified zero-emission facility. The credit is transferable and any unused credit may be carried over for a period of ten (10) years.
Estimate: \$1,239,000.00 / 34 returns
Data Source: Income Tax Returns
Reliability: 1
25. ***Tax Credit for Qualified Rehabilitation Expenditures***
Citation: 68 O.S. § 2357.41
Description: Provides for a transferable nonrefundable income tax credit equal to one hundred percent (100%) of the federal rehabilitation credit under Title 26 U.S.C. § 47. Unused credit may be carried over for a period of ten (10) years.
Estimate: \$671,000.00 / 28 returns
Data Source: Income Tax Returns
Reliability: 1
26. ***Credit for Manufacturers of Advanced Small Wind Turbines***
Citation: 68 O.S. §2357.32B
Description: A transferable nonrefundable income tax credit is allowed for Oklahoma manufacturers of advanced small wind turbine products, including rotor blades and alternators. The credit is based on the square footage of rotor-swept area of advanced small wind turbines manufactured in this state. Unused credit may be carried over for a period of ten (10) years.
Estimate: \$775,000.00 / 59 returns
Data Source: Income Tax Returns
Reliability: 1
27. ***Hepatitis Immunization***
Citation: 68 O.S. §2357.33
Description: A nonrefundable income tax credit for amounts paid by a taxpayer operating one or more food service establishments for providing immunizations against Hepatitis A to employees who work in such establishments.
Estimate: \$19,000.00 / 9 returns
Data Source: Income Tax Returns
Reliability: 1
28. ***Tourism Promotion Credit***
Citation: 68 O.S. §§ 2357.34 through 2357.40
Description: Provides for a nonrefundable income tax credit for an investment in a qualified tourism attraction project. The credit is based on the approved costs of the project and is ten percent (10%), if the approved costs are between Five Hundred Thousand Dollars

28. ***Tourism Promotion Credit (Continued)***
 (\$500,000.00) and One Million Dollars (\$1,000,000.00); twenty-five percent (25%), if the approved costs are in excess of One Million Dollars (\$1,000,000.00).
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
29. ***Credit for Donations to Biomedical Research Foundations***
Citation: 68 O.S. §2357.45
Description: A nonrefundable income tax credit for donations to a qualified independent biomedical research institute. The credit is fifty percent (50%) of the amount donated, not to exceed One Thousand Dollars (\$1,000.00). Unused credit may be carried over for a period of four (4) years.
Estimate: \$364,000.00 / 1,321 returns
Data Source: Income Tax Returns
Reliability: 1
30. ***Credit for Qualified Ethanol Facilities***
Citation: 68 O.S. §2357.66
Description: A nonrefundable income tax credit for qualified new ethanol facilities in this state, the construction of which must be completed after July 1, 2003. The facility must be in production at a rate of at least twenty-five percent (25%) of its capacity by December 31, 2006 to qualify.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
31. ***Film and Music Profit Reinvestment Credit***
Citation: 68 O.S. §2357.101
Description: A nonrefundable income tax credit of twenty-five percent (25%) of the profit from the investment in an existing film for a production company that reinvests to pay for production costs for a new film.
Estimate: \$34,000.00 / 11 returns
Data Source: Income Tax Returns
Reliability: 1
32. ***Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property***
Citation: 68 O.S. §2357.46
Description: A nonrefundable income tax credit, not to exceed Four Thousand Dollars (\$4,000.00), for eligible expenditures incurred by a contractor in the construction of energy efficient residential property of two thousand (2,000) square feet or less. The amount of credit allowed but not used in any taxable year may be carried forward as a credit against subsequent income tax liability for a

32. ***Credit for Eligible Expenditures Incurred by a Contractor in the Construction of Energy Efficient Residential Property (Continued)***
 period not exceeding four (4) years following the qualified expenditures. This credit is transferable.
Estimate: \$3,776,000.00 / 207 returns
Data Source: Income Tax Returns
Reliability: 1
33. ***Credit for Eligible Wages Paid by an Employer to an Injured Employee***
Citation: 68 O.S. §2357.47
Description: A nonrefundable income tax credit for eligible wages paid by an employer to an injured employee. The amount of the credit shall be ten percent (10%) of the amount of the gross wages paid to the employee for a period not to exceed ninety (90) days but in no event shall the credit exceed Five Thousand Dollars (\$5,000.00) for each employee of each taxpayer. In no event shall the total credit claimed exceed Twenty-five Thousand Dollars (\$25,000.00) in any one year for any taxpayer.
Estimate: \$31,000.00 / 23 returns
Data Source: Income Tax Returns
Reliability: 1
34. ***Credit for Modification Expenses Paid by an Employer for an Injured Employee***
Citation: 68 O.S. §2357.47
Description: A nonrefundable income tax credit for eligible modification expenses of an employer. The amount of the credit shall be fifty percent (50%) of the amount of the funds expended for eligible modification expenses or new tools or equipment but in no event shall the credit exceed One Thousand Dollars (\$1,000.00) for eligible modification expenses incurred for any single employee. In no event shall the total credit claimed exceed Ten Thousand Dollars (\$10,000.00) in any year for any taxpayer.
Estimate: \$2,500.00 / 2 returns
Data Source: Income Tax Returns
Reliability: 1
35. ***Qualified Recycling Facility***
Citation: 68 O.S. §2357.59
Description: A nonrefundable income tax credit for qualified recycling facilities based upon fifteen percent (15%) of the investment cost. Unused credit may be carried over for a period of fourteen (14) years.
Estimate: \$32,000.00 / 22 returns
Data Source: Income Tax Returns
Reliability: 1

36. ***Investment Incentive Credit***
Citation: 68 O.S. §2357.81
Description: A nonrefundable income tax credit for new or expanded facilities located within certain qualified incentive districts, based on an ad valorem abatement.
Estimate: \$150.00 / 1 return
Data Source: Income Tax Returns
Reliability: 1
37. ***Venture Capital***
Citation: 68 O.S. §2357.7
Description: Provides for a nonrefundable income tax credit of twenty percent (20%) of the amount of investments made in qualified venture capital companies. Any credit not utilized for the year of investment can be carried forward against subsequent income tax liabilities for a period of three (3) years. The unutilized credit is freely transferable for the same three (3) year period.
Estimate: \$12,294,000.00 / 41 returns
Data Source: Income Tax Returns
Reliability: 1
38. ***Investment in Qualified Small Business Capital Companies and Small Business Ventures***
Citation: 68 O.S. §2357.62 and §2357.63
Description: A nonrefundable income tax credit for investments in qualified small business capital companies based on twenty percent (20%) of the qualified investment in the capital company which is subsequently invested in a small business venture, or an in conjunction investment directly in the small business venture. Unused credit may be carried over for a period of three (3) years.
Estimate: \$11,060,000.00 / 286 returns
Data Source: Income Tax Returns
Reliability: 1
39. ***Investment in Rural Venture Capital Companies and Rural Small Business Ventures***
Citation: 68 O.S. §2357.73 and §2357.74
Description: A nonrefundable income tax credit for investments in a qualified rural small business capital company based on thirty percent (30%) of the qualified investment in the capital company which is subsequently invested in an Oklahoma rural small business venture or an in conjunction investment directly in the rural small business venture. Unused credit may be carried over for a period of three (3) years.
Estimate: \$37,406,000.00 / 711 returns
Data Source: Income Tax Returns
Reliability: 1

40. ***Dry Fire Hydrant Credit***
Citation: 68 O.S. §2357.102
Description: A nonrefundable income tax credit of fifty percent (50%) of the purchase of a dry fire hydrant or the cost to provide an acceptable means of water storage for such dry fire hydrant including a pond, tank, or other storage facility with the primary purpose of fire protection within the State of Oklahoma. Unused credit may be carried over for a period of four (4) years.
Estimate: \$45,000.00 / 1 return
Data Source: Income Tax Returns
Reliability: 1
41. ***Poultry Litter Tax Credit***
Citation: 68 O.S. §2357.100
Description: A nonrefundable income tax credit of Five Dollars (\$5.00) per ton of poultry litter purchased from a registered Oklahoma-based poultry operation located within an environmentally sensitive and nutrient-limited watershed which is to be used or spread in a watershed that is not environmentally sensitive and nutrient-limited. Unused credit may be carried over for a period of five (5) years.
Estimate: \$173,000.00 / 111 returns
Data Source: Income Tax Returns
Reliability: 1
42. ***Computer Industry Credit***
Citation: 68 O.S. § 2357.201
Description: For taxable years 2006 through 2013, there is a refundable credit equal to fifteen percent (15%) of qualified capital, wage or training expenditures incurred by business enterprises whose principal activity is data processing services, computer systems design services or other computer related services. Businesses enterprises must have maintained an Oklahoma payroll of at least Eighty-five Million Dollars (\$85,000,000) to qualify for this credit⁵. The total credits per fiscal year cannot exceed Three Hundred Fifty Thousand Dollars (\$350,000.00) each year.
Estimate: Less than five (5) occurrences-Not shown to avoid disclosure of information about specific taxpayers.

⁵ Other requirements to qualify for this credit include seventy-five percent (75%) out-of-state sales; utilization of high speed processing systems in Oklahoma (TPF or zTPF) and a labor force of One Thousand (1,000.00) in Oklahoma.

43. ***Aerospace Industry Credit***
Citation: 68 O.S. § 2357.202
Description: For taxable years 2006 through 2008, there is a refundable credit equal to fifteen percent (15%) of qualified acquisition, repair, maintenance, wage or training expenditures incurred by business enterprises who are engaged in the manufacture of wing components for large commercial aircraft and other aerospace structures and components for commercial and government aerospace products⁶. The total credits claimed per fiscal year cannot exceed One Hundred Fifty Thousand Dollars (\$150,000.00) each year.
Estimate: Less than five (5) occurrences-Not shown to avoid disclosure of information about specific taxpayers.
44. ***Specially Trained Canine Credit***
Citation: 68 O.S. §2357.203
Description: A nonrefundable income tax credit in the amount of fifty percent (50%) of the qualified direct costs associated with the operation of a business enterprise, for which the principal purpose is the rearing of specially trained canines. Unused credit may be carried over for a period of five (5) years.
Estimate: \$129,000.00 / 21 returns
Data Source: Income Tax Returns
Reliability: 1
45. ***Credit for Eligible Biodiesel Facility***
Citation: 68 O.S. §2357.67
Description: A nonrefundable income tax credit for new qualified biodiesel facilities in Oklahoma which must be in production at a rate of at least 25% of its capacity by December 31, 2008. The credit is 20 cents per gallon of biodiesel produced and is allowed for 60 months. An additional credit of 20 cents per gallon of biodiesel produced in excess of its original capacity as a result of an expansion completed after July 1, 2005 but before December 31, 2008 will be allowed. The credit will be allowed for 60 months beginning with the first month for which production from the expanded facility is eligible to receive such tax credit and ending not later than December 31, 2012. The credit may be carried over for five (5) succeeding taxable years.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1

⁶ Another requirement to qualify for this credit is seventy-five percent (75%) out-of-state sales.

46. ***Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures***

Citation: 68 O.S. §2357.104

Description: A nonrefundable income tax credit equal to fifty percent (50%) of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures. The amount of the credit is limited to the product of Six Thousand Dollars (\$6,000.00) and the number of miles of railroad track owned or leased within this state by the eligible taxpayer as of the close of the taxable year provided the taxpayer may only claim one third (1/3) of the credit in any one taxable period. The credit may be carried over for five (5) succeeding taxable years. This credit is transferable.

Estimate: \$1,130,000.00 / 6 returns

Data Source: Income Tax Returns

Reliability: 1

47. ***Credit for Tuition Reimbursement for Employers in the Aerospace Sector***

Citation: 68 O.S. §2357.302

Description: A nonrefundable income tax credit for a qualified employer for tuition reimbursement to a qualified employee. The amount of the credit shall be fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment.

Estimate: Effective January 1, 2009

48. ***Credit for Employers in the Aerospace Sector***

Citation: 68 O.S. §2357.303

Description: A nonrefundable income tax credit for a qualified employer for compensation paid to a qualified employee. The amount of the credit shall be ten percent (10%) of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located in this state; or five percent (5%) of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located outside this state. The credit shall not exceed Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified employee annually.

Estimate: Effective January 1, 2009

49. ***Credit for Employees in the Aerospace Sector***

Citation: 68 O.S. §2357.304

Description: A nonrefundable income tax credit for a qualified employee of up to Five Thousand Dollars (\$5,000.00) per year for a period of time not to exceed five (5) years. Any credit claimed, but not used, may be carried over up to five (5) subsequent taxable years.

Estimate: Effective January 1, 2009

50. ***Volunteer Firefighter Credit***
Citation: 68 O.S. §2358.7
Description: A nonrefundable income tax credit of Two Hundred Dollars (\$200.00) for a volunteer firefighter who has completed at least twelve (12) hours toward the Volunteer Firefighter Practices program offered by the OSU Fire Service Training. An income tax credit of Four Hundred Dollars (\$400.00) each year is available for a volunteer firefighter who, after completing at least thirty (30) hours of instruction, and having completed the Volunteer Firefighter Practices program, and meets additional training requirements.
Estimate: \$418,000.00 / 1,719 returns
Data Source: Income Tax Returns
Reliability: 1
51. ***Oklahoma Capital Investment Board***
Citation: 74 O.S. §5085.7
Description: The Oklahoma Capital Investment Board (OCIB) is allowed to sell up to Twenty Million Dollars (\$20,000,000.00) in nonrefundable credits against income tax under certain circumstances per fiscal year.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1
52. ***Wire Transmitter Fee Credit***
Citation: 68 O.S. § 2357.401
Description: Beginning with tax year 2009 there is a nonrefundable income tax credit in the amount of all electronic funds transfers fees paid by individuals or entities pursuant to 63 O.S. § 2-503.1j. Credits earned in 2009 are deferred until tax year 2010. Unused credits may be carried over for a period of five (5) years.
Estimate: Eligible to be claimed beginning with tax year 2010.
53. ***Credit for Financial Institutions Making Loans under the Rural Economic Development Loan Act***
Citation: 68 O.S. §2370
Description: A nonrefundable tax credit in an amount equal to the amount of taxable income received by a participating financial institution pursuant to a loan made under the Rural Economic Development Loan Act. The credit is limited each year to five percent (5%) of the amount of annual payroll certified by the Oklahoma Rural Economic Development Loan Program Review Board. Any credit allowed but not used in a taxable year may be carried forward for a period not to exceed five (5) taxable years.
Estimate: \$35,000.00 / 1 return
Data Source: Income Tax Returns
Reliability: 1

54. ***Credit for Stafford Loan Origination Fee***

Citation: 68 O.S. §2370.3

Description: A nonrefundable tax credit for any state banking association, national banking association, or credit union domiciled in this state for the amount of the origination fee paid by the banking association or credit union to the United States Department of Education pursuant to the "Stafford" loan guaranty program for an Oklahoma resident. The credit may be carried over for five (5) succeeding taxable years

Estimate: \$349,000.00 / 39 returns

Data Source: Income Tax Returns

Reliability: 1

55. ***Oklahoma Research and Development Incentives Act***

Citation: 68 O.S. §54006

Description: A nonrefundable income tax credit for a net increase in the number of full-time-equivalent employees engaged in computer services, data processing or research and development. The amount of the credit is Five Hundred Dollars (\$500.00) for each new employee, but not to exceed fifty (50) new employees. Any credits allowed but not used in any taxable year may be carried over in order to each of the four (4) years following the year of qualification and to the extent not used in those years in order to each of the five (5) years following the initial five-year period.

Estimate: \$14,000.00 / 8 returns

Data Source: Income Tax Returns

Reliability: 1

B. DEDUCTIONS AND EXEMPTIONS

Oklahoma allows deductions and exemptions to taxpayers in computing Oklahoma taxable income under certain conditions.⁷ The amount of deduction or exemption varies by type. Exemptions generally refer to a personal allowance or specific monetary exemption which may be claimed by an individual to reduce Oklahoma taxable income. A tax deduction is a reduction of a taxpayer's total income that decreases the amount of taxable income used in calculating the income tax.

56. ***Oil and Gas Depletion Allowance***

Citation: 68 O.S. §2353

Description: An income tax deduction as an allowance for depletion based upon cost of oil and gas deposit.

Estimate: \$15,651,000.00 / 89,898 returns

Data Source: Oklahoma Individual Income Tax Micro-Simulator

Reliability: 2

⁷ While some of these deductions and exemptions are available for both corporate and individual income tax filers, aggregate data for corporate filers is not available. The tax expenditure estimates in this report, for deductions and exemptions which are available for both corporate and individual filers, reflect only *individual* income tax due to the data limitation.

57. ***Sale of National Historic Landmark***
Citation: 68 O.S. §2357.24
Description: Income tax deduction from taxable income of a resident taxpayer by fifty percent (50%) of any capital gain the owner of a "National Historic Landmark" realizes upon the sale of such landmark to the state.
Estimate: Estimate is not available. This deduction is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income deducted under this expenditure item cannot be estimated.
58. ***Deduction for Living Organ Donation***
Citation: 68 O.S. §2358
Description: Effective for tax year 2008 a one time deduction, for individual taxpayers only, of up to Ten Thousand Dollars (\$10,000.00) is allowed for unreimbursed expenses for the donation of one or more human organs. The donor must donate the organ while living to qualify for the deduction.
Estimate: Estimate is not available. This deduction is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income deducted under this expenditure item cannot be estimated.
59. ***Taxpayers with Physical Disabilities***
Citation: 68 O.S. §2358
Description: Individual Oklahoma resident taxpayers with physical disabilities may deduct the expenditures to modify a motor vehicle, home, or workplace to compensate for their handicap.
Estimate: \$40,000.00 / 447 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
60. ***Nonrecurring Adoption Expenses***
Citation: 68 O.S. §2358
Description: Nonrecurring adoption expenses incurred in connection with the adoption or proposed adoption of a minor may be deducted from Oklahoma adjusted gross income. The deduction shall be limited to Twenty Thousand Dollars (\$20,000.00) per calendar year.
Estimate: \$187,000.00 / 752 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2

61. ***Oklahoma College Savings Plan Act***
Citation: 68 O.S. §2358
Description: Allows for the deduction of up to Ten Thousand Dollars (\$10,000.00) for contributions to an account established under the Oklahoma College Savings Plan Act for each individual taxpayer or Twenty Thousand Dollars (\$20,000.00) for taxpayers filing a joint return.
Estimate: \$2,826,000.00 / 10,362 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
62. ***Members of the Armed Services***
Citation: 68 O.S. §2358
Description: The first One Thousand Five Hundred Dollars (\$1,500.00) of compensation received by an individual from any component of the Armed Services may be deducted from taxable income.⁸ This does not include retirement benefits. Exempts salary and compensation of any member of the Armed Services when detained by the enemy in a conflict, when a prisoner of war or when missing in action.
Estimate: \$1,382,000.00 / 19,298 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
63. ***Itemized/Standard Deductions***
Citation: 68 O.S. §2358
Description: Individual taxpayers may either itemize their deductions or claim an Oklahoma standard deduction. If using itemized deductions, those will be the same as claimed for federal income tax purposes. Taxpayers utilizing the standard deductions are entitled to an Oklahoma standard deduction of Six Thousand Five Hundred Dollars (\$6,500.00) if filing as married filing joint; Four Thousand Eight Hundred Seventy Five Dollars (\$4,875.00) if filing as head of household and Three Thousand Two Hundred Fifty Dollars (\$3,250.00) if filing as single or married filing separate for tax year 2008.⁹
Estimate: \$733,098,000.00 / 1,613,064 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2

⁸ Effective July 1, 2010 and ending December 31, 2014, 100% of income received from United States as salary or compensation, other than retirement benefits, as a member of the Armed Forces is deducted from taxable income. For tax year 2015 and every year thereafter, this deduction will continue if the Board of Equalization determines that the revenue collections meet the criteria set forth in the law. If not, the deduction is limited to \$1,500.00 per person in the Armed Forces.

⁹ Effective for tax year 2010 the Oklahoma standard deduction will equal the federal standard deduction for all filing statuses.

64. ***Federal Income Tax Deduction***
Citation: 68 O.S. §2358
Description: For all taxable years ending after December 31, 1978, and beginning before January 1, 2006, an individual taxpayer may deduct an amount equal to the federal income taxes paid by the taxpayer during the taxable year.
65. ***Swine and Poultry Producers***
Citation: 68 O.S. §2358
Description: Deduction from adjusted gross income for the depreciation allowed for new construction or expansion costs incurred by swine and poultry producers.
Estimate: Estimate is not available. This deduction is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income deducted under this expenditure item cannot be estimated.
66. ***Oklahoma Police Corps Scholarship Program***
Citation: 68 O.S. §2358
Description: Allows for the deduction, by individual taxpayers, of federally taxable scholarship or stipend income if received from the Oklahoma Police Corps Scholarship Program.
Estimate: Estimate is not available. This deduction is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income deducted under this expenditure item cannot be estimated.
67. ***Deduction for Discharge of Farm Indebtedness Income***
Citation: 68 O.S. §2358
Description: Allows for the deduction of income, by individual taxpayers, recognized due to the discharge of farm indebtedness.
Estimate: Estimate is not available. This deduction is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income deducted under this expenditure item cannot be estimated.
68. ***Oklahoma Source Capital Gain Deduction***
Citation: 68 O.S. §2358
Description: Taxpayers may deduct certain qualifying capital gains that are included in federal adjusted gross income or federal taxable income. The qualifying gain must be earned on real or tangible personal property located within Oklahoma; be earned on the sale of stock or ownership interest in an Oklahoma headquartered entity; or be earned on the sale of real property, tangible personal property or intangible personal property located within Oklahoma

68. ***Oklahoma Source Capital Gain Deduction (Continued)***
as part of the sale of all or substantially all of the assets of an Oklahoma headquartered entity or an Oklahoma proprietorship business enterprise.
Estimate: \$76,607,000.00 / 14,381 returns
Data Source: Income Tax Returns
Reliability: 1
69. ***Political Contributions***
Citation: 68 O.S. §2358.3
Description: Contributions to a political party or to a candidate or candidate committee may be deducted from adjusted gross income. The deduction may not exceed One Hundred Dollars (\$100.00).
Estimate: \$188,000.00 / 27,511 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
70. ***Transfers of Technologies to Small Business***
Citation: 68 O.S. §2358
Description: Royalty payments received for transfers of technologies to qualified Oklahoma small businesses is exempt from taxable income.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
71. ***Personal Exemption***
Citation: 68 O.S. §2358
Description: A personal exemption of One Thousand Dollars (\$1,000.00) in lieu of the federal personal exemption is allowed in calculating Oklahoma taxable income for an individual taxpayer.
Estimate: \$137,220,000.00 / 1,509,092 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
72. ***Blind Individuals***
Citation: 68 O.S. §2358
Description: An income tax exemption of One Thousand Dollars (\$1,000.00) for each individual taxpayer or spouse who is blind at the close of the tax year.
Estimate: \$143,000.00 / 4,705 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2

73. ***Individuals Sixty-five (65) or Older***
Citation: 68 O.S. §2358
Description: An income exemption of One Thousand Dollars (\$1,000.00) for each individual taxpayer or spouse who is sixty-five (65) years of age or older; provided certain income limitations apply.
Estimate: \$651,000.00 / 72,506 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
74. ***Government Retirement Benefits***
Citation: 68 O.S. §2358
Description: Exemption for the first Ten Thousand Dollars (\$10,000.00) of most Oklahoma and federal government retirement benefits which are included in Federal Adjusted Gross Income.
Estimate: \$35,551,000.00 / 84,699 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
75. ***Social Security Benefits***
Citation: 68 O.S. §2358
Description: Exemption for all Social Security benefits to the extent the Social Security benefits are included in Federal Adjusted Gross Income.
Estimate: \$88,897,000.00 / 160,029 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
76. ***Civil Service Retirement in Lieu of Social Security Benefits***
Citation: 68 O.S. §2358
Description: There is a phased-in exemption for certain federal civil service benefits received in lieu of Social Security benefits¹⁰.
Estimate: \$8,477,000.00 / 19,554 returns
Data Source: Income Tax Returns
Reliability: 1
77. ***Military Retirement Benefits***
Citation: 68 O.S. §2358
Description: There is an income tax exemption for military retirement benefits from any component of the Armed Forces of the United States. The exemption amount is the greater of seventy-five percent (75%) of their military retirement benefits or Ten Thousand Dollars (\$10,000.00); but may not exceed the amount included in the Federal Adjusted Gross Income.

¹⁰ Certain federal civil servants were ineligible to participate in the Social Security system during their federal working tenure; instead they paid into a different federal civil service retirement plan. The exemption amount for these retirement benefits was previously limited as all other state and federal retirement benefits. Beginning with tax year 2007, in addition to the \$10,000 exemption afforded to most state government and federal civil service retirees, an additional 20% of these retirement benefits are exempt. The amount increases in 20% increments until these retirement benefits are fully exempt in tax year 2011.

77. ***Military Retirement Benefits (Continued)***
Estimate: \$15,122,000.00 / 25,178 returns
Data Source: Income Tax Returns
Reliability: 1
78. ***Private Retirement Benefits***
Citation: 68 O.S. §2358
Description: Exemption for specified private retirement benefits. The exemption is no more than Ten Thousand Dollars (\$10,000.00) of the amount included in the Federal Adjusted Gross Income. The exemption is limited to taxpayers who meet certain income and filing status requirements¹¹.
Estimate: \$30,402,000.00 / 120,877 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
79. ***Deferred Compensation***
Citation: 68 O.S. §2358
Description: Lump-sum distributions from employer deferred compensation plans, which are not plans within the Internal Revenue Code, deposited in separate bank accounts are excluded from an individual's taxable income.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
80. ***Medical Savings Account***
Citation: 68 O.S. §2358
Description: Contributions made to, and interest earned on, a medical savings account are exempt from an individual's taxable income.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
81. ***Agricultural Commodity Processing Facilities***
Citation: 68 O.S. §2358
Description: Exclusion from taxable income in the amount of fifteen percent (15%) of the investment for new or expanded agricultural commodity processing facilities.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore

¹¹ For tax year 2008 Oklahoma Adjusted Gross Income cannot exceed \$125,000.00 for those who file as married joint or qualifying widow (\$62,500.00 for all other filers). This income cap is scheduled to increase in tax year 2009 to \$200,000.00 for married joint and qualifying widow filers (\$100,000.00 for all others). For tax year 2010 no cap will exist for this exemption.

81. ***Agricultural Commodity Processing Facilities (Continued)***
the amount of income exempted under this expenditure item cannot be estimated.
82. ***Indian Employment Exclusion***
Citation: 68 O.S. §2358
Description: Allows for the exclusion of wages not excluded for federal income tax purposes due to the claiming of the federal Indian employment credit.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
83. ***Safety Pays OSHA Consultation Service Exemption***
Citation: 68 O.S. §2358
Description: An employer that utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor is entitled to a One Thousand Dollar (\$1,000.00) exemption for the tax year the services is utilized.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
84. ***Dividend/Interest Income Exclusion***
Citation: 68 O.S. §2358
Description: Dividend/Interest income exclusion to individual taxpayers of One Hundred Dollars (\$100.00) per person not to exceed Two Hundred (\$200.00) on a joint return.
Estimate: \$2,159,000.00 / 420,376 returns
Data Source: Oklahoma Individual Income Tax Micro-Simulator
Reliability: 2
85. ***Prisoners of War***
Citation: 68 O.S. §2358.1
Description: Income of members of the Armed Forces of the United States and certain civilians who have been detained as prisoners of war or are listed as missing in action is exempt from state income taxes. The income of spouses and dependents of such persons are eligible for an exemption from Oklahoma income tax for the duration of the prisoner of war or missing in action status. Further provides for refund provisions on taxes paid during prisoner of war or missing in action status.
Estimate: Zero
Data Source: Income Tax Returns
Reliability: 1

86. ***Tax Incentives for Inventors***
Citation: 74 O.S. §5064.7
Description: Royalty income is exempt from state income taxes for a period of seven (7) years upon certain products developed and manufactured in Oklahoma. Further, manufacturers may qualify for the Oklahoma Investment/New Jobs Credit (68 O.S. §2357.4) and an income exclusion of sixty-five percent (65%) of depreciable property purchased and directly used in manufacturing the product, not to exceed Five Hundred Thousand Dollars (\$500,000.00).
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
87. ***Small Business Incubators – Sponsors***
Citation: 74 O.S. §5075
Description: Income earned by a small business incubator sponsor from rental and service fees is exempt from income tax.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
88. ***Small Business Incubators – Tenants***
Citation: 74 O.S. §5078
Description: Tenants of small business incubators are exempt from income tax on the income earned as a result of the occupancy in the incubator. This exemption is available for a period up to ten (10) years.
Estimate: Estimate is not available. This exemption is commingled with several others on the Oklahoma income tax form 511 and therefore the amount of income exempted under this expenditure item cannot be estimated.
89. ***Income Tax Exemption for Fallout Shelters***
Citation: 63 O.S. §688.4 (Repealed 5/26/2006)
Description: Exemption in computing the amount of Oklahoma adjusted gross income for persons constructing radiation fallout shelters. The exemption is the actual construction cost not to exceed One Thousand Five Hundred Dollars (\$1,500.00) for single family dwellings or Seven Hundred Fifty Dollars (\$750.00) for multi-family units.

C. BONDS, NOTES AND OBLIGATIONS

Oklahoma allows the interest and other income earned on certain bonds, notes, and obligations to not be subject to Oklahoma income tax. Tax return source data does not typically show this data; therefore, estimates are not available.

90. ***Municipal Power Authority***
Citation: 11 O.S. §24-106
Description: All the property of and income, obligations and interest on all the bonds and notes of the Municipal Power Authority are nontaxable.
91. ***Urban Renewal Authorities***
Citation: 11 O.S. §38-115
Description: Income and interest derived from Urban Renewal Authorities' notes and bonds are exempt from all taxes.
92. ***Public Rural Ambulance Service Districts***
Citation: 19 O.S. §1220
Description: Interest earned on and capital gains of securities and other evidences of indebtedness issued by public rural ambulance service districts are exempt from income tax.
93. ***State of Oklahoma Building Bonds***
Citation: 62 O.S. §57.4
Description: All bonds issued pursuant to this act, and the interest thereon, shall not be subject to taxation by the State of Oklahoma.
94. ***State of Oklahoma Building Bonds of 1961***
Citation: 62 O.S. §57.34
Description: Income derived from State of Oklahoma Building Bonds of 1961 shall not be subject to taxation by the State of Oklahoma.
95. ***State Of Oklahoma Building Bonds of 1965***
Citation: 62 O.S. §57.54
Description: Income derived from State of Oklahoma Building Bonds of 1965 shall not be subject to taxation by the State of Oklahoma.
96. ***State of Oklahoma Institutional Building Bonds of 1965***
Citation: 62 O.S. §57.64
Description: Income derived from State of Oklahoma Institutional Building Bonds of 1965 shall not be subject to taxation by the State of Oklahoma.
97. ***Local Industrial Development Act***
Citation: 62 O.S. §660
Description: Bonds issued under the Local Industrial Development Act are exempt from all state taxes.
98. ***University Hospital Authority Revenue Bonds***
Citation: 63 O.S. §3218
Description: Income and gain from the sale of University Hospital Authority Revenue bonds are exempt from taxation by the State of Oklahoma.

99. ***Bond Interest Income***
Citation: 68 O.S. §2358.5
Description: Provides that interest from local government obligations issued after July 1, 2001 by or on behalf of Oklahoma educational institutions, cities, towns, countries or public trusts (in which any of the foregoing are beneficiaries) is exempt from Oklahoma income tax.
100. ***Oklahoma Turnpike Authority***
Citation: 69 O.S. §1714
Description: The Oklahoma Turnpike Authority is not required to pay any taxes or assessments on any project or property acquired under the statute creating and governing the Authority. Any income earned by the Authority, as well as any bond issued by the Authority is exempt from state taxation. In the event the Authority leases property for concessions, that transaction creates a taxable event.
101. ***Oklahoma Educational Television Authority***
Citation: 70 O.S. §23-116
Description: Income earned by the Oklahoma Educational Television Authority and income derived from bonds issued by the Authority are exempt from income tax.
102. ***Oklahoma Student Loan Authority Bonds***
Citation: 70 O.S. §695.3
Description: Bonds and the income from bonds issued by the Oklahoma Student Loan Authority are exempt from income tax.
103. ***Independent School Districts – Stadium, Sports Arena, & Recreation Facilities Construction Revenue Boards***
Citation: 70 O.S. §821.4
Description: Any bond issued pursuant to 70 O.S. §821 et seq. is exempt from income tax.
104. ***Board of Regents of Specific Institutions of Higher Learning Authorized to Issue Tax Exempt Bonds***
Citation: 70 O.S. §4002
Description: Bonds issued by various boards of regents of institutes of higher learning are exempt from income tax.
105. ***Oklahoma Tuition Trust***
Citation: 70 O.S. §6014
Description: The property and income of the Oklahoma Tuition Trust are exempt from taxation. Purchasers of advance tuition payments administered by the Oklahoma Tuition Trust are allowed to deduct those payments from taxable income in the year the purchase was made.

106. ***Oklahoma Industrial Finance Authority – State Industrial Finance Bonds***
Citation: 74 O.S. §856
Description: Income derived from bonds of Oklahoma Industrial Finance Authority is exempt from income tax.
107. ***Native American Cultural & Educational Authority of Oklahoma***
Citation: 74 O.S. §1226.10
Description: The Native American Cultural & Educational Authority of Oklahoma is exempt from paying taxes on any project or property acquired or used by the Authority. This includes income from the property of the Authority.
108. ***Oklahoma Development Finance Authority Bonds***
Citation: 74 O.S. §5062.11
Description: Income derived from bonds issued by the Oklahoma Development Finance Authority is exempt from income tax.
109. ***Credit Enhancement Reserve Fund General Obligation Bonds Issued by the Oklahoma Development Finance Authority***
Citation: 74 O.S. §5063.18
Description: Interest and income from Credit Enhancement Reserve Fund General Obligation bonds issued by the Oklahoma Development Finance Authority are exempt from income tax.
110. ***Irrigation Districts***
Citation: 82 O.S. §277.17
Description: All bonds, notes, and warrants, as well as interest thereon, issued pursuant to the Oklahoma Irrigation District Act are exempt from income tax.
111. ***Conservancy Districts/Conservancy Bonds***
Citation: 82 O.S. §277.17
Description: Interest on any bond, note or warrant issued by a conservancy district is exempt from income tax.
112. ***Grand River Dam Authority***
Citation: 82 O.S. §876
Description: Bonds and interest on bonds issued by the Grand River Dam Authority are exempt from income tax.
113. ***Water Resources Board Investment Certificates***
Citation: 82 O.S. §1085.33
Description: Income derived from Water Resources Board Investment Certificates is exempt from income tax.

114. ***Port Authority Bonds***
Citation: 82 O.S. §1124
Description: Income derived from bonds issued by Port Authorities is exempt from income tax.
115. ***Regional Water Districts***
Citation: 82 O.S. §1274
Description: Interest and capital gains on obligations, securities, and evidences of indebtedness of regional water districts are exempt from income tax.
116. ***Rural Water, Sewer, Gas & Solid Waste Management Districts***
Citation: 82 O.S. §1324.22
Description: Interest and capital gains on securities or evidences of indebtedness of rural water, sewer, gas, and solid waste management districts are exempt from income tax.
117. ***Oklahoma Tourism and Recreation Commission***
Citation: 74 O.S. §1869 (Repealed 11/1/2005)
Description: Property controlled and operated, as well as bonds issued by the Oklahoma Tourism and Recreation Commission is exempt from income tax.

D. EXEMPT ENTITIES

Oklahoma statutes allow for a variety of entities to be exempt from Oklahoma income tax. These include certain governmental entities, quasi-governmental agencies and certain other tax-exempt organizations. Most of these entities do not have income tax filing requirements with the Oklahoma Tax Commission and therefore an estimate of the tax expenditure is not available.

118. ***Airport Property & Income***
Citation: 3 O.S. §65.17
Description: Income earned by municipalities operating an airport for public purposes is exempt from income tax.
119. ***Investment of Surplus Funds of Cemetery Corporations***
Citation: 8 O.S. §17
Description: Surplus funds of cemetery corporations to be invested in secure real estate or securities to ensure perpetual maintenance and improvement of the cemetery are exempt from income tax.
120. ***Municipal Power Authority***
Citation: 11 O.S. §24-106
Description: All the property of and income, obligations and interest on all the bonds and notes of the Municipal Power Authority are nontaxable.

121. ***Rural Electric Cooperatives***
Citation: 18 O.S. §437.25
Description: Income earned by rural electric cooperatives is exempt from income tax.
122. ***Oklahoma Property and Casualty Insurance Guaranty Association***
Citation: 36 O.S. §2017
Description: The Oklahoma Property and Casualty Insurance Guaranty Association is exempt from payment of all fees and all taxes levied by the State of Oklahoma.
123. ***Oklahoma Life and Health Insurance Guaranty Association***
Citation: 36 O.S. §2040
Description: The Oklahoma Life and Health Insurance Guaranty Association is exempt from payment of all fees and all taxes levied by the State of Oklahoma, except taxes levied on real property.
124. ***Nonprofit Hospital Service and Medical Indemnity Corporations***
Citation: 36 O.S. §2617
Description: Income earned by nonprofit hospital service and medical indemnity corporations is exempt from income tax.
125. ***Nonprofit Optometric Service and Indemnity Corporations***
Citation: 36 O.S. §2665
Description: Income earned by nonprofit optometric service and indemnity corporations is exempt from income tax.
126. ***Nonprofit Dental Service Corporations***
Citation: 36 O.S. §2685
Description: Income earned by nonprofit dental service corporations is exempt from Oklahoma income tax.
127. ***Nonprofit Chiropractic Service Corporations***
Citation: 36 O.S. §2691.15
Description: Income earned by nonprofit chiropractic service corporations is exempt from Oklahoma income tax.
128. ***Housing Authorities***
Citation: 63 O.S. §1066
Description: Property and funds of housing authorities are exempt from all state taxes. This tax exemption does not apply to any portion of the project used by a profit-making enterprise.

129. *Exempt Organizations*

Citation: 68 O.S. §2359

Description: This provision exempts certain organizations from Oklahoma income tax. The exemption includes organizations exempt from taxation under provisions of the Internal Revenue Code and insurance companies paying a tax on gross premiums.

130. *Oklahoma Turnpike Authority*

Citation: 69 O.S. §1714

Description: The Oklahoma Turnpike Authority is not required to pay any taxes or assessments on any project or property acquired under the statute creating and governing the Authority. Any income earned by the Authority, as well as any bond issued by the Authority is exempt from state taxation. In the event the Authority leases property for concessions, that transaction creates a taxable event.

131. *Oklahoma Educational Television Authority*

Citation: 70 O.S. §23-116

Description: Income earned by the Oklahoma Educational Television Authority and income derived from bonds issued by the Authority are exempt from income tax.

132. *Oklahoma Tuition Trust*

Citation: 70 O.S. §6014

Description: The property and income of the Oklahoma Tuition Trust are exempt from taxation. Purchasers of advance tuition payments administered by the Oklahoma Tuition Trust are allowed to deduct those payments from taxable income in the year the purchase was made.

133. *Native American Cultural & Educational Authority of Oklahoma*

Citation: 74 O.S. §1226.10

Description: The Native American Cultural & Educational Authority of Oklahoma is exempt from paying taxes on any project or property acquired or used by the Authority. This includes income from the property of the Authority.

134. *Export Trading Companies*

Citation: 74 O.S. §2106

Description: Income earned by "Export Trading Companies" is exempt from state income taxes for two years from the date the Director of the Oklahoma Department of Commerce certifies said corporation as a qualified Export Trading Company.

135. *Oklahoma Center for the Advancement of Science and Technology*

Citation: 74 O.S. §5060.9

Description: Income earned by the Oklahoma Center for the Advancement of Science and Technology is exempt from income tax.

136. ***Service Warranty Associations***
Citation: 36 O.S. §6606 (Repealed effective 7/1/2009)
Description: Securities deposited with the Insurance Commissioner by Service Warranty Associations to ensure faithful performance of their obligations are not subject to taxation.
137. ***Ottawa Reclamation Authority***
Citation: 45 O.S. §814 (Repealed effective 6/6/2006)
Description: All loans, interest on loans, and all other property owned by the Ottawa Reclamation Authority are exempt from income tax.
138. ***Oklahoma Tourism and Recreation Commission***
Citation: 74 O.S. §1869 (Repealed effective 11/1/2005)
Description: Property controlled and operated, as well as bonds issued by the Oklahoma Tourism and Recreation Commission are exempt from income tax.

E. MISCELLANEOUS TAX EXPENDITURES

Four (4) tax expenditures are categorized as miscellaneous, Qualified Refinery Property, Cost of Complying with Sulfur Regulations, Net Operating Losses and Income Averaging for Farmers.

139. ***Qualified Refinery Property***
Citation: 68 O.S. §2357.204
Description: Qualified Oklahoma refineries may elect to expense the cost of qualified refinery property that is not chargeable to a capital account.
Estimate: Estimate is not available. This expense is commingled with several others on the Oklahoma income tax return; therefore the amount of the costs expensed under this expenditure item cannot be estimated.
140. ***Cost of Complying with Sulfur Regulations***
Citation: 68 O.S. §2357.205
Description: Qualified Oklahoma refineries may elect to allocate all or a portion of the cost of complying with sulfur regulations to its owners
Estimate: Estimate is not available. This expense is commingled with several others on the Oklahoma income tax return; therefore the amount of the costs allocated under this expenditure item cannot be estimated.
141. ***Net Operating Losses***
Citation: 68 O.S. §2358
Description: Oklahoma net operating losses can be used to offset another year's taxable income. For losses incurred between tax years 1996 and 2000, losses may only be carried forward. For losses incurred in tax year 2001 and subsequent years, losses may either be carried forward or carried back, at the option of the taxpayer.

141. *Net Operating Losses (Continued)*

Estimate: \$15,479,000.00 / 13,405 returns (individual income tax returns only)

Data Source: Oklahoma Individual Income Tax Micro-Simulator

Reliability: 2

142. *Income Averaging for Farmers*

Citation: 68 O.S. §2358.4

Description: Allows farmers to elect to compute Oklahoma income tax using the income averaging method.

Estimate: Estimate is not available due to insufficient number of returns filed using this option.

III. SALES AND USE TAX

1. ***Rural Electric Cooperatives***
Citation: 18 O.S. §437.25
Description: Purchases by rural electric cooperatives and foreign corporations transacting business under the Rural Electric Cooperative Act.
Estimate (Sales Tax): \$6,363,000.00
Data Source: OU/OSU Group
Reliability: 3

2. ***Rural Water and Sewer Districts***
Citation: 18 O.S. §863
Description: Purchases by nonprofit corporations organized for the purpose of developing and providing rural water supply and sewage disposal facilities.
Estimate (Sales Tax): N/A

3. ***Rural Ambulance Service Districts***
Citation: 19 O.S. §1220
Description: Purchases made by rural ambulance service districts.
Estimate (Sales Tax): N/A

4. ***Oklahoma Property and Casualty Insurance Guaranty Association***
Citation: 36 O.S. §2017
Description: Purchases made by the Oklahoma Property and Casualty Insurance Guaranty Association.
Estimate (Sales Tax): Minimal
Data Source: Industry Sources
Reliability: 3

5. ***Oklahoma Life and Health Insurance Guaranty Association***
Citation: 36 O.S. §2040
Description: Purchases made by the Oklahoma Life and Health Insurance Guaranty Association.
Estimate (Sales Tax): Minimal
Data Source: Industry Sources
Reliability: 3

6. ***Manufacturers of Low-Point Beer***
Citation: 37 O.S. §163.3
Description: Purchases of machinery and equipment directly used in the manufacture, within the state, of low-point beer.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3

7. ***Oklahoma Housing Authority***
Citation: 63 O.S. §1066
Description: Purchase of property by an Oklahoma housing authority.
Estimate (Sales Tax): \$29,000.00
Data Source: OU/OSU Group
Reliability: 3
8. ***Newspapers and Periodicals***
Citation: 68 O.S. §1354
Description: Sales of newspapers and periodicals
Estimate (Sales Tax): \$17,000,000.00
Data Source: OU/OSU Group
Reliability: 3
9. ***Water, Sewage and Refuse Services***
Citation: 68 O.S. §1354
Description: Sales of water, sewage, and refuse services.
Estimate (Sales Tax): \$13,000,000.00
Data Source: OU/OSU Group
Reliability: 3
10. ***Tourism Broker Transportation Services***
Citation: 68 O.S. §1354
Description: Transportation services provided by a tourism service broker which are incidental to the rendition of tourism brokerage services.
Estimate (Sales Tax): \$489,000.00
Data Source: OU/OSU Group
Reliability: 3
11. ***Funeral Home Transportation Services***
Citation: 68 O.S. §1354
Description: Transportation services provided by a funeral establishment to family members and other persons for purposes of conducting a funeral in this state.
Estimate (Sales Tax): \$291,000.00
Data Source: OU/OSU Group
Reliability: 3
12. ***Scientific/Educational Lab Printing***
Citation: 68 O.S. §1354
Description: Services of printing, copying or photocopying by a privately owned scientific and educational library.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3

13. ***Credit for Contractors after Sales Tax Increase***
Citation: 68 O.S. §1354
Description: Credit for taxes paid by a contractor for purchases made subsequent to the date of a contract entered into prior to the effective date of an increase in the sales tax levied.
Estimate (Sales Tax): Zero
Data Source: OU/OSU Group
Reliability: 3
14. ***Leases of Motor Vehicles***
Citation: 68 O.S. §1355
Description: Leases for a period of twelve (12) months or more of motor vehicles.
Estimate (Sales Tax): N/A
15. ***Leases of Aircraft***
Citation: 68 O.S. §1355
Description: Leases of aircraft upon which the owners have paid the aircraft excise tax or are exempt from such tax.
Estimate (Sales Tax): N/A
16. ***United States Government***
Citation: 68 O.S. §1356
Description: Sales of property or services to the United States Government.
Estimate (Sales Tax): Zero¹²
17. ***State of Oklahoma***
Citation: 68 O.S. §1356
Description: Sales of property or services to the State of Oklahoma and its political subdivisions.
Estimate (State Tax): \$92,000,000.00
Data Source: OU/OSU Group
Reliability: 3
18. ***Agents of the United States Government***
Citation: 68 O.S. §1356
Description: Sales to agents of the United States government wherein ownership and possession transfer immediately to the United States government.
Estimate (Sales Tax): Zero¹³

¹² All expenditures involving the United States are given an estimate of zero. This estimate is provided since the State cannot levy a tax upon the federal government under the decision of the U.S. Supreme Court.

19. ***Federally Funded Facility***
Citation: 68 O.S. §1356
Description: Sales of property to agents appointed by a political subdivision of this state if such sale is associated with the development of a qualified federal facility.
Estimate (State Tax): Zero
Data Source: Tax Commission Records
Reliability: 1
20. ***County, District, or State Fair Authorities***
Citation: 68 O.S. §1356
Description: Sales made by county, district or state fair authorities of this state upon the premises of the fair authority, for the sole benefit of the fair authority.
Estimate (Sales Tax): N/A
21. ***School Cafeterias***
Citation: 68 O.S. §1356
Description: Sale of food in cafeterias or lunch rooms by elementary schools, high schools, colleges or universities.
Estimate (Sales Tax): \$6,017,000.00
Data Source: OU/OSU Group
Reliability: 3
22. ***Fraternal, Religious, Civic, Charitable or Educational Societies***
Citation: 68 O.S. §1356
Description: Dues paid to fraternal, religious, civic, charitable or educational societies or organizations by regular members thereof.
Estimate (Sales Tax): \$3,567,000.00
Data Source: OU/OSU Group
Reliability: 3
23. ***Churches***
Citation: 68 O.S. §1356
Description: Sales of property or services to or by churches.
Estimate (Sales Tax): \$5,439,000.00
Data Source: OU/OSU Group
Reliability: 3
24. ***Charitable Purposes***
Citation: 68 O.S. §1356
Description: Sales by nonprofit organizations making sales on behalf of or at the request of a church or churches during one single three (3) day period each year, where the proceeds are used for charitable purposes.
Estimate (Sales Tax): N/A

25. ***Admission Tickets (College or University)***

Citation: 68 O.S. §1356

Description: Amount of proceeds from sale of admission tickets which is separately stated on the ticket for repayment of money borrowed by any state-supported college or university for the purpose of constructing or enlarging any facility.

Estimate (Sales Tax): N/A

26. ***Council Organizations***

Citation: 68 O.S. §1356

Description: Sales of tangible personal property or services to Council Organizations of the Boy Scouts of America, Girl Scouts of U.S.A. and Campfire USA.

Estimate (Sales Tax): \$70,000.00

Data Source: OU/OSU Group

Reliability: 3

27. ***Subdivisions or Agencies of the State***

Citation: 68 O.S. §1356

Description: Sales of property or services to any county, municipality, rural water district, public school district, the institutions of The Oklahoma State System of Higher Education, the Grand River Dam Authority, the Northeast Oklahoma Public Facilities Authority, Oklahoma Municipal Power Authority, City of Tulsa Rogers County Port Authority, Muskogee City-County Port Authority, the Oklahoma Department of Veterans Affairs, the Broken Bow Economic Development Authority, Ardmore Development Authority, Durant Industrial Authority, Oklahoma Ordnance Works Authority, Central Oklahoma Master Conservancy District, Arbuckle Master Conservancy District, Fort Cobb Master Conservancy District, Foss Reservoir Master Conservancy District, Mountain Park Master Conservancy District, Waurika Lake Master Conservancy District and Department of Central Services only when carrying out a public construction contract on behalf of the Oklahoma Department of Veterans Affairs. The exemption also extends to persons who have entered into a public contract with any of the above-named subdivisions or agencies.

Estimate (Sales Tax): \$114,440,000.00

Data Source: OU/OSU Group

Reliability: 3

28. ***Private Education Institutions***

Citation: 68 O.S. §1356

Description: Sales to private institutions of higher education and private elementary and secondary institutions of education accredited by the State Department of Education.

Estimate (Sales Tax): \$3,068,000.00

28. ***Private Education Institutions (Continued)***
Data Source: OU/OSU Group
Reliability: 3
29. ***Tuition and Educational Fees***
Citation: 68 O.S. 1356
Description: Tuition and educational fees paid to private institutions of higher education and private elementary and secondary institutions of education accredited by the State Department of Education.
Estimate (Sales Tax): \$19,464,000.00
Data Source: OU/OSU Group
Reliability: 3
30. ***Sales by Schools***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property by a public school, private school (K-12), public school district, public or private school board, public or private school student group or organization, parent-teacher association or organization, or public or private school personnel for the purpose of raising funds.
Estimate (Sales Tax): \$6,577,000.00
Data Source: OU/OSU Group
Reliability: 3
31. ***4-H Clubs***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property by local, county, state or regional 4-H clubs, 4-H councils, 4-H committees, 4-H leader associations, 4-H foundations, and 4-H camps and training centers for the purpose of raising funds.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3
32. ***Athletic Event Admission Tickets***
Citation: 68 O.S. §1356
Description: Exemption for the first Seventy-five Thousand Dollars (\$75,000.00) of gross receipts each year from sale of tickets and concessions at athletic events by organizations exempt from taxation under 26 U.S.C. §501(c)(4).
Estimate (Sales Tax): N/A
33. ***Promotional Items***
Citation: 68 O.S. §1356
Description: Items or services which are given away by the Department of Tourism as promotional items.
Estimate (Sales Tax): N/A

34. ***Volunteer Fire Departments***
Citation: 68 O.S. §1356
Description: Sales of property or services to volunteer fire departments for use by the fire department.
Estimate (Sales Tax): N/A
35. ***Complimentary Admission Tickets***
Citation: 68 O.S. §1356
Description: Free tickets for admission to places of amusement, sports, or other activities which are issued through a box office operated by a state institution of higher education or by a municipality.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3
36. ***Sales by Fire Departments***
Citation: 68 O.S. §1356
Description: Exemption for the first Fifteen Thousand Dollars (\$15,000.00) of gross receipts each year from sales of tangible personal property by fire departments organized pursuant to Title 11, 18 or 19 of the Oklahoma Statutes for the purpose of raising funds.
Estimate (Sales Tax): \$471,000.00
Data Source: OU/OSU Group
Reliability: 3
37. ***Boys and Girls Clubs of America***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to any Boys and Girls Clubs of America affiliate in this state which is not affiliated with the Salvation Army.
Estimate (Sales Tax): \$45,000.00
Data Source: OU/OSU Group
Reliability: 3
38. ***Court-Adjudicated Juvenile Facility***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to any federally tax exempt organization that takes court-adjudicated juveniles for purposes of rehabilitation.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3

39. ***Qualified Health Centers***
Citation: 68 O.S. §1356
Description: Sales of property and services to federally-qualified health centers, migrant health centers, indigent health care centers, and qualifying community-based health centers.
Estimate (Sales Tax): N/A
40. ***Dues or Fees Paid to YMCAs or YWCAs***
Citation: 68 O.S. §1356
Description: Dues or fees paid to YMCAs, YWCAs, or municipally-owned recreation centers for use of facilities or programs.
Estimate (Sales Tax): N/A
41. ***Cultural Organizations***
Citation: 68 O.S. §1356
Description: The first Fifteen Thousand Dollars (\$15,000.00) each year from sales by or to cultural organizations.
Estimate (Sales Tax): \$1,680,000.00
Data Source: Tax Commission Records
Reliability: 2
42. ***Museums***
Citation: 68 O.S. §1356
Description: Sales of property or services to museums or other entities accredited by the American Association of Museums.
Estimate (Sales Tax): \$97,000.00
Data Source: Industry Sources
Reliability: 3
43. ***Museum Admission Tickets***
Citation: 68 O.S. §1356
Description: Sales of tickets for admission to museums accredited by the American Association of Museums.
Estimate (Sales Tax): \$280,000.00
Data Source: Industry Sources
Reliability: 3
44. ***Children's Homes***
Citation: 68 O.S. §1356
Description: Sales of property or services to children's homes which are supported by one or more churches whose members serve as trustees of the home.
Estimate (Sales Tax): N/A

45. ***Disabled American Veterans***
Citation: 68 O.S. §1356
Description: Sales of property or services to the organization known as Disabled American Veterans, Department of Oklahoma, Inc., and subordinate chapters thereof.
Estimate (Sales Tax): N/A
46. ***Youth Camps***
Citation: 68 O.S. §1356
Description: Sales of property or services to youth camps supported or sponsored by one or more churches whose members serve as trustees of the organization.
Estimate (Sales Tax): N/A
47. ***University Hospital Trust***
Citation: 68 O.S. §1356
Description: Transfer of property from University Hospitals Authority to University Hospitals Trust.
Estimate (Sales Tax): Zero
Data Source: Tax Commission Records
Reliability: 1
48. ***Lease or Lease-Purchase Agreement***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to a municipality, county or school district pursuant to a lease or lease-purchase agreement between the vendor and a municipality, county or school district.
Estimate: N/A
49. ***Spaceport Operations***
Citation: 68 O.S. §1356
Description: (A) Sales of tangible personal property or services to any spaceport user.
(B) Sale, use, storage, consumption, or distribution of any satellite or associated launch vehicle, including components, parts and motors, imported or caused to be imported into this state for the purpose of export by means of launching into space.
(C) Sale, lease, use, storage, consumption, or distribution in this state of any space facility, space propulsion system or space vehicle, satellite, or station of any kind possessing space flight capacity, including components thereof.
(D) Sale, lease, use, storage, consumption, or distribution in this state of tangible personal property placed on or used aboard any space facility, space propulsion system or space vehicle, satellite, or station possessing space flight capacity.

49. ***Spaceport Operations (Continued)***

(E) Sale, lease, use, storage, consumption, or distribution in this state of tangible personal property meeting the definition of "section 38 property" as defined in Section 48 (a)(1)(A) and (B)(i) of the Internal Revenue Code of 1986, that is an integral part of and used primarily in support of space flight.

(F) Purchase or lease of machinery and equipment for use at a fixed location in this state, which is used exclusively in the manufacturing, processing, compounding, or producing of any space facility, space propulsion system or space vehicle, satellite, or station of any kind possessing space flight capacity.

Estimate (Sales Tax): Zero
Data Source: Tax Commission Records
Reliability: 1

50. ***Admission Tickets Surcharge***

Citation: 68 O.S. §1356
Description: Amount of surcharge or any other amount which is separately stated on an admission ticket which is imposed, collected and used for the sole purpose of constructing, remodeling or enlarging facilities of a public trust having a municipality or county as its sole beneficiary.

Estimate: N/A

51. ***State Parks***

Citation: 68 O.S. §1356
Description: Purchases of items used in or for the benefit of the state parks by a 501(c)(3) organization whose purpose is to support one or more state parks.

Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1

52. ***Parking Privileges***

Citation: 68 O.S. §1356
Description: Sale, lease, or use of parking privileges by an institution of The Oklahoma State System of Higher Education.

Estimate: N/A

53. ***Campus Construction Projects***

Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services for use on campus construction projects for the benefit of institutions of The Oklahoma State System of Higher Education or private institutions of higher education accredited by the Oklahoma State Regents for Higher Education when such projects are financed by or through the use of nonprofit entities which are exempt from taxation

53. ***Campus Construction Projects (Continued)***
pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3).
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1
54. ***School Construction Projects***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property of services for use on school construction projects for the benefit of any public school or school district when such projects are financed by or through nonprofit entities exempt from taxation pursuant to 26 U.S.C. 501(c)(3).
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1
55. ***National Championship Sports Event***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services by a nonprofit organization made in the course of conducting a national championship sports event, if a portion of the payment would qualify as the receipt of a qualified sponsorship payment.
Estimate (Sales Tax): N/A
56. ***Robotics***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by nonprofit organizations affiliated with a comprehensive university within the Oklahoma State System of Higher Education providing education and teachers training relating to robotics.
Estimate (Sales Tax): Minimal
Data Source: Industry Sources
Reliability: 3
57. ***Youth Athletic Teams***
Citation: 68 O.S. §1356
Description: The first Fifteen Thousand Dollars (\$15,000.00) in sales of tangible personal property to or by youth athletic teams which are part of an organization which is exempt from taxation pursuant to 501(c)(4) of the Internal Revenue Code, which are made to raise money for the team.
Estimate (Sales Tax) : N/A

58. ***Championship Event Tickets***
Citation: 68 O.S. §1356
Description: Sales of tickets to college athletic events at venues owned or operated by a municipality or a public trust of which the municipality is the sole beneficiary which are part of a tournament to determine regional or national championships at the college or university level.
Estimate: N/A
59. ***Oklahoma City National Memorial***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by a nonprofit organization operating the Oklahoma City National Memorial and Museum.
Estimate: N/A
60. ***Veterans' Organizations***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to nonprofit veterans' organizations which furnish support to area veterans' organizations to be used for the purpose of constructing a memorial or museum.
Estimate: N/A
61. ***Public Libraries***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services made on or after July 1, 2003 to nonprofit organizations that are expending monies received from a private foundation grant in conjunction with expenditures of local sales tax revenue to construct a local public library.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1
62. ***Bordering States***
Citation: 68 O.S. 1356
Description: Sales of tangible personal property and services to bordering states or their political subdivisions but only to the extent those states afford this state and its political subdivisions the same sales tax treatment.
Estimate: N/A

63. ***Career Technology Student Organization***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to the Career Technology Student Organizations under the supervision of the Oklahoma Department of Career and Technology Education.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
64. ***Improvements or Expansions of Hospitals or Nursing Homes***
Citation: 68 O.S. §1356
Description: Purchases made to improve or expand hospital and nursing homes owned and operated by cities, towns, counties or multiples of them or by public trusts having these units of political subdivision as their beneficiary or to organizations exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, or to the contractor or subcontractor with one of the above named types of entities.
Estimate: \$650,000.00
Data Source: Tax Commission Records
Reliability: 1
65. ***Specialized Facilities Serving Physically and Mentally Handicapped Persons***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property and services to an organization, which assists, trains, educates, and provides housing for physically and mentally handicapped persons and which is exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3); and provided that the organization receives at least eighty-five percent (85%) of its annual budget from state or federal funds.
Estimate: \$100,000.00
Data Source: Tax Commission Records
Reliability: 1
66. ***Neighborhood Watch Organizations***
Citation: 68 O.S. §1356
Description: The first Two Thousand Dollars (\$2,000.00) in sales yearly to, by or for the benefit of the first two thousand (2,000) neighborhood watch organizations to apply which are working directly with law enforcement.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 2

67. ***Organization Providing Services during the Day to Homeless Persons***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property to an organization exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, organized primarily for the purpose of providing services to homeless persons during the day.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
68. ***Organization Providing Funding for the Preservation and Conservation of Wetlands and Habitat for Wild Ducks and Turkeys***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by an organization exempt from taxation pursuant to § 501(c)(3) of the Internal Revenue Code, for events the principal purpose of which is to provide funding for the preservation of wetlands and habitat for wild ducks and wild turkeys.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
69. ***Organization which is Part of a Network of Autonomous Member Organizations***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to an organization exempt from taxation pursuant to § 501(c)(3) of the Internal Revenue Code that is part of a network of community-based, autonomous member organizations that meet the following criteria:
(A) Serve people with workplace disadvantages and disabilities by providing job training and employment services, as well as job placement opportunities and post-employment support,
(B) Has locations in the United States and at least twenty (20) other countries,
(C) Collects donated clothing and household goods to sell in retail stores and provides contract labor services to business and government, and
(D) Provides documentation to the Oklahoma Tax Commission that over seventy-five percent (75%) of its revenues are channeled into employment, job training and placement programs and other critical community services.
Estimate: \$104,000.00
Data Source: Industry Sources
Reliability: 3

70. ***Tickets to National Basketball Association and National Hockey League Games***
Citation: 68 O.S. §1356
Description: Sales or gift of tickets to National Basketball Association or National Hockey League Games.
Estimate: \$1,905,000.00
Data Source: Industry Sources
Reliability: 3
71. ***Admission to Professional Sporting Events***
Citation: 68 O.S. §1356
Description: Admissions to professional sporting events involving ice hockey baseball, basketball, football or arena football, or soccer.
Estimate: \$563,000.00
Data Source: Industry Sources
Reliability: 3
72. ***Tickets to an Annual Event Sponsored by an Educational and Charitable Organization of Women***
Citation: 68 O.S. §1356
Description: Admissions to an annual event sponsored by an educational and charitable organization of women, exempt from taxation pursuant to 501(c)(3) of the Internal Revenue Code which promotes volunteerism, developing the potential of women and improving the community through the effective action and leadership of trained volunteers.
Estimate: N/A
73. ***Community Mental Health Center***
Citation: 68 O.S. § 1356
Description: Sales of tangible personal property or services to any community mental health center as defined in 43A O.S. §3-302.
Estimate: \$423,000.00
Data Source: Industry Sources
Reliability: 3
74. ***Community Health Charities Member Organizations***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to an organization primarily engaged either in providing educational services and programs concerning health-related diseases and conditions to individuals suffering from such health-related diseases and conditions or their caregivers and family members or support to such individuals, or in health-related research as to such diseases and conditions, or both. Such organization must itself be a member of a tax-exempt organization that is primarily engaged in advancing the purposes of its member organizations through fundraising, public awareness or other efforts for the benefit of its member organizations. In order to qualify for the exemption, the

74. ***Community Health Charities Member Organizations (Continued)***
 member nonprofit organization shall be required to provide proof to the Oklahoma Tax Commission of its membership status in the membership organization
Estimate: \$83,000.00
Data Source: Industry Sources
Reliability: 3
75. ***National Volunteer Women's Service Organization***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by an organization which is part of a national volunteer women's service organization dedicated to promoting patriotism, preserving American history and securing better education for children and which has at least one hundred sixty-eight thousand (168,000) members in three thousand (3,000) chapters across the United States.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
76. ***YMCA or YWCA***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by a YMCA or YWCA organization.
Estimate: \$286,000.00
Data Source: Industry Sources
Reliability: 3
77. ***Veterans of Foreign Wars***
Citation: 68 O.S. §1356
Description: Sales of tangible personal property or services to or by the Veterans of Foreign Wars (VFW) organization, Oklahoma chapters.
Estimate: \$29,000.00
Data Source: Industry Sources
Reliability: 3
78. ***Food Boxes Containing Edible Staple Food Items***
Citation: 68 O.S. §1356
Description: Sales of boxes containing edible staple food items when the boxes are sold by churches or by organizations that are exempt pursuant to 26 U.S.C., Section 501(c)(3) where the organization was organized for the primary purpose of feeding needy persons or to encourage volunteer service.
Estimate: N/A

79. ***Contractors and Subcontractors with Churches***
Citation: 68 O.S. §1356
Description: Purchases of tangible personal property and services by persons with whom a church has duly entered into a construction contract or to a subcontractor to that contract.
Estimate: N/A
80. ***Organizations Providing Training and Education to Developmentally Disabled Individuals***
Citation: 68 O.S. §1356
Description: Provides a sales tax exemption for sales of tangible personal property or services used exclusively for charitable, educational or religious purposes, to or by an organization which is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code and has a Not-for-Profit Certificate of Incorporation in Oklahoma, organized for the purpose of providing training and education to developmentally disabled individuals; educating the community about the rights, abilities and strengths of developmentally disabled individuals; and promoting unity among developmentally disabled individuals in their community and geographic area.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
81. ***Shelters for Abused, Neglected, or Abandoned Children***
Citation: 68 O.S. §1356
Description: Provides an exemption from sales tax on sales of tangible personal property or services to an organization exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, which is a shelter for abused, neglected, or abandoned children from birth to age eighteen.
Estimate: \$144,000.00
Data Source: Industry Sources & Government Data
Reliability: 3
82. ***Child Care Centers Possessing a 3-Star Rating***
Citation: 68 O.S. §1356
Description: Provides an exemption for sales of tangible personal property or services to child care centers possessing a 3-star rating with the Department of Human Services and providing on-site universal pre-kindergarten education to four-year-old children through a contractual relationship with a public school.
Estimate: \$100,000.00
Data Source: Industry Sources
Reliability: 3

83. ***Blue Star Mothers of America, Inc.***
Citation: 68 O.S. § 1356
Description: Provides an exemption for sales of tangible personal property to the exempt 501(c)(19) service organization known as the Blue Star Mothers of America, Inc. which sends personal property to United States Military personnel overseas who are serving in a combat zone.
Estimate: \$2,000.00
Data Source: Tax Commission Records
Reliability: 1
84. ***Local Public or Private School Foundations***
Citation: 68 O.S. § 1356
Description: Exempts until July 1, 2014, sales of tangible personal property by or to nonprofit local public or private school foundations which solicit money or property in the name of any public or private school or public school district.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
85. ***Organizations Providing Funds for Medical Scholarships***
Citation: 68 O.S. § 1356
Description: Sales of food and snack items to or by an organization exempt from taxation pursuant to 26 U.S.C. § 501(c)(3) whose primary purpose is providing funds for scholarships in the medical field.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 2
86. ***Construction Projects for Entities Providing End-Of-Life Care and Hospice Services***
Citation: 68 O.S. § 1356
Description: Exempts sales of tangible personal property and services for use solely on construction projects for organizations exempt from taxation under 26 U.S.C. § 501(c)(3) and whose purpose is to provide end-of-life care and access to hospice services to low-income individuals who live in a facility owned by the organization. The measure extends the exemption to sales to any person, including contractors and subcontractors, with whom such organization has duly entered into a construction contract, necessary for carrying out such contract.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1

87. ***Event Admissions Sales by Organizations Supporting General Hospitals***
Citation: 68 O.S. §1356
Description: Exempts sales of admission tickets to events held by organizations exempt from taxation pursuant to 26 U.S.C. § 501(c)(3) that are organized for the purpose of supporting general hospitals licensed by the Oklahoma Department of Health.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
88. ***Nonprofit Foundation Raising Contributions in Support of Activities of the NRA and Similar Organizations***
Citation: 68 O.S. §1356
Description: Exempts the sale of property to a nonprofit foundation which raises tax deductible contributions in support of a wide range of firearms related public interest activities of the National Rifle Association of America and other organizations that defend and foster the Second Amendment and also exempts sales of property to or by grassroots funding raising programs for sales related to events to raise funds for the referenced foundation.
Estimate: Minimal
Data Source: Industry Sources
Reliability: 3
89. ***Transportation of School Pupils***
Citation: 68 O.S. §1357
Description: Transportation of school pupils to and from elementary schools or high schools.
Estimate (Sales Tax) : Zero
Data Source: OU/OSU Group
Reliability: 3
90. ***Local Transportation***
Citation: 68 O.S. §1357
Description: Transportation of persons where the fare does not exceed One Dollar (\$1.00) or local transportation within the corporate limits of a municipality except by taxicabs.
Estimate (Sales Tax) : \$242,000.00
Data Source: OU/OSU Group
Reliability: 3
91. ***Sales for Resale***
Citation: 68 O.S. §1357
Description: Sales for resale to persons engaged in the business of reselling the articles purchased and who have been issued sales tax permits by the Oklahoma Tax Commission.
Estimate (Sales Tax) : \$1,512,000,000.00
Data Source: Tax Commission Records
Reliability: 2

92. ***Sales of Certain Types of Advertising***
Citation: 68 O.S. §1357
Description: Sales of advertising space in newspapers, periodicals, programs relating to sporting and entertainment events, on billboards (including signage, posters, panels, marquees, or on other similar surfaces, whether indoors or outdoors), or programs relating to sporting and entertainment events, and sales of any advertising displayed at a sporting event by way of the Internet, electronic display devices, or through public address or broadcast systems, and any advertising via the Internet, electronic display devices, electronic media, including radio, public address or broadcast systems, television (whether through closed circuit broadcasting systems or otherwise), and cable and satellite television, and the servicing of any advertising devices.
Estimate (Sales Tax): \$41,551,000.00
Data Source: OU/OSU Group
Reliability: 3
93. ***Terrestrial or Aquatic Animal Life Supplies***
Citation: 68 O.S. §1357
Description: Eggs, feed, supplies, machinery and equipment purchased by persons regularly engaged in the business of raising worms, fish or insects.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3
94. ***Utilities for Residential Use***
Citation: 68 O.S. §1357
Description: Sale of natural or artificial gas and electricity when sold exclusively for residential use.
Estimate (Sales Tax): \$117,570,000.00
Data Source: OU/OSU Group
Reliability: 3
95. ***Drugs***
Citation: 68 O.S. §1357
Description: Sales of drugs, except for over-the-counter drugs, prescribed for the treatment of human beings by a person licensed to prescribe the drugs and sales of insulin and medical oxygen.
Estimate (Sales Tax): \$132,227,000.00
Data Source: Kaiser Family Foundation
Reliability: 3

96. ***Oil or Chemical Drums***
Citation: 68 O.S. §1357
Description: Sales of returnable oil and chemical drums to any person not in the business of reselling returnable oil drums.
Estimate (Sales Tax): N/A
97. ***Utensils Sold to Vendors***
Citation: 68 O.S. §1357
Description: Sales of one-way utensils, paper napkins, cups and disposable containers to a vendor of meals or beverages.
Estimate (Sales Tax): Minimal
Data Source: OU/OSU Group
Reliability: 3
98. ***Federal Food Stamp Program***
Citation: 68 O.S. §1357
Description: Sales of food or food products for home consumption which are purchased in whole or in part with federal food stamp coupons.
Estimate (Sales Tax): \$39,020,000.00
Data Source: Oklahoma Department of Human Services
Reliability: 3
99. ***Meals on Wheels***
Citation: 68 O.S. §1357
Description: Sales of food, food products or equipment and supplies to or by organizations commonly known as "Meals on Wheels" or "Mobile Meals", or nonprofit corporations which receive funding pursuant to the Older Americans Act of 1965, and other exempt organizations distributing food.
Estimate (Sales Tax): N/A
100. ***Collection and Distribution of Food to the Needy***
Citation: 68 O.S. §1357
Description: Sales to or by non-profit organizations which are exempt from tax under the provisions of 501(c)(3) of the Internal Revenue Code which are primarily engaged in the collection and distribution of food and household products and which facilitate the distribution of them to the needy.
Estimate: N/A
101. ***Children's Homes***
Citation: 68 O.S. §1357
Description: Sales of tangible personal property or services to children's homes which are located on church-owned property and are operated by organizations, exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., §501(c)(3).
Estimate (Sales Tax): \$75,000.00
Data Source: OU/OSU Group
Reliability: 3

102. *Aircraft Maintenance Facility*

Citation: 68 O.S. §1357

Description: Sales of computers, data processing equipment, related peripherals and telephone, telegraph or telecommunications service and equipment for use in a qualified aircraft maintenance or manufacturing facility. Further, sales of property consumed in the construction or expansion of a qualified aircraft maintenance or manufacturing facility.

Estimate (Sales Tax) : Zero

Data Source: Tax Commission Records

Reliability: 1

103. *Certain Telecommunications Services*

Citation: 68 O.S. §1357

Description: Sales of interstate and international 800, 900 and private communications services, value-added nonvoice data service, interstate and international telecommunications service which is rendered by a company for private use within its organization or used or distributed by a company to its affiliated group, regulatory assessments and telecommunication nonrecurring charges including installation, connection, change or initiation of telecommunications services which are not associated with a retail consumer sale.

Estimate (Sales Tax) : N/A

104. *Railroad Track Spikes*

Citation: 68 O.S. §1357

Description: Sales of railroad track spikes manufactured and sold for use in this state.

Estimate (Sales Tax) : N/A

105. *Aircraft and Aircraft Parts*

Citation: 68 O.S. §1357

Description: Sales of aircraft engine repairs and aircraft parts; at a qualified aircraft maintenance facility.

Estimate (Sales Tax) : Zero

Data Source: Tax Commission Records

Reliability: 2

106. *Computer Services and Data Processing*

Citation: 68 O.S. §1357

Description: Sales of machinery and equipment purchased and used by qualifying persons and establishments primarily engaged in computer services and data processing.

Estimate (Sales Tax) : N/A

107. *Prosthetic Devices*
Citation: 68 O.S. §1357
Description: Sales of prosthetic devices to individuals for their own use.
Estimate (Sales Tax): N/A
108. *Motion Picture and Television Production Companies*
Citation: 68 O.S. §1357
Description: Sales of property or services to a motion picture or television production company to be used or consumed in connection with an eligible production.
Estimate (Sales Tax): \$3,000.00
Data Source: Tax Commission Records
Reliability: 2
109. *Diesel Fuel*
Citation: 68 O.S. §1357
Description: Diesel fuel sold for use by commercial vessels, barges, and other commercial watercraft.
Estimate (Sales Tax): N/A
110. *Biomedical Research Foundations*
Citation: 68 O.S. §1357
Description: Sales of property and services to tax-exempt, independent, nonprofit biomedical research foundations and community blood banks.
Estimate (Sales Tax): N/A
111. *Wireless Telecommunication Equipment*
Citation: 68 O.S. §1357
Description: Wireless telecommunications equipment used as part of a promotional package.
Estimate (Sales Tax): N/A
112. *Rail Transportation Cars*
Citation: 68 O.S. §1357
Description: Leases of rail transportation cars used to transport coal to plants in this state that generate electricity.
Estimate (Sales Tax): N/A
113. *Aircraft Repair and Modification*
Citation: 68 O.S. §1357
Description: Sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services used in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint.
Estimate (Sales Tax): \$2,150,000.00
Data Source: OU/OSU Group
Reliability: 3

114. ***Ship Motor Vessel or Barge***
Citation: 68 O.S. §1357
Description: Sales of materials and supplies to the owner or operator of a ship, motor vessel or barge that is used in interstate or international commerce.
Estimate (Sales Tax) : N/A
115. ***Estate Sales***
Citation: 68 O.S. §1357
Description: Estate sales if:
(A) Sale is held at decedent's residence.
(B) Sale is held for a period of three (3) consecutive days or less.
(C) Sale is held within six (6) months of the date of death.
(D) Goods sold must be part of the estate of the decedent.
(E) Sale must not be held by someone who is required to hold a sales tax permit or a Transient Merchant License.
Estimate (Sales Tax) : N/A
116. ***Electricity Used in Oil De-watering Projects***
Citation: 68 O.S. §1357
Description: Electricity used by an oil and gas operator for reservoir de-watering projects.
Estimate (Sales Tax) : N/A
117. ***Prewritten Computer Software***
Citation: 68 O.S. §1357
Description: Sales of prewritten computer software that is delivered electronically.
Estimate: N/A
118. ***Modular Dwelling Units***
Citation: 68 O.S. §1357
Description: Forty-five percent (45%) of the total sales price of sales of certain modular dwelling units.
Estimate: \$156,000.00
Data Source: Tax Commission Records
Reliability: 2
119. ***Disabled Veterans in Receipt of Compensation at the One Hundred Percent Rate***
Citation: 68 O.S. §1357
Description: Sales of tangible personal property or services not to exceed Twenty-Five Thousand Dollars (\$25,000.00) per year to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard with certification from the United States Department of Veterans Affairs or its successor certifying such

119. ***Disabled Veterans in Receipt of Compensation at the One Hundred Percent Rate (Continued)***
 veteran is receiving compensation at the rate of one hundred percent (100%) and has a permanent disability sustained through military action or accident or resulting from a disease contracted while in such active service; including sales for the benefit of disabled veterans to a spouse or to a member of the household in which the veteran resides and who is authorized to make purchases on the veteran's behalf, when such veteran is not present at the sale.
Estimate: \$15,175,000.00
Data Source: Tax Commission Records
Reliability: 2
120. ***Enhanced Recovery Methods***
Citation: 68 O.S. §1357
Description: Sales of electricity that are used in enhanced recovery methods of oil production.
Estimate: \$1,699,000.00
Data Source: Industry Sources
Reliability: 3
121. ***Intrastate Charter and Tour Bus Transportation***
Citation: 68 O.S. §1357
Description: The sale of intrastate charter and tour bus transportation.
Estimate: N/A
122. ***Vitamins, Minerals and Dietary Supplements by a Licensed Chiropractor***
Citation: 68 O.S. §1357
Description: Sales of vitamins, minerals and dietary supplements by a licensed chiropractor to his/her patient.
Estimate (Sales Tax) : \$49,000.00
Data Source: Industry Sources
Reliability: 3
123. ***Web Search Portals***
Citation: 68 O.S. § 1357
Description: Sales of goods, ware, merchandise, tangible personal property, machinery and equipment to a web search portal located in this state.
Estimate: N/A
124. ***Contractors and Subcontractors with Rural Electric Cooperatives***
Citation: 68 O.S. §1357
Description: Purchases of tangible personal property made by contractors and subcontractors with rural electric cooperatives which is consumed or incorporated in the construction or expansion of a facility.
Estimate: N/A

125. ***Businesses Engaged in Repair of Electronic Goods***
Citation: 68 O.S. § 1357
Description: Sales of tangible personal property or services to businesses primarily engaged in the repair of consumer electronic goods i.e., cell phones, compact disc players, personal computers etc., which are sold by the original manufacturer to the businesses where the goods are repaired, refitted, or refurbished for sale to retail consumers or to other businesses for subsequent sale to retail consumers.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 2
126. ***Rolling Stock***
Citation: 68 O.S. §1357
Description: Exempts until July 1, 2014, sales of rolling stock—locomotives, autocars, and railroad cars—when sold or leased by the manufacturer.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 3
127. ***Precious Metals***
Citation: 68 O.S. § 1357
Description: Sales of gold, silver, platinum, palladium or other bullion items stored within a recognized depository facility which means an institution that accepts delivery of precious metals on behalf of the purchaser and provides storage of such precious metals, but shall not include financial institutions as defined in subsection E of Section 71 of Title 62 of the Oklahoma Statutes.
Estimate: *Effective November 1, 2010*
128. ***Drugs and Medical Devices***
Citation: 68 O.S. §1357.6
Description: Sales of drugs for the treatment of human beings, medical appliances, devices or equipment including prosthetic devices, durable medical equipment and mobility enhancing equipment when administered or distributed by an authorized practitioner or when purchased or leased by or on behalf of any individual for their use under a prescription or work order of an authorized practitioner and when the cost of such items is reimbursable under the Medicare or Medicaid Program.
Estimate (Sales Tax) : \$10,650,000.00
Data Source: OU/OSU Group
Reliability: 3

129. *Horses*
Citation: 68 O.S. §1357.7
Description: Sales of horses.
Estimate (Sales Tax): \$1,170,000.00
Data Source: OU/OSU Group
Reliability: 3
130. *Related Entities*
Citation: 68 O.S. §1357.9
Description: Sales of services between related entities, applies to services that become taxable after July 1, 2003.
Estimate: Zero
Date Source: Tax Commission Records
Reliability: 1
131. *Sales Tax Holiday*
Citation: 68 O.S. § 1357.10
Description: Provides for a sales tax exemption for the sale of clothing or footwear designed to be worn on or about the body if the sales price is less than \$100.00 and the sale takes place during the period beginning at 12:01 am the first Friday in August and ending at 12 midnight on the following Sunday. The exemption shall be for sales taxes levied by the state, cities, counties, and authorities. The city and county taxes will be reimbursed to the cities and the counties from other state sales tax revenues.
Estimate: \$6,839,000.00
Data Source: Tax Commission Records
Reliability: 2
132. *Agricultural Sales*
Citation: 68 O.S. 1358
Description: (A) Sales of agricultural products sold directly at or from a farm.
(B) Sales of livestock
(C) Sales of baby chicks, turkey poults and starter pullets used in commercial production.
(D) Sales of animal feed.
(E) Sales of items to be used in production of agricultural products.
(F) Sales of farm machinery.
(G) Sales of supplies, machinery and equipment to persons raising evergreen trees.
(H) Sales to an agricultural permit holder or to any person the permit holder has contracted to construct livestock facilities.
Estimate (Sales Tax): \$64,710,000.00
Data Source: Tax Commission Records
Reliability: 2

133. *Sales to Manufacturers*

Citation: 68 O.S. §1359

Description: (A) Sales of property to a manufacturer for use in a manufacturing operation.
(B) Ethyl alcohol when sold and used for the purpose of blending with motor fuel.
(C) Sales of containers.
(D) Sales of returnable soft drink, beer and water containers.
(E) Sales of property by a manufacturer for immediate exportation out of the state.
(F) Machinery and supplies sold for use in reducing the harmful properties of hazardous waste.
(G) Sales of property to a "qualified manufacturer."
(H) Sales of property purchased and used by a licensed radio or television station in broadcasting.
(I) Sales of property purchased and used by a licensed cable television operator in cable casting.
(J) Sales of packaging materials.
(K) Sales of any pattern used in the process of manufacturing iron, steel or other metal castings.
(L) Deposits made and which are subsequently refunded for returnable containers used to transport cement.
(M) Machinery, electricity, fuels, explosives, and materials used in the mining of coals.
(N) Deposits made for returnable cartons, crates, pallets, and containers used to transport mushrooms from a farm for resale.
(O) Purchases of construction materials used to build new or expanded qualified wholesale grocery distribution facilities.
(P) Sales of tangible personal property and services used or consumed in all phases of the extraction and manufacturing of crushed stone and sand.

Estimate (Sales Tax) : \$1,744,549,000.00

Data Source: OU/OSU Group

Reliability: 3

134. *Sales to Corporations, Partnerships, or Limited Liability Companies*

Citation: 68 O.S. §1360

Description: Sales between corporations, partnerships, or limited liability companies pursuant to a merger, reorganization, or dissolution.

Estimate (Sales Tax) : N/A

135. *Donations*

Citation: 68 O.S. §1362

Description: Items that are withdrawn from inventory for donation to persons affected by the tornadoes of May 8 or 9, 2003.

Estimate: Zero

Data Source: Industry Sources

Reliability: 3

136. ***Bad Debt Credit***
Citation: 68 O.S. §1366
Description: Credit allowed for taxes paid on gross receipts subsequently determined to be worthless or uncollectible.
Estimate (Sales Tax): \$21,000.00
Data Source: Tax Commission Records
Reliability: 2
137. ***Out-of-State Tax Credit***
Citation: 68 O.S. §1404
Description: Credit allowed for tax paid on an article of tangible personal property to another state by the person using such tangible personal property in this state.
Estimate: \$1,554,000.00
Data Source: OU/OSU Group
Reliability: 3
138. ***Machinery and Equipment Used in Manufacturing***
Citation: 68 O.S. §1404
Description: Use of machinery and equipment purchased and used by persons establishing new or operating manufacturing plants.
Estimate (Use Tax): \$4,585,000.00
Data Source: OU/OSU Group
Reliability: 3
139. ***Commercial Airlines or Railroads***
Citation: 68 O.S. §1404
Description: Use of tangible personal property used or to be used by commercial airlines or railroads.
Estimate (Use Tax): \$51,677,000.00
Data Source: OU/OSU Group
Reliability: 3
140. ***Livestock Purchased Outside the State***
Citation: 68 O.S. §1404
Description: Livestock purchased outside this state and brought into this state for feeding or breeding purposes, and which is later resold.
Estimate (Use Tax) : \$57,949,000.00
Data Source: OU/OSU Group
Reliability: 3
141. ***Rail Transportation Cars***
Citation: 68 O.S. §1404
Description: Leases of rail transportation cars used to transport coal to plants in this state that generate electricity.
Estimate (Use Tax) : N/A

142. ***Bad Debt Credit***
Citation: 68. O.S. §1407.1
Description: Credit allowed for taxes paid on gross receipts pursuant to §§1406 and 1407 of the Use Tax Code and subsequently determined to be worthless or uncollectible.
Estimate (Use Tax) : Zero
Data Source: Tax Commission Records
Reliability: 2
143. ***Sales Tax Credit for Tourism Attraction Operators***
Citation: 68 O.S. §2357.40
Description: Sales tax credit on approved costs of a company operating an approved tourism project.
Estimate (Sales Tax) : Zero
Data Source: Tax Commission Records
Reliability: 1
144. ***Computer Services***
Citation: 68 O.S. §54003
Description: Sales of computers, data processing equipment, telecommunications service and equipment, and related peripherals to a qualified purchaser engaged in computer services, data processing or research and development.
Estimate (Use Tax) : \$271,000.00
Data Source: Tax Commission Records
Reliability: 1
145. ***Oklahoma Administrative Code***
Citation: 75 O.S. §256
Description: Sale or resale of "Oklahoma Administrative Code" by Secretary of State.
Estimate (Sales Tax) : Minimal
Data Source: Oklahoma Secretary of State
Reliability: 1
146. ***Irrigation Districts***
Citation: 82 O.S. §277.17
Description: All purchases or use of tangible personal property by irrigation districts.
Estimate (Sales Tax) : \$44,000.00
Estimate (Use Tax) : N/A
Data Source: OU/OSU Group
Reliability: 3

147. ***Conservancy Districts***

Citation: 82 O.S. §688.1

Description: All purchases of property by conservancy districts and master conservancy districts.

Estimate (Sales Tax) : N/A

Estimate (Use Tax) : N/A

148. ***Regional Water Districts***

Citation: 82 O.S. §1274

Description: All purchases of property by regional water districts.

Estimate (Sales Tax) : N/A

Estimate (Use Tax) : N/A

149. ***Rural Water, Sewer, Gas and Solid Waste Management Districts***

Citation: 82 O.S. §1324.22

Description: All purchases of property by rural water, sewer, gas, and solid waste management districts.

Estimate (Sales Tax) : N/A

Estimate (Use Tax) : N/A

IV. AD VALOREM TAX

Although previously included in Tax Expenditure Reports issued by the Tax Commission, ad valorem tax is a local revenue source and, as such, state revenues are not affected by the imposition of exclusions, exemptions, deductions, credits, deferrals, or other preferential tax treatment for purposes of ad valorem taxation. Therefore, a review of ad valorem tax expenditures is omitted from this report.

V. MOTOR VEHICLE REGISTRATION FEES

1. *Abandoned Vehicles Auctioned by Class AA Wreckers*

Citation: 42 O.S. §91.1
Description: Vehicles upon which fees are imposed by the state from prior ownership of the vehicle when Class AA wreckers are performing an abandoned vehicle auction.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 2

2. *Road Construction Vehicles*

Citation: 47 O.S. §14-118
Description: Rubber-tired road construction vehicles and special mobilized machinery.
Estimate: N/A

3. *Donated Vehicles*

Citation: 47 O.S. §1115
Description: Vehicles donated to nonprofit charitable organizations.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 2

4. *Military Personnel Vehicles*

Citation: 47 O.S. §1127
Description: Vehicles owned by members of the Armed Forces of the United States assigned to duty in this state or owned by their spouses, who reside in Oklahoma. The special registration also applies to Oklahoma residents who are members of the Armed Forces and stationed out of state.
Estimate: \$2,481,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2

5. *Special Mobilized Machinery*

Citation: 47 O.S. §1129
Description: Special purpose machines which derive no revenue from the transportation of persons or property and whose useful revenue-producing service is performed at destinations away from public highways.
Estimate: \$1,898,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2

6. ***Vehicle Replacement Credit***
Citation: 47 O.S. §1132
Description: Credit allowed with respect to the fee for registration of a new vehicle which is a replacement for a stolen or defective new original vehicle.
Estimate: Minimal
Data Source: Motor Vehicle Registrations
Reliability: 2
7. ***Destroyed Vehicles***
Citation: 47 O.S. §1132.3
Description: Vehicles destroyed during the May 8 or 9, 2003 tornado. A credit for any remaining months of registration will apply to the registration fees of a replacement vehicle.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 2
8. ***Farm Vehicles***
Citation: 47 O.S. §1134
Description: Pickup, truck or truck-tractor owned and operated by a farmer and used primarily for farm use.
Estimate: \$4,295,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
9. ***Taxicabs and Privately Owned School Buses***
Citation: 47 O.S. §1134.1
Description: Special registration fees for taxicabs and privately-owned school buses used for transporting school children.
Estimate: \$45,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
10. ***Forestry Vehicles***
Citation: 47 O.S. §1134.2
Description: Vehicles used for transporting unfinished forest products from point of harvest to the point of first processing.
Estimate: \$434,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
11. ***Political Subdivision Vehicles***
Citation: 47 O.S. §1135.1
Description: Vehicles owned by any political subdivision of this state.
Estimate: \$254,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2

12. ***Vehicles Owned by a Religious Corporation or Society***
Citation: 47 O.S. §1135.1
Description: Motor bus, manufactured home, or mobile chapel and power unit owned and operated by a religious corporation or society.
Estimate: \$322,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
13. ***Youth Program Vehicles***
Citation: 47 O.S. §1135.1
Description: Vehicles owned or operated by nonprofit organizations devoted exclusively to youth groups.
Estimate: \$123,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
14. ***Vehicles Used for the Employment of the Handicapped***
Citation: 47 O.S. §1135.1
Description: Vehicles owned or operated by nonprofit organizations actually involved in programs for the employment of the handicapped.
Estimate: \$21,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
15. ***Transportation for Older Persons***
Citation: 47 O.S. §1135.1
Description: Vehicles owned and operated by a nonprofit organization that provides older persons transportation to and from medical, dental and religious services and relief from business and social isolation.
Estimate: \$123,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
16. ***Transportation of Surplus Food***
Citation: 47 O.S. §1135.1
Description: Vehicles owned and operated by a private nonprofit organization used for the transportation of surplus foods.
Estimate: \$9,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
17. ***Fraternal or Civic Service Organization Vehicles***
Citation: 47 O.S. §1135.1
Description: Any vehicle owned by a fraternal or civic service organization with at least one hundred (100) local chapters or clubs, and used to provide mobile health screening services to the general public at no cost to the recipient.
Estimate: N/A

18. ***Fire Department Vehicles***
Citation: 47 O.S. §1113
Description: Vehicles owned and operated by a charitable corporation which provides a volunteer or full-time fire department.
Estimate: \$10,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
19. ***Prisoner of War Vehicles***
Citation: 47 O.S. §1135.2
Description: Vehicles owned by members of the Armed Forces or civilians who were former prisoners of war held by a foreign country.
Estimate: \$26,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
20. ***Physically Disabled Vehicles***
Citation: 47 O.S. §1135.1
Description: Vehicles which have been modified because of the physical disability of the owner or of a family member within the second degree of consanguinity of the owner.
Estimate: \$157,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
21. ***Disabled Veterans' Vehicles***
Citation: 47 O.S. §1135.2
Description: Vehicles owned by veterans of the Armed Forces of the United States that have a service-connected disability rating of fifty percent (50%) or more.
Estimate: \$2,709,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
22. ***Congressional Medal of Honor Recipient Vehicles***
Citation: 47 O.S. §1135.2
Description: Vehicles owned by residents of this state who have been awarded the Congressional Medal of Honor.
Estimate: Minimal
Data Source: Motor Vehicle Registrations
Reliability: 2
23. ***Indian Tribal Vehicles***
Citation: 47 O.S. §1135.1
Description: Vehicles owned by a Native American Indian Tribal Association and used for the furtherance of its tribal functions.
Estimate: \$73,000.00

23. ***Indian Tribal Vehicles (Continued)***
Data Source: Motor Vehicle Registrations
Reliability: 2
24. ***Antique or Classic Vehicles***
Citation: 47 O.S. §1135.1
Description: Vehicles twenty-five (25) years of age or older which travel on the highways for historical or exhibition purposes only.
Estimate: \$97,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
25. ***Killed in Action Vehicles***
Citation: 47 O.S. §1135.2
Description: Vehicles owned by the spouse of a member of the Armed Forces who was killed in action.
Estimate: \$1,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
26. ***Gold Star Parents' Vehicles***
Citation: 47 O.S. §1135.2
Description: Vehicles owned by parents of a member of the United States Armed Forces who was killed during a war.
Estimate: \$2,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2
27. ***Former Military Vehicles***
Citation: 47 O.S. §1136.2
Description: Former military vehicles used only for exhibitions, club activities, parades, and other functions of public interest and not used for regular transportation.
Estimate: Minimal
Data Source: Motor Vehicle Registrations
Reliability: 2
28. ***Rural Water or Sewer District Vehicles***
Citation: 68 O.S. §2903
Description: Vehicles owned by any rural water or sewer district.
Estimate: \$42,000.00
Data Source: Motor Vehicle Registrations
Reliability: 2

29. ***Conservancy District Vehicles***

Citation: 82 O.S. §688.1

Description: Vehicles owned by conservancy districts and master conservancy districts.

Estimate: \$1,000.00

Data Source: Motor Vehicle Registrations

Reliability: 2

VI. MOTOR VEHICLE EXCISE TAX

1. ***Donated Vehicles***
 - Citation:** 47 O.S. §1115
 - Description:** Vehicles donated to nonprofit charitable organizations.
 - Estimate:** Minimal
 - Data Source:** Tax Commission Records
 - Reliability:** 2

2. ***Prorate Vehicle Excise Tax***
 - Citation:** 68 O.S. §2103
 - Description:** Trucks or truck-tractors registered with the state under the International Registration Plan (IRP) for a laden weight or combined laden weight of 54,001 pounds or more. Also includes trailers or semitrailers registered under the Plan.
 - Estimate:** \$9,052,000.00
 - Data Source:** Motor Vehicle Excise Tax Receipts
 - Reliability:** 1

3. ***Marital and Parental Transfers***
 - Citation:** 68 O.S. §2103
 - Description:** Transfers of a motor vehicle without consideration between a husband and wife or parent and child.
 - Estimate:** \$17,609,000.00
 - Data Source:** Motor Vehicles Excise Tax Receipts
 - Reliability:** 2

4. ***Transfers to a Trust***
 - Citation:** 68 O.S. §2103
 - Description:** Transfers of a motor vehicle without consideration between an individual and an express trust with right of revocation.
 - Estimate:** \$1,250,000.00
 - Data Source:** Motor Vehicle Excise Tax Receipts
 - Reliability:** 2

5. ***Replacement Vehicles***
 - Citation:** 68 O.S. §2103
 - Description:** Credit allowed with respect to excise tax paid for a new vehicle which is a replacement for a stolen or defective new original vehicle.
 - Estimate:** Minimal
 - Data Source:** Motor Vehicle Excise Tax Receipts
 - Reliability:** 2

6. ***Destroyed Vehicles***
Citation: 68 O.S. §2103.1
Description: Vehicles destroyed during the May 8 or 9, 2003 tornado, on which vehicle excise tax was paid on or after May 8 or 9, 2002. The allowed credit will apply to the excise tax liability of a replacement vehicle.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 2
7. ***Nonresident Person***
Citation: 68 O.S. §2105
Description: Vehicle owned by a nonresident person who operates principally in some other state but who is in Oklahoma only occasionally.
Estimate: N/A
8. ***New Resident***
Citation: 68 O.S. §2105
Description: Vehicle brought into this state by a person formerly living in another state who has owned the vehicle at least sixty (60) days prior to first registration in this state.
Estimate: \$14,064,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
9. ***Political Subdivision Vehicles***
Citation: 68 O.S. §2105
Description: Vehicles registered by state or local governments or certain fire departments and those with whom they have executed a lease or lease purchase agreement.
Estimate: \$1,794,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
10. ***Inherited Vehicles***
Citation: 68 O.S. §2105
Description: Vehicles, the legal ownership of which was obtained by the owner through inheritance.
Estimate: \$609,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
11. ***Used Motor Vehicle Dealers***
Citation: 68 O.S. §2105
Description: Vehicles which are owned and being offered for sale by a licensed used motor vehicle dealer.
Estimate: \$60,915,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2

12. ***Out-of-State Motor Vehicle Dealers***
Citation: 68 O.S. §2105
Description: Vehicles purchased by a dealer licensed in another state for use or resale in another state.
Estimate: N/A
13. ***Foreclosure Vehicles***
Citation: 68 O.S. §2105
Description: Vehicles, the ownership of which was obtained by the lienholder or mortgagee under or by a foreclosure of a lien or mortgage.
Estimate: \$4,765,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
14. ***Vehicles Taxed Under Ad Valorem Tax Code***
Citation: 68 O.S. §2105
Description: Vehicles which are taxed under the Ad Valorem Tax Code.
Estimate: \$71,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
15. ***Corporate, Partnership, or Limited Liability Company Vehicles***
Citation: 68 O.S. §2105
Description: Vehicles transferred pursuant to the formation or dissolution of a corporation, partnership, or limited liability company.
Estimate: \$438,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
16. ***Rental Vehicles***
Citation: 68 O.S. §2105
Description: Vehicles purchased by a person to be used by a business engaged in renting motor vehicles without a driver.
Estimate: \$6,956,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
17. ***Motor Vehicle Dealer***
Citation: 68 O.S. §2105
Description: Vehicles of the latest manufactured model transferred to a licensed motor vehicle dealer.
Estimate: \$696,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2

18. ***Lease Vehicle***
Citation: 68 O.S. §2105
Description: A leased vehicle which is transferred to the lessee.
Estimate: \$407,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
19. ***Fraternal or Civic Service Organization***
Citation: 68 O.S. §2105
Description: Any vehicle owned by a fraternal or civic service organization with at least one hundred (100) local chapters or clubs, and used to provide mobile health screening services to the general public at no cost to the recipient.
Estimate: N/A
20. ***Demonstrator Vehicles***
Citation: 68 O.S. §2105
Description: Any new vehicle registered and authorized by the manufacturer or dealer for an individual's personal use not to exceed four (4) months.
Estimate: N/A
21. ***100% Disabled Veteran Excise Tax Exemption***
Citation: 68 O.S. §2105
Description: Vehicles purchased by disabled veterans on or after July 1, 2005 with one hundred percent (100%) service connected disability.
Estimate: \$549,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2
22. ***Irrigation District Vehicles***
Citation: 82 O.S. §§277.17 and 688.1
Description: Vehicles purchased by irrigation districts, conservancy districts, and master conservancy districts and used in this state.
Estimate: \$73,000.00
Data Source: Motor Vehicle Excise Tax Receipts
Reliability: 2

VII. MOTOR FUEL TAXES

Motor fuel tax being inclusive of gasoline excise tax and diesel fuel tax is levied upon the sale of such products in Oklahoma. Gasoline and diesel fuel sold to, or consumed by certain entities may be exempt or subject to credits as provided for by statute. Aggregate data is not available to estimate the tax expenditures.

1. ***Fuel for Exportation***
Citation: 68 O.S. §500.10
Description: Sale of gasoline or diesel to be exported out of this state by a licensed supplier or licensed exporter.
2. ***Diverted Fuel***
Citation: 68 O.S. §500.10
Description: Credit for gasoline or diesel taxes previously paid on motor fuel which was approved for diversion across state boundaries.
3. ***Fuel Exported by Tank Wagon***
Citation: 68 O.S. §500.10
Description: Gasoline or diesel exported out of a bulk plant in this state in a tank wagon.
4. ***K-1 Kerosene***
Citation: 68 O.S. §500.10
Description: K-1 kerosene sold at retail for use other than for highway use.
5. ***Sales to Federal Government***
Citation: 68 O.S. §500.10
Description: Sales of gasoline or diesel fuel to the United States of America.
Estimate (Gasoline Tax): Zero¹³
Estimate (Diesel Tax): Zero¹³
6. ***Fuel Used for the Transportation of School Children***
Citation: 68 O.S. §500.10
Description: Fuel sold for use solely in FFA and 4-H Club trucks and vehicles, and school buses operated by public school districts.
7. ***Fuel Used by Exempt Entities***
Citation: 68 O.S. §500.10
Description: Fuel sold for use in motor vehicles owned and operated by counties, cities, towns, volunteer fire departments, rural electric cooperatives, rural water and sewer districts, rural ambulance service districts, or federally-recognized Indian tribes.

8. ***Fuel Used for Agricultural Purposes***
Citation: 68 O.S. §500.10
Description: Sales to persons actually engaged in farming for use in farm tractors or stationary engines.

9. ***Aircraft Fuel***
Citation: 68 O.S. §500.10
Description: Gasoline, diesel and kerosene sold for use as fuel to generate power in aircraft engines.

10. ***Fuel Sold within Indian Country***
Citation: 68 O.S. §500.10
Description: Motor fuel sold within an Indian Reservation or within Indian Country by a federally-recognized tribe to a member of that tribe and used in motor vehicles owned by that tribal member.

11. ***Diesel Fuel Used to Run Equipment***
Citation: 68 O.S. §500.10
Description: The portion of diesel fuel used to operate equipment attached to a motor vehicle or consumed in a vehicle off-road.

12. ***Fuel Purchased Out of State***
Citation: 68 O.S. §500.10
Description: Gasoline or diesel acquired outside the state in a motor vehicle and consumed in this state in the same vehicle.

13. ***Diesel Fuel Used for Certain Purposes***
Citation: 68 O.S. §500.10
Description: Diesel fuel used as heating oil, in railroad locomotives, or any other motorized, flanged-wheel rail equipment, or used for other nonhighway purposes.

14. ***Lost or Destroyed Fuel***
Citation: 68 O.S. §500.10
Description: Motor fuel lost or destroyed as a direct result of a sudden and unexpected casualty.

15. ***Contaminated Diesel***
Citation: 68 O.S. § 500.10
Description: Credit for taxes paid on diesel fuel which has been accidentally contaminated by dye.

16. ***Dyed Fuel***
Citation: 68 O.S. §500.10
Description: Dyed diesel fuel.

VIII. ESTATE TAX

Oklahoma imposes an estate tax on the value of property passing to an heir upon the death of a decedent¹³. The estate tax is imposed upon the net value of the estate. Most of the tax expenditures associated with the estate tax exempts (or allows to be deducted) the value of certain property from being included when computing the taxable value of the net estate. Aggregate data is not available for the exempt value¹⁴.

1. ***Bequests to the State of Oklahoma***
Citation: 60 O.S. §382
Description: The value of any bequests of any property, real or personal, to the State of Oklahoma, or to any county, city, town or school district in the State, if accepted, is exempt from Oklahoma estate tax.
2. ***Local Industrial Development Bonds***
Citation: 62 O.S. §660
Description: The value of any bonds issued under the provisions of the Local Industrial Development Act is exempt from Oklahoma estate tax.
3. ***Estate Tax Credit***
Citation: 68 O.S. §802.1
Description: Credit for estate tax paid with respect to transfer of property to the present decedent by or from a person who died within ten (10) years before, or within two (2) years after, the present decedent.
4. ***Intangible Personal Property of a Nonresident***
Citation: 68 O.S. §807
Description: All intangible personal property of a nonresident is exempt from Oklahoma estate tax except intangible personal property specifically taxed by the Estate Tax Code.
5. ***Surviving Spouse***
Citation: 68 O.S. §807
Description: The value of any interest in decedent's estate which vests in the surviving spouse is exempt from Oklahoma estate tax.
6. ***Debts of the Decedent***
Citation: 68 O.S. §808
Description: A deduction is allowed for all debts of the decedent and taxes on real and personal property.

¹³ The Oklahoma estate tax is being phased out. For deaths on or after January 1, 2010 the Oklahoma estate tax has been repealed.

¹⁴ The exception to this is the deduction for the value of the net estate that passes to heirs (item #13 below).

7. ***Income Taxes***
Citation: 68 O.S. §808
Description: A deduction in the amount of state and federal taxes on the income of the decedent to the date of death and unpaid federal gift taxes is allowed.
8. ***Taxes Paid to Other Jurisdictions***
Citation: 68 O.S. §808
Description: A deduction is allowed for death duties, estate or inheritance taxes paid or payable to foreign countries or other states on intangible personal property.
9. ***Special Assessments***
Citation: 68 O.S. §808
Description: A deduction is allowed for special assessments which are due and which are a lien upon taxable property located in this state.
10. ***Funeral Expenses***
Citation: 68 O.S. §808
Description: A deduction for funeral expenses and all amounts actually expended in the last sickness for the care of the deceased is allowed.
11. ***Executors' and Administrators' Commissions***
Citation: 68 O.S. §808
Description: A deduction for commissions paid to executors or administrators of the estate is allowed.
12. ***Charitable Bequests***
Citation: 68 O.S. §808
Description: A deduction for all transfers, gifts, or bequests to any charitable, educational or religious institution is allowed. This also includes any bequests to a nonprofit medical research foundation or to nonprofit organizations devoted exclusively to youth programs
13. ***Parents', Children or Descendants' Bequests***
Citation: 68 O.S. §809
Description: A deduction from the estate for that portion which passes to parents, children or other descendants, not to exceed Two Million Dollars (\$2,000,000.00). [\$3,000,000.00 for deaths on or after 1-01-09; fully deductible for deaths on or after 1-01-10]
Calendar Year 2008: \$51,010,000.00
Data Source: Estate Tax Return Data
Reliability: 2

14. *Regional Water Districts*

Citation: 82 O.S. §1274

Description: The value of any and all obligations, securities, and evidences of indebtedness issued by a regional water district is exempt from Oklahoma estate tax.

IX. FRANCHISE TAX

1. ***Maximum Tax of \$20,000.00***
Citation: 68 O.S. §1205
Description: All capital employed which imposes a liability in excess of Twenty Thousand Dollars (\$20,000.00) is exempt.
Estimate: N/A

2. ***Corporations Owning Tax of \$250.00 or Less***
Citation: 68 O.S. §1205
Description: All capital employed which imposes a liability in the amount of Two Hundred and Fifty Dollars (\$250) or less in tax.
Estimate: \$2,195,000.00
Data Source: Tax Commission Records
Reliability: 2

3. ***Exempt Corporations and Organizations***
Citation: 68 O.S. §1206
Description: Savings and loan associations, small business investment companies, credit unions, trust companies, nonprofit corporations, and others listed in this section.
Estimate: N/A

4. ***Rural Electric Co-operatives***
Citation: 68 O.S. §1214
Description: Each co-operative and foreign corporation.
Estimate: N/A

5. ***Other Exempt Organizations***
Citation: 74 O.S. §§2106, 5060.9 and 5062.14
Description: Export trading companies, the Center for the Advancement of Science & Technology, and the Oklahoma Development Finance Authority.
Estimate: N/A

X. GROSS PRODUCTION AND PETROLEUM EXCISE TAXES

1. ***Enhanced Oil Recovery Deduction***

Citation: 68 O.S. §§ 1001, 1101 and 1102
Description: An exemption of gross production and petroleum excise tax on the incremental production attributable to the working interest owners of an approved enhanced oil recovery operation
Estimate: (Gross Production) \$2,003,000.00
Estimate: (Petroleum Excise) \$27,000.00
Data Source: Tax Reports
Reliability: 1

2. ***Incentive Rebates***

Citation: 68 O.S. §1001
Description: Rebate of 6/7ths of the 7% gross production tax paid on oil and/or gas produced from certified projects.

Horizontally Drilled

Estimate: (Gross Production) \$83,383,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

Reestablished Production

Estimate: (Gross Production) \$127,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

Production Enhancement

Estimate: (Gross Production) \$2,388,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

Deep Wells

Estimate: (Gross Production) \$376,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

Ultra Deep Wells

Estimate: (Gross Production) \$25,000,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

2. *Incentive Rebates (Continued)*

New Discovery

Estimate: (Gross Production) \$6,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

3-D Seismic

Estimate: (Gross Production) \$76,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

Economically At-Risk

Estimate: (Gross Production) \$1,421,000.00
Estimate: (Petroleum Excise) Zero
Data Source: Claim Reports
Reliability: 1

3. *Lease Interest Exemptions*

Citation: 68 O.S. §§ 1008 and 1106
Description: The portion of royalty interest exempt from gross production and petroleum excise tax attributable to the minerals owned by Cities, Counties, School Districts, Indian Tribes, State or Federal Government.
Estimate: (Gross Production) \$5,945,000.00
Estimate: (Petroleum Excise) \$81,000.00
Data Source: Tax Reports
Reliability: 1

4. *Gas Marketing Deduction*

Citation: 68 O.S. §§ 1001.4, 1101 and 1102
Description: A deduction on the levy of gross production and petroleum excise tax for certain non-production related costs associated with the marketing and transportation of natural gas.
Estimate: (Gross Production) \$30,276,000.00
Estimate: (Petroleum Excise) \$411,000.00
Data Source: Tax Reports
Reliability: 1

5. *Credit for Small Business and Rural Small Business Capital Companies*

Citation: 68 O.S. §§ 2357.63(E) and 2357.74(E)
Description: A tax credit for qualified investment in Oklahoma Small Business Capital Companies and Oklahoma Rural Small Business Capital Companies to be taken against gross production and petroleum excise tax.

5. *Credit for Small Business and Rural Small Business Capital Companies*
(Continued)

Estimate: (Gross Production)	\$4,498,000.00
Estimate: (Petroleum Excise)	\$61,000.00
Data Source:	Claim Reports
Reliability:	1

XI. MISCELLANEOUS TAX PROVISIONS

A. AIRCRAFT REGISTRATION FEES

1. ***Aircraft Owned by the Manufacturer***
Citation: 3 O.S. §253
Description: Aircraft manufactured under a FAA approved certificate which are owned and in the possession of the manufacturer.
Estimate: Minimal
Data Source: Aircraft Registration Documents
Reliability: 1

2. ***Aircraft Owned by Charitable Organizations***
Citation: 3 O.S. §253
Description: Aircraft owned by charitable organizations and used solely for the furtherance of charitable purposes.
Estimate: Zero
Data Source: Aircraft Registration Documents
Reliability: 1

3. ***Aircraft Owned by Nonresidents***
Citation: 3 O.S. §253
Description: Aircraft belonging to nonresidents of this state and registered in another state.
Estimate: N/A

4. ***Aircraft of the Federal Government and State Government***
Citation: 3 O.S. §253
Description: Aircraft of the federal government, any state government, and any aircraft of the Civil Air Patrol.
Estimate: N/A

5. ***Aircraft of a Foreign Country***
Citation: 3 O.S. §253
Description: Aircraft licensed by a foreign country with which the United States has a reciprocal agreement covering the operation of such licensed aircraft.
Estimate: Zero
Data Source: Aircraft Registration Documents
Reliability: 1

6. ***Aircraft Which Are Not Airworthy***
Citation: 3 O.S. §253
Description: Aircraft not currently licensed or holding a current airworthiness certificate by the FAA.
Estimate: N/A

B. AIRCRAFT EXCISE TAX

1. ***Aircraft Owned by the Manufacturer***
Citation: 68 O.S. §6003
Description: Aircraft manufactured under a FAA approved certificate which are owned and in the possession of the manufacturer.
Estimate: N/A
2. ***Aircraft Owned by Dealers***
Citation: 68 O.S. §6003
Description: Aircraft owned by a licensed dealer and in the dealer's inventory.
Estimate: N/A
3. ***Aircraft of the Federal Government and State Governments***
Citation: 68 O.S. §6003
Description: Aircraft belonging to the federal government or any state government.
Estimate: N/A
4. ***Corporate, Partnership or Limited Liability Company Aircraft***
Citation: 68 O.S. §6003
Description: Aircraft transferred pursuant to the formation, reorganization or dissolution of a corporation, partnership, or limited liability company.
Estimate: Zero
Data Source: Aircraft Registration Documents
Reliability: 1
5. ***Aircraft Owned by Commercial Airlines***
Citation: 68 O.S. §6003
Description: Aircraft purchased outside this state and brought into the state to be used by commercial airlines.
Estimate: N/A
6. ***Aircraft upon Which an Out-Of-State Tax Has Been Paid***
Citation: 68 O.S. §6003
Description: Aircraft on which a tax levied pursuant to the provisions of the laws of another state, equal to or in excess of the aircraft excise tax, has been paid.
Estimate: N/A
7. ***Aircraft Acquired by Inheritance***
Citation: 68 O.S. §6003
Description: Aircraft when the legal ownership of such aircraft is obtained by the applicant for a certificate of title by inheritance.
Estimate: N/A

8. ***Aircraft Obtained through Foreclosure Proceedings***
Citation: 68 O.S. §6003
Description: Aircraft obtained by the lienholder or mortgagee under or by foreclosure of a lien or mortgage.
Estimate: N/A
9. ***Aircraft Transferred within the Family***
Citation: 68 O.S. §6003
Description: Aircraft transferred between husband and wife, or parent and child, where no valuable consideration is given.
Estimate: N/A
10. ***Aircraft Used for Agricultural Purposes***
Citation: 68 O.S. §6003
Description: Aircraft purchased by a resident of this state and used exclusively in this state for agricultural spraying purposes.
Estimate: N/A
11. ***Aircraft Sold for More Than \$2,500,000.00***
Citation: 68 O.S. §6003
Description: Aircraft with a selling price in excess of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) which are transferred to a purchaser who is not a resident of this state for immediate transfer out of state.
Estimate: Zero
Data Source: Aircraft Excise Tax Files
Reliability: 1
12. ***Trust Transfers***
Citation: 68 O.S. §6003
Description: Aircraft transferred without consideration between an individual and an express trust.
Estimate: N/A
13. ***Aircraft Selling for More Than \$5,000,000.00***
Citation: 68 O.S. §6003.1
Description: Credit against the aircraft excise due on the sale of aircraft where the selling price is Five Million Dollars (\$5,000,000.00) for expenditures made by the persons owing the tax, for the benefit of airports located in Oklahoma.
Estimate: Zero
Data Source: Aircraft Excise Tax Files
Reliability: 1

C. WASTE TIRE RECYCLING FEES

A waste tire recycling fee is assessed on sales of motor vehicle tires and the first registration of motor vehicles. Exemptions from the imposition of the waste tire recycling fee exist for used or retread tires upon which the waste tire fee was previously paid, motor vehicles registered pursuant to the IRP and all-terrain and off-road motorcycles. Exemptions are reported in the aggregate and therefore estimates are not available

1. ***International Registration Plan (IRP) Motor Vehicles***
Citation: 27A O.S. §2-11-401.2
Description: Motor Vehicles registered pursuant to the IRP.
2. ***Recycling Fee Previously Paid***
Citation: 27A O.S. §2-11-401.2
Description: Purchases of used or retreaded tires provided that the tire dealer can document that the recycling fee has been previously paid.
3. ***All-terrain Vehicles and Off-road Motorcycles***
Citation: 27A O.S. §2-11-401.2
Description: All-terrain vehicles and off-road motorcycles registered pursuant to Section 1132 of Title 47.

D. ALCOHOLIC BEVERAGE & LOW POINT BEER EXCISE TAXES

1. ***Low-Point Beer Manufactured for Export***
Citation: 37 O.S. §163.3
Description: Low-point beer manufactured for export.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 1
2. ***Low-Point Beer Made for Personal Use***
Citation: 37 O.S. §163.3
Description: Low-point beer made for personal use by a person licensed by the ABLE Commission
Estimate: Effective August 27, 2010
3. ***Beer Manufactured for Export***
Citation: 37 O.S. §553
Description: Beer manufactured for export.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1

3. ***Industrial Use Alcohol***
Citation: 37 O.S. §554
Description: Alcohol used exclusively for industrial purposes by the holder of an industrial license.
Estimate: N/A

4. ***U.S. Tax-Free Permit***
Citation: 37 O.S. §554
Description: Alcohol lawfully withdrawn and used free of tax under a tax-free permit issued by the United States.
Estimate: N/A

5. ***Licensed Physicians and Dentists***
Citation: 37 O.S. §554
Description: Alcohol used exclusively by licensed physicians, dentists, and pharmacists in the practice of their professions.
Estimate: N/A

6. ***Beer, Cider and Wine Made for Personal Use***
Citation: 37 O.S. §554
Description: Beer¹⁵, cider and wine made for personal use by a person licensed by the ABLE Commission
Estimate: N/A

7. ***Sacramental Wine***
Citation: 37 O.S. §554
Description: Wine used exclusively for sacramental purposes in bona fide religious ceremonies.
Estimate: Minimal
Data Source: Tax Commission Records
Reliability: 1

8. ***Imported Alcoholic Beverages***
Citation: 37 O.S. §554
Description: Alcoholic beverages, not exceeding one (1) liter, imported into this state by the possessor for his own personal use.
Estimate: N/A

E. CIGARETTE STAMP TAX

1. ***Veterans Hospitals***
Citation: 68 O.S. §321
Description: Cigarettes sold to veterans hospitals and state-operated domiciliary homes for veterans.
Estimate: \$138,000.00
Data Source: Wholesaler's Reports
Reliability: 1

¹⁵ Effective August 27, 2010, beer made for personal use pursuant to a personal use permit is excluded from the excise tax levied by Section 553 of Title 37. Laws 2010, c 229, §5.

2. ***United States of America***
Citation: 68 O.S. §321
Description: Sales of cigarettes to the United States.
Estimate: Zero¹³

3. ***Indian Tribal Compact Sales***
Citation: 68 O.S. §321
Description: Sales to a federally recognized Indian tribe which has entered into a compact with the State of Oklahoma or to a licensee of such tribe.
Estimate: \$33,714,000.00
Data Source: Tax Commission Records
Reliability: 1

4. ***Indian Tribal Sales***
Citation: 68 O.S. §321
Description: Sales to a federally recognized Indian tribe or to a licensee of such tribe upon which the tax levied by §349¹⁶ of the Title 68 has been paid.
Estimate: \$2,426,000.00
Data Source: Tax Commission Records
Reliability: 1

F. TOBACCO PRODUCTS TAX

1. ***Veterans Hospitals***
Citation: 68 O.S. §419
Description: Tobacco products sold to veterans hospitals and state-operated domiciliary homes for veterans.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 2

2. ***Indian Tribal Compact Sales***
Citation: 68 O.S. §419
Description: Sales to a federally recognized Indian tribe, which has entered into a compact with the State of Oklahoma or to a licensee of such tribe.
Estimate: \$6,364,000.00
Data Source: Tax Commission Records
Reliability: 1

¹⁶ The reduced 75% cigarette excise tax rate levied by Section 349 of Title 68 was repealed by Laws 2009, c 434, § 23, effective January 1, 2010.

3. ***Indian Tribal Sales***

Citation: 68 O.S. §419
Description: Sales to a federally recognized Indian tribe or to a licensee of such tribe upon which tax levied by §426¹⁷ of Title 68 has been paid.
Estimate: \$492,000.00
Data Source: Tax Commission Records
Reliability: 1

G. MOTOR FUEL/DIESEL FUEL IMPORTER FOR USE TAX

Importer for use tax is levied upon the importation of gasoline or diesel fuel wherein such products are brought into Oklahoma in the fuel supply tanks of vehicles being used on the highways of this state for commercial purposes. Gasoline and diesel fuel imported by certain vehicles or by certain entities may be exempt or subject to credits as provided for by statute. Aggregate data is not available to estimate the tax expenditures.

1. ***Automobiles or Recreational Vehicles***

Citation: 68 O.S. §605
Description: Automobiles or recreational vehicles constructed and used for transporting persons other than for hire.

2. ***Vehicles Less Than 26,000 lbs.***

Citation: 68 O.S. §605
Description: Fuel imported into the state in motor vehicles with a gross vehicle weight of less than twenty-six thousand (26,000) pounds.

3. ***Agricultural Vehicles***

Citation: 68 O.S. §605
Description: Fuel imported by persons transporting livestock and farm products to or from the market.

4. ***Tour Buses***

Citation: 68 O.S. §605
Description: Tour buses operated to transport passengers by charter or special service.

5. ***United States of America***

Citation: 68 O.S. §605
Description: Motor fuel or diesel fuel used in vehicles owned by the United States of America.

6. ***Temporary Fuel Permit***

Citation: 68 O.S. §605
Description: Persons importing fuel for use in this state that have received a temporary fuel permit from the Tax Commission.

¹⁷ The reduced 75% tobacco products excise tax levied by Section 426 of Title 68 was repealed by Laws 2009, c 434 §20, effective January 1, 2010.

7. ***Credit for Fuel Consumed Outside the State***
Citation: 68 O.S. §615
Description: Credit allowed for gasoline or diesel fuel upon which tax has been paid and thereafter consumed outside the State of Oklahoma.

H. SPECIAL FUEL USE TAX

Special fuel use tax is levied upon fuel existing in a liquid or gaseous state and which is delivered into fuel supply tanks of motor vehicles in Oklahoma or which is imported into this state in the fuel supply tanks of vehicles being used on the highways of this state for commercial purposes. Special fuels used in certain vehicles or by certain entities may be exempt or subject to credits as provided for by statute. Aggregate data is not available to estimate the tax expenditures.

1. ***United States of America***
Citation: 68 O.S. §708
Description: Special fuel delivered into the supply tanks of or used by motor vehicles owned by the United States.
2. ***Agricultural Use***
Citation: 68 O.S. §708
Description: Special fuel delivered into the supply tanks of farm tractors and stationary engines used for agricultural purposes.
3. ***Passenger Automobiles***
Citation: 68 O.S. §708
Description: Special fuel imported into Oklahoma in the fuel supply tanks of passenger automobiles.
4. ***Motor Vehicles with 25 Gallons or Less Supply Tanks***
Citation: 68 O.S. §708
Description: Special fuel imported into Oklahoma in storage tanks with a capacity of twenty-five (25) gallons or less and not used for commercial purposes.
5. ***Agricultural Vehicles***
Citation: 68 O.S. §708
Description: Special fuel imported by persons transporting livestock and farm products to or from the market.
6. ***Road Machinery and Equipment***
Citation: 68 O.S. §708
Description: Special fuel used in road machinery and equipment built for and used on location in the construction of public highways.

7. ***Passenger Motor Buses or Coaches***
Citation: 68 O.S. §708
Description: Special fuel used in passenger motor buses or coaches with a seating capacity of ten (10) or more persons used in public transit systems.

8. ***County, City or Town Vehicles***
Citation: 68 O.S. §708
Description: Special fuel purchased by any county, city or town for use in vehicles operated for the benefit of the county, city or town.

9. ***School Districts***
Citation: 68 O.S. §708
Description: Special fuel purchased by an Oklahoma school district for use in vehicles for the sole benefit of the school district.

10. ***State Department of Transportation***
Citation: 68 O.S. §708
Description: Special fuel purchased by the Oklahoma Department of Transportation for use in vehicles for the sole benefit of the Department of Transportation.

11. ***Credit for Special Fuel Consumed Outside the State***
Citation: 68 O.S. §722
Description: Credit allowed for special fuel upon which tax has been paid and thereafter consumed outside the State of Oklahoma.

12. ***Fee in Lieu of Tax***
Citation: 68 O.S. §723
Description: Flat fee of Fifty Dollars (\$50.00) for each automobile and truck using liquefied petroleum gas or natural gas as fuel. The fee is in lieu of the special fuel tax.

I. COIN-OPERATED MUSIC AND AMUSEMENT DEVICE FEES

A coin-op fee is for vending, music, amusement, and bulk-vending devices and is in lieu of sales tax. An annual decal is required; the decal amount depends on the type of device. No reporting requirement exists for coin-op devices exempted by statute and therefore tax expenditure estimates are unavailable.

1. ***Vending Devices Owned by Schools, Churches, or Governments***
Citation: 68 O.S. §1503.1
Description: Coin-operated vending devices owned by and located in a public or private school, a church, or a governmental entity.

2. ***Newspaper Vending Devices***
Citation: 68 O.S. §1503.1
Description: Coin-operated vending devices, which dispense only newspapers or periodicals.
3. ***Postage Stamp Vending Devices***
Citation: 68 O.S. §1503.1
Description: Coin-operated vending devices, which dispense only postage stamps.
4. ***Vending Devices Installed on Federal Military Bases***
Citation: 68 O.S. §1503.1
Description: Coin-operated vending devices installed on federal military bases.

J. MOTOR VEHICLE RENTAL TAX

The tax levied on the rental of motor vehicles is assessed on all rental agreements with terms of 90 days or less with certain exceptions. The motor vehicle rental tax is not applicable to "lease agreements" in excess of ninety (90) days in duration, rental agreements for any truck or truck-tractor registered as commercial vehicles which have a laden weight or combined laden weight of eight thousand (8,000) pounds or more or trailers/semitrailers registered pursuant to 47 O.S. § 1133. The motor vehicle rental tax reporting data does not capture the rental agreement amounts excluded by statute and therefore estimates are not available.

1. ***Lease Vehicles***
Citation: 68 O.S. §2110
Description: Vehicles subject to any lease agreements.
2. ***Prorate Vehicles***
Citation: 68 O.S. §2110
Description: Truck or truck-tractors having a combined laden weight of eight thousand (8,000) pounds or more and registered pursuant to the IRP.
3. ***Trailers or Semitrailers***
Citation: 68 O.S. §2110
Description: Trailers or semitrailers registered pursuant to Section 1133 of Title 47 of the Oklahoma Statutes.
4. ***Bad Debt Deduction***
Citation: 68 O.S. § 2110
Description: Vehicle rental tax deduction from gross receipts for bad debts.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 1

K. DOCUMENTARY STAMP TAX

All property transferred by deed that is not specifically exempted by statute is subject to the documentary stamp tax, and shall be paid by either the grantee or the grantor to the county clerk. No centralized database exists to compile the property value or tax information for the property transfers exempted by statute and therefore estimates are not available.

1. ***Prior Recorded Deeds***

Citation: 68 O.S. §3202

Description: Deeds recorded prior to the effective date of Sections 3201 through 3206 of Title 68.

2. ***Deeds Which Secure a Debt***

Citation: 68 O.S. §3202

Description: Deeds which secure a debt or other obligation.

3. ***Supplemental Deeds***

Citation: 68 O.S. §3202

Description: Deeds which, without additional consideration, confirm, correct, modify or supplement a deed previously recorded.

4. ***Deeds between Family Members***

Citation: 68 O.S. §3202

Description: Deeds, without consideration, between husband and wife, parent and child or any persons related within the second degree of consanguinity or deeds between any person and an express revocable trust created by such person or such person's spouse.

5. ***Tax Deeds***

Citation: 68 O.S. §3202

Description: Tax deeds.

6. ***Deeds of Release of Property***

Citation: 68 O.S. §3202

Description: Deeds of release of property which is security for a debt or other obligation.

7. ***Deeds Executed by Indian Tribal Members***

Citation: 68 O.S. §3202

Description: Deeds executed by members of Indian tribes in approval proceedings of the district courts or by the Secretary of the Interior.

8. ***Deeds of Partition***

Citation: 68 O.S. §3202

Description: Deeds of partition, unless, for consideration, some of the parties take shares greater in value than their individual interests.

9. ***Merger Deeds***
Citation: 68 O.S. §3202
Description: Deeds made pursuant to mergers of partnerships, limited liability companies, or corporations.
10. ***Deeds to a Parent Corporation***
Citation: 68 O.S. §3202
Description: Deeds made by a subsidiary corporation to its parent corporation for no consideration.
11. ***State of Oklahoma***
Citation: 68 O.S. §3202
Description: Deeds or instruments to which the State of Oklahoma or any of its instrumentalities, agencies or subdivisions is a party.
12. ***United States of America***
Citation: 68 O.S. §3202
Description: Deeds or instruments to which the United States or any of its agencies or departments is a party.
13. ***Foreclosure Deeds***
Citation: 68 O.S. § 3202
Description: Deeds executed pursuant to a foreclosure proceeding in which the grantee is the holder of a mortgage on the property being foreclosed.
14. ***Oklahoma Space Industry Development Authority Deeds***
Citation: 68 O.S. §3202
Description: Deeds or instruments to which the Oklahoma Space Industry Development Authority or a spaceport user is a party.

L. TOURISM PROMOTION GROSS RECEIPTS TAX
 (Repealed July 1, 2007)

M. CHARITY GAMES TAX

1. ***Veterans' Organizations***
Citation: 3A O.S. §421
Description: Sales of bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, and other charity game equipment to certain veterans' organizations.
Estimate: \$1,314,000.00
Data Source: Tax Commission Records
Reliability: 2

2. ***Group Home for Mentally Disabled Individuals***
Citation: 3A O.S. § 421
Description: Sales of bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, and other charity games equipment to a group home for mentally disabled individuals exempt from taxation pursuant to 501(c)(3) of the Internal Revenue Code.
Estimate: N/A

3. ***Bad Debt Credit***
Citation: 3A O.S. §422
Description: Credit allowed for taxes paid by the distributor that become uncollectible from an organization.
Estimate: Zero
Data Source: Tax Commission Records
Reliability: 2

4. ***Damaged Equipment***
Citation: 3A O.S. §422
Description: Credit for tax paid on damaged bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, or charity game equipment.
Estimate: \$69,000.00
Data Source: Tax Commission Records
Reliability: 2

N. BOAT AND MOTOR REGISTRATION FEES

1. ***Military Personnel***
Citation: 63 O.S. §4021
Description: Boats and motors owned by members of the Armed Forces of the United States assigned to duty in this state or owned by their spouses, who reside in Oklahoma. The special registration also applies to Oklahoma residents who are members of the Armed Forces and stationed out of state.
Estimate: \$7,000.00
Data Source: Boat and Motor Registrations
Reliability: 2

2. ***Boat and Motor Replacement Credit***
Citation: 63 O.S. §4021
Description: Credit allowed with respect to the registration fee of a new boat and/or motor which is a replacement for a stolen or defective new original boat and/or motor.
Estimate: Minimal
Data Source: Boat and Motor Registrations
Reliability: 2

3. ***State of Oklahoma***
Citation: 63 O.S. §4021
Description: Boats and motors owned by the State of Oklahoma, its agencies, departments, or political subdivisions.
Estimate: \$11,000.00
Data Source: Boat and Motor Registrations
Reliability: 2

4. ***Houseboats of a Fleet of 20 or More Vessels***
Citation: 63 O.S. §4021
Description: Boats which are part of a fleet used for lodging and for which a rental fee and sales taxes are collected.
Estimate: Minimal
Data Source: Boat and Motor Registrations
Reliability: 2

5. ***Boy Scouts of America, Girl Scouts of U.S.A. and Campfire USA***
Citation: 63. O.S. §4021
Description: Boats and motors owned by the Boy Scouts of America, the Girl Scouts of U.S.A., and the Campfire USA devoted exclusively to youth programs emphasizing physical fitness, character development and citizenship training.
Estimate: \$4,000.00
Data Source: Boat and Motor Registrations
Reliability: 2

6. ***Donated Boats and Motors***
Citation: 63 O.S. §4021
Description: Boats and motors donated to nonprofit charitable organizations.
Estimate: N/A

O. BOAT AND MOTOR EXCISE TAX

1. ***Donated Boats and Motors***
Citation: 63 O.S. §4021
Description: Boats and motors donated to nonprofit charitable organizations.
Estimate: N/A

2. ***Marital and Parental Transfers***
Citation: 63 O.S. §4103
Description: Transfers of boats and/or motors without consideration between a husband and wife or parent and child.
Estimate: \$189,000.00
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

3. ***Replacement Boat and Motor***
Citation: 63 O.S. §4103
Description: Credit allowed with respect to excise tax paid for a new boat and/or motor which is a replacement for a stolen or defective new original boat and/or motor.
Estimate: Minimal
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

4. ***New Resident***
Citation: 63 O.S. §4106
Description: Any boat or motor brought into this state by a person formerly living in another state who has owned and registered the boat or motor in the other state at least sixty (60) days prior to first registration in this state.
Estimate: \$73,000.00
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

5. ***Government Entities***
Citation: 63 O.S. §4106
Description: Any boat or motor registered by the United States, State of Oklahoma, or by any of their political subdivisions.
Estimate: \$5,000.00
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

6. ***Inherited***
Citation: 63 O.S. §4106
Description: Any boat or motor, the legal ownership of which was obtained by the owner through inheritance.
Estimate: \$14,000.00
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

7. ***Used Boat and Motor Dealers***
Citation: 63 O.S. §4106
Description: Any boat and motor owned and being offered for sale by a licensed boat and motor dealer.
Estimate: \$63,000.00
Data Source: Boat and Motor Excise Tax Receipts
Reliability: 2

8. ***Foreclosure***

Citation: 63 O.S. §4106

Description: Any boat and motor, the ownership of which was obtained by the lienholder or mortgagee under or by a foreclosure of a lien or mortgage.

Estimate: \$21,000.00

Data Source: Boat and Motor Excise Tax Receipts

Reliability: 2

9. ***Boy Scouts of America, Girl Scouts of U.S.A. and Campfire USA***

Citation: 63 O.S. 4106

Description: Boats and motors owned by the council organization or similar state supervisory organizations of the Boy Scouts of America, Girl Scouts of U.S.A. and the Campfire USA.

Estimate: Minimal

Data Source: Tax Commission Records

Reliability: 2

10. ***Corporate and Partnership Boats and Motors***

Citation: 63 O.S. 4106

Description: Any boat or motor transferred pursuant to the formation or dissolution of a corporation or partnership.

Estimate: Minimal.

Data Source: Tax Commission Records

Reliability: 2

HB 1285 Task Force Matrix

Credit Name or Popular Name	Citation	First Enacted	First Tax Year	Last Tax Year	Carryover Period	Illustration Effect	Job Creation Requirement?	Job Creation Data Available?	Payroll Requirement?	Payroll Data Source(s)?	Capital Asset Purchase?	Equity Investment?	% of Dollar Amount	Transferable for Value?	Applicable Tax Types	Cap	2008 Income Tax Impact	2009 Income Tax Impact	FY2008 Insurance Premium Tax Impact	FY2009 Insurance Premium Tax Impact	2008 Total Fiscal Impact	2009 Total Fiscal Impact
Hazardous Waste Control	27A - 2-11-303	1986	1987	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	20% of net investment	No	Income tax	3 year total cannot exceed \$50,000	\$713	\$177	\$0	\$0	\$713	\$177
Life and Health Insurance Guaranty Fund	36 - 2030(K)	1981	1981	None	None	None	No	No	No	No	No	No	100% of amount of assessment	No	Income tax, insurance claim more than 20% of the credit in any year	Taxpayer cannot claim more than 20% of the credit in any year	\$0	\$0	\$3,409,383	\$1,184,799	\$3,409,383	\$1,184,799
Home Office Credit for Foreign Investor	36 - 625.1	1987	1987	None	None	None	Yes	No	No	No	No	No	Variable Rate	No	Insurance premium tax	None	\$0	\$0	\$11,387,572	\$12,536,620	\$11,387,572	\$12,536,620
Property and Casualty Insurance Guaranty Fund	36 - 625.4	2002	2002	None	Unlimited	None	No	No	No	No	No	No	100% of amount of assessment	No	Insurance premium tax	Taxpayer cannot claim more than 10% of the credit in any year	\$0	\$0	\$9,328,385	\$10,164,977	\$9,328,385	\$10,164,977
Gas Used in Manufacturing Process	68 - 2357	1971	1971	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	3 miles per 1,000 cubic feet	No	Income tax	None	\$81,683	\$36,577	\$0	\$0	\$81,683	\$36,577
Investment/New Jobs (ITIC)	68 - 2357.4	1980	1981	None	15 years	Credits earned b/w 7/1/10 and 6/30/12 may not be claimed until 7/1/12	Yes, in part	No	No	No	Yes	No	up to 2% of investment or \$1,000 per new job	No	Income tax	None	\$9,125,439	\$16,942,510	\$0	\$0	\$9,125,439	\$16,942,510
Energy Assistance Fund Contribution	68 - 2357.6	1982	1982	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	50% of donation amount	No	Income tax	None	\$14,246	\$35,818	\$0	\$0	\$14,246	\$35,818
Venture Capital Investment	68 - 2357.7	1986	1987	2008	3 years	None	No	No	No	No	No	Yes	20% of qualifying amount invested in business venture	Yes (after amendment in 1988)	Income tax and insurance premium tax	None	\$12,293,741	\$301,218	\$240,170	\$1,045,904	\$12,533,911	\$1,947,122
Coal Production	68 - 2357.11	1988	1989	2014	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	\$5.00 per ton for both purchase and extraction	Yes	Income tax, insurance premium tax, and rural cooperative tax	None	\$164,591	\$589,691	\$11,681,078	\$6,956,681	\$11,845,669	\$7,526,372
Commercial Space Industry	68 - 2357.13	1999	1999	None	4 years	None	No	No	No	No	No	No	5% of project cost	No	Income tax	Capped at the amount of income tax liability owed on the project	\$0	\$0	\$0	\$0	\$0	\$0

HB 1285 Task Force Matrix

Credit Name or Popular Name	Citation	First Enacted	First Tax Year	Last Tax Year	Carryover Period	Motorium Effect	Job Creation Requirement?	Job Creation Data Available?	Payroll Requirement?	Payroll Data Source(s)?	Capital Asset Purchase?	Equity Investment?	% of Dollar Amount	Transferable for Value?	Applicable Tax Types	Cap	2009 Income Tax Impact	2009 Income Tax Impact	FY2008 Insurance Premium Tax Impact	FY2009 Insurance Premium Tax Impact	2008 Total Fiscal Impact	2009 Total Fiscal Impact
Qualified Electric Motor Vehicle Property	68 - 2357.22	1996	1996	2010	5 years	None	No	No	No	No	No	No	50% of qualified vehicle expenses	No	Income tax	None	\$9,405,220	\$0	\$0	\$0	\$778,729	\$9,405,220
Qualified Clean Burning Motor Fuel Vehicle Property	68 - 2357.22	1990	1991	2014	5 years	None	No	No	No	No	No	No	75% of refilling station expenses and 50% private residential CNG refilling equipment	No	Income tax	Only cap is \$2,500 for residential refilling	\$435,050	\$0	\$0	\$0	\$778,729	\$435,050
Oklahoma Agricultural Producers Credit	68 - 2357.25	1996	1997	2009	6 years	No credits claimed or earned b/w 7/1/10 and 12/31/10	No	No	No	No	No	Yes	30% of the investment	No	Income tax	\$2,000,000 annually	\$1,597,864	\$0	\$0	\$1,597,864	\$704,435	
Employer Provided Child Care Programs	68 - 2357.26	1998	1999	None	4 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	20% of expenses	No	Income tax	\$3,100 per child, \$50,000 for expenses and \$5,000 for fees and grants	\$4,538	\$0	\$0	\$4,538	\$4,615	
Child Care Service Provider Credit	68 - 2357.27	1998	1999	None	4 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	20% of expenses	No	Income tax	None	\$95,920	\$0	\$0	\$95,920	\$140,505	
Small Business Guaranty Fee Credit	68 - 2357.30	1998	1999	None	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	Equal to amount paid to the Small Business Administration in guaranty fees	No	Income tax	Limited to the income tax liability of the small business	\$108,927	\$0	\$0	\$108,927	\$44,260	
Zero Emission Facility	68 - 2357.32A	2001	2002	2015	10 years	Credits earned b/w 7/1/10 and 6/30/11 may not be claimed until 7/1/12	No	No	No	No	No	No	\$,005 per kilowatt hour generated	Yes, for 10 years	Income and rural cooperative tax	10 year cap on each facility	\$2,433,977	\$0	\$0	\$2,433,977	\$2,454,206	
Small Wind Turbine Manufacturers	68 - 2357.32B	2002	2003	2012	10 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	\$25,000 per square foot of rotor swept area	Yes	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax	None	\$1,467,706	\$0	\$0	\$1,467,706	\$1,457,134	
Hepatitis A Vaccination	68 - 2357.33	1999	1999	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	Equal to the cost of immunizations	No	Income tax	None	\$30,996	\$0	\$0	\$30,996	\$17,082	
Tourism Promotion	68 - 2357.40	2000	2000	2015	10 years	None	No	No	No	No	No	No	Up to 25% of costs	No	Income tax and sales tax	Capged at revenue neutrality	\$495	\$0	\$0	\$495	\$0	
Historic Rehabilitation Expenditures	68 - 2357.41	2000	2001	None	10 years	Credits earned b/w 7/1/10 and 6/30/12 may not be claimed until 7/1/12 and may be the basis of an amended return	No	No	No	No	Yes	No	20% of the expenditures	Yes	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax	None	\$623,430	\$8,160,335	\$5,636,367	\$8,793,765	\$6,059,676	

HB 1285 Task Force Matrix

Credit Name or Popular Name	Citation	First Enacted	First Tax Year	Last Tax Year	Carryover Period	Illustration Effect	Job Creation Requirement?	Job Creation Data Available?	Payroll Requirement?	Payroll Data Source(s)?	Capital Asset Purchase?	Equity Investment?	% or Dollar Amount	Transferable for Value?	Applicable Tax Types	Cap	2008 Income Tax Impact	2009 Income Tax Impact	FY2008 Insurance Premium Tax Impact	FY2009 Insurance Premium Tax Impact	2008 Total Fiscal Impact	2009 Total Fiscal Impact
Cancer Research Credit	88 - 2357.45	2010	2011	None	4 years	None	No	No	No	No	No	No	Up to 100% of donation	No	Income tax	\$1,000 per institute and a annual cap of \$1,000,000.00	n/a	n/a	n/a	n/a	n/a	n/a
Biomedical Research Credit	88 - 2357.45	2003	2005	None	4 years	None	No	No	No	No	No	No	Up to 100% of donation	No	Income tax	\$1,000 per institute and a annual cap of \$1,000,000.00	\$423,303	\$432,859	\$0	\$0	\$423,303	\$432,859
Energy Efficient Residence Construction	88 - 2357.46	2005	2006	None	4 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	Up to \$4,000 per home	Yes	Income tax	None	\$3,712,236	\$6,662,445	\$0	\$0	\$3,712,236	\$6,662,445
Wages Paid to Injured Employee	88 - 2357.47	2005	2006	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	10% of wages	No	Income tax	\$5,000 per employee and \$25,000 per employer	\$14,232	\$22,591	\$0	\$0	\$14,232	\$22,591
Modification Expenses Paid for Employee	88 - 2357.47	2005	2006	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	50% of expense of accommodation	No	Income tax	\$1,000 per employee and \$10,000 per employer	\$3,107	\$143	\$0	\$0	\$3,107	\$143
Qualified Recycling Facilities	88 - 2357.59	1996	1996	2000	14 years	No credits claimed b/w 7/1/10 and 6/30/12	No	No	No	No	Yes	No	15% of the investment	No	Income tax	Capged at 50% of the taxable income of the facility	\$24,466	\$1,408	\$0	\$0	\$24,466	\$1,408
Small Business Capital Investment	88 - 2357.60 at seq	1997	1998	2011	3 years	None	No	Yes	No	No	No	Yes	20% of the investment or co-investment	No	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax	None	\$9,412,936	\$9,176,498	\$407,644	\$8,250,721	\$9,820,580	\$17,427,219
Qualified Ethanol Facilities	88 - 2357.66	2003	2004	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	Yes	No	\$20 per gallon prior to 2013 and \$0.75 per gallon after 2013	No	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax	Statewide cap based on volume	\$0	\$2,349	\$0	\$0	\$0	\$2,349
Qualified Biobased Facilities	88 - 2357.67	2005	2005	None	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	Yes	No	\$20 per gallon prior to 2013 and \$0.75 per gallon after 2013	No	Income tax	Statewide cap based on volume	\$19	\$1,566	\$0	\$0	\$19	\$1,566
Rural Venture Capital	88 - 2357.71 at seq	2000	2001	2011	3 years	None	No	Yes	No	No	No	Yes	30% of the investment or co-investment	No	Income tax, insurance premium tax and insurance retaliation tax	None	\$52,567,433	\$31,816,316	\$7,214,413	\$4,930,869	\$59,781,846	\$36,747,185
OLDBEHLI Credit	88 - 2357.81	2000	2001	None	10 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	Matching payment	No	Income tax	Capged at the taxable value of exempted real property	\$150	\$4,295	\$0	\$0	\$150	\$4,295
Poultry Litter Tax Credit	88 - 2357.100	2004	2005	2013	5 Years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	\$10 per ton purchased and transported	No	Income tax	Capged at \$375,000 annually	\$108,377	\$121,008	\$0	\$0	\$108,377	\$121,008

HB 1285 Task Force Matrix

Credit Name or Popular Name	Clanton	First Erected	First Tax Year	Last Tax Year	Carryover Period	Mortgage Eject	Job Creation Requirement?	Job Creation Data Available?	Payroll Requirement?	Payroll Data Source(s)?	Capital Asset Purchase?	Equity Investment?	% or Dollar Amount	Transferable for Value?	Applicable Tax Types	Cap	2008 Income Tax Impact		FY2008 Insurance Premium Tax Impact		FY2009 Insurance Premium Tax Impact		2008 Total Fiscal Impact	2009 Total Fiscal Impact
																	2008	2009	2008	2009	2008	2009		
Investment in Film or Music Entry	88 - 2357.101	2005	2005	None	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	Yes	25% of profit on project	No	Income tax	None	\$25,152	\$27,250	\$0	\$0	\$0	\$0	\$25,152	\$27,250
Dry Fire Hydrant Credit	88 - 2357.102	2005	2006	None	4 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	50% of the expense	No	Income tax	\$5,000 per taxpayer	\$0	\$56	\$0	\$0	\$0	\$0	\$0	\$56
Railroad Rehabilitation and Reconstruction	88 - 2357.104	2005	2006	None	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	Yes	No	50% of qualified expenditures	Yes	Income tax	Capped at \$2,000 multiplied by the taxpayer's total number of miles	\$389,745	\$806,200	\$0	\$0	\$0	\$0	\$389,745	\$806,200
Computer Industry Credit	88 - 2357.201	2005	2006	2013	None	None	No	No	No	No	No	No	15% of expenditures	No	Income tax	Capped at \$350,000 annually	n/a	n/a	\$0	\$0	\$0	\$0	n/a	
Specially Trained Canine Equipment	88 - 2357.203	2005	2006	None	5 years	claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	Yes	No	50% of costs	No	Income tax	None	\$26,282	\$18,926	\$0	\$0	\$0	\$0	\$26,282	\$18,926
Aerospace Business Enterprise Credit	88 - 2357.302	2008	2009	2014	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	50% of tuition reimbursement	No	Income tax	4 years for each employee	\$0	\$65,508	\$0	\$0	\$0	\$0	\$0	\$65,508
Aerospace Business Enterprise Credit	88 - 2357.303	2008	2009	2014	None	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	10% of wages to in-state grads and 5% of wages to out-of-state grads	No	Income tax	\$12,500 per employee annually for 5 years	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aerospace Engineer Credit	88 - 2357.304	2008	2009	2014	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	\$5,000 per year employee	No	Income tax	Capped at 5 years	\$0	\$548,538	\$0	\$0	\$0	\$0	\$0	\$548,538
Wire Transmitter Fee	88 - 2357.401	2009	2009	None	5 years	None	No	No	No	No	No	No	100% of electronic funds transfer fees	No	Income tax	None	n/a	n/a	\$0	\$0	\$0	\$0	n/a	
Rural Economic Development Loan Credit	88 - 2370	2002	2003	None	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	Yes	No	No	No	No	No	Equal to the profit made on the loan	No	Bank privilege tax	Annual cap on each credit at 5% of the payroll created by the loan	\$0	\$80,391	\$0	\$0	\$0	\$0	\$0	\$80,391
Stafford Loan Origination Fee Credit	88 - 2970.3	2006	1-Jul-07	None	5 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	Equal to Stafford loan origination fees	No	Bank privilege tax	None	\$14,448	\$0	\$0	\$0	\$0	\$0	\$0	
Research and Development Jobs Credit	88 - 54006	1992	1993	None	10 years	No credits claimed or earned b/w 7/1/10 and 6/30/12	No	No	No	No	No	No	\$500 per employee for 9 years	No	Income tax	50 employees	\$4,024	\$4,415	\$0	\$0	\$0	\$0	\$4,024	\$4,415
Oklahoma Capital Investment Board (OCIB)	74 O.S. Section 5085.7	1987	7/1/1990	7/1/2015	N/A	No	No	From OCIB or Oklahoma Capital Formation Corporation	No	From OCIB or OCFC	OCFC acquires limited partnership interests	Yes through Oklahoma Capital Formation Corporation	Credits transferred by OCIB are not based on a percentage or a fixed dollar amount	Restricted transferability from OCIB to certain tax credit purchasers	Income and Insurance Premium	\$20,000,000,000 per fiscal year	As of 9/30/2011, OCIB had sold \$27.515 million in credits.							

Credit Name or Popular Name	Chaition	First Enacted	First Tax Year	Last Tax Year	Carryover Period	Motorist/Item Effect	Job Creation Requirement?	Job Creation Data Available?	Payroll Requirement?	Payroll Data Source(s)?	Capital Asset Purchase?	Equity Investment?	% of Dollar Amount	Transferable for Value?	Applicable Tax Types	Cap	2008 Total Fiscal Impact	2009 Total Fiscal Impact
Quality Jobs Program Act	68 O.S. Section 3601 et seq.	1993	1993	Open	N/A	No	Yes	Yes	Yes	OESC	No	No	Benefit Rate	No	N/A	Max. 10 Years	\$60,607,522	\$54,011,640
Saving Quality Jobs Act	68 O.S. Section 3701 et seq.	1994	1994	Open	N/A	No	Yes	Yes	Yes	OESC	No	No	Benefit Rate	No	N/A	Max 3 Years	\$0	\$0
Small Employer Quality Jobs Act	68 O.S. Section 3901 et seq.	1997	1998	Open	N/A	No	Yes	Yes	Yes	OESC	No	No	Benefit Rate	No	N/A	Max 7 Years	\$1,373,383	\$1,638,449
21st Century Quality Jobs Act	68 O.S. Section 3911 et seq.	2009	2009	Open	N/A	No	Yes	Yes	Yes	OESC	No	No	Benefit Rate	No	N/A	Max 10 Years	\$0	\$0

Gross Production Exemptions	68 O.S. Section 1001	1963	1963	6/1/2014	N/A	No	No	No	No	N/A	No	No	Up to 100%	No	Gross Production	No	\$65,300,000	\$112,777,000
Compete with Canada Film Rebate Incentive	68 O.S. Sections 3623	2001	7/1/2001	None	N/A	No	No	No	No	N/A	Qualified Expenses	No	37% or 35% of qualified expenses	No	Direct Rebate	\$5,000,000.00 per fiscal year	\$0	\$481,300
5 Year Manufacturing Exemption (Revenue data represents claims against the Reimbursement Fund)	68 O.S. Section 2902	1985	1985	Open	N/A	No	Yes	Yes	Yes	OTC	Yes	No	Exemption	No	Ad Valorem	No	\$29,421,950	\$41,256,668

JULY 15, 2011



House of Representatives

State of Oklahoma

June 29, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

SUBJECT: Organizational Meeting

DATE: Friday, July 15, 2011

TIME: 10:00 a.m. - 4:00 p.m. (break for lunch)

PLACE: Room 432A, State Capitol Building

AGENDA:

1. Welcome and Introductions
2. Organization of the Task Force
3. Presentations with respect to the Tax Credit for Qualified Historic Rehabilitation Expenditures: **68 O.S. Section 2357.41**
4. Presentations with respect to the Tax Credits for Assessments Related to:
 - a. Property and Casualty Insurance Guaranty Association: **36 O.S. Section 625.4**
 - b. Life and Health Insurance Guaranty Association: **36 O.S. Section 2030 (I)**
5. Other business and adjournment

Members:

Rep. David Dank
Sen. Mike Mazzei
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

Credit Summary

Property and Casualty Insurance Guaranty Fund	
Citation	36 - 625.4
First Enacted	2002
First Tax Year	2002
Last Tax Year	None
Carryover Period	Unlimited
Moratorium Effect	None
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	100% of amount of assessment
Transferable for Value?	No
Applicable Tax Types	Insurance premium tax
Cap	Taxpayer cannot claim more than 10% of the credit in any year

Credit Summary

Life and Health Insurance Guaranty Fund	
Citation	36 - 2030(I)
First Enacted	1981
First Tax Year	1981
Last Tax Year	None
Carryover Period	None
Moratorium Effect	None
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	100% of amount of assessment
Transferable for Value?	No
Applicable Tax Types	Income tax, insurance premium tax and insurance retaliation tax
Cap	Taxpayer cannot claim more than 20% of the credit in any year

Credit Summary

Historic Rehabilitation Expenditures	
Citation	68 - 2357.41
First Enacted	2000
First Tax Year	2001
Last Tax Year	None
Carryover Period	10 years
Moratorium Effect	Credits earned b/w 7/1/10 and 6/30/12 may not be claimed until 7/1/12 and may be the basis of an amended return
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	Yes
Equity Investment?	No
% or Dollar Amount	20% of the expenditures
Transferable for Value?	Yes
Applicable Tax Types	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax
Cap	None

List of Speakers

Historic Rehabilitation Credit

Dr. Bob Blackburn, Executive Director of the Oklahoma Historical Society

Ms. Linda Barnett, Director of the Oklahoma Main Street Program, Oklahoma Dept. of Commerce

Mr. Ron Frantz, Architect, Oklahoma Main Street Program

Steve Morris, President and CFO, Gardner Tanenbaum Holdings

Tori Snyder, Mayo Hotel in Tulsa

Paul Coury, Ambassador Hotel in Tulsa

Mike Sikes, Sikes/Abernathie Architects

Denise Tomlinson, Executive Director of Downtown Development, Tulsa Metro Chamber

Amanda DeCort, Preservation Planner, City of Tulsa

*Jeff Hartman with Atlas Life Marriott submitted a letter to the Task Force.

Insurance Premium Tax Credits

James W. Rhodes, General Counsel and Vice President, Oklahoma Life and Health Guaranty Assoc.

Larry Fitch, Executive Director, Oklahoma Property and Casualty Guaranty Assoc.

Brenda Nation, Regional Counsel, American Council of Life Association

Michael Bell, Property and Casualty Insurance Association of America

Dan Ramsey, Executive Director, Oklahoma Independent Agents Association

Frank Stone, Oklahoma Insurance Department

*J. Angela Ables with Kerr, Irvine, Rhodes & Ables, P.C. will be present to answer any questions.

Thank you all for being here today and for your willingness to serve on this important task force.

Our work in the next few months is absolutely vital to the future of Oklahoma. We've all come through several years of a serious budget crisis. It is not the first time we have been confronted with some hard choices about where and how to spend public funds. Today we begin a discussion about where those funds come from, and about who is or is not paying a fair share.

I can tell you one simple truth right up front: the ordinary taxpayers are paying their fair share. They are the reason we are here today.

They don't get special tax credits or other breaks. In recent years many of them have asked some hard questions . . . like why does one business or one favored industry get a special break?

Our job is to answer that question with real action and real reform.

Let me begin by reminding the members of the task force that we are drawn from both houses of the Legislature and other branches of government. No one will make these decisions alone. We are going to work together. We want and expect everyone here to play an active role in our work. We invite contributions from all. In the end, the reform legislation we propose to the Legislature should have broad support. We will only achieve that if everyone contributes.

We might also begin by setting some basic principles I think we can all agree on:

- Tax credits and other incentives are not all bad. We know that while government cannot create prosperity, it can and should help create conditions that encourage it. This is not a witch hunt. It is a sincere effort to determine what works, what doesn't and what reforms we should make.**

- The number one test of any incentive is, Does it create lasting, worthwhile jobs? That is especially true as we emerge from the recession.**

■ A second test, as set forth in former Attorney General Edmondson's important opinion last year, is, Are these tax credits and other incentives open, transparent and fully accounted for?

■ And as that opinion also noted, are they within the guidelines set forth by our state constitution? I know most of you have read that opinion, which stated that some of those credits were constitutionally infirm. I hope we will discuss that issue in depth, and I believe we should consider action as a task force that asks the State Supreme Court to make a definitive ruling on the issue of constitutionality.

Finally, the Edmondson opinion asked the most important question of all . . . does a tax credit truly serve the public good?

It is very clear to me that some of those credits and other incentives on the books do not. We are going to talk about many of those in some depth in the weeks ahead, and I want to warn all the members that this will not be easy work. We're going to get some noisy opposition from some interests that seem to think that the state treasury is theirs to raid for personal gain.

We're going to hear from the lobbyists, and that is fine. But let's remember that the first master we all serve is the taxpayer. My one pledge to you today is that the taxpayer will always come first in our deliberations.

We saw some examples of that in the last two legislative sessions when we moved to suspend some tax credits. You would have thought we were down at the river drowning puppies. You will come under pressure in the next few months, but I want to ask all of you to remember that basic principle – we are here for the taxpayers first.

We also need to note that this is a bipartisan task force, and I hope that we will proceed in a spirit of cooperation. It's always tempting to issue press releases with the next election in mind.

Our meetings and all of our discussions will be open to the media and the public for that very reason . . . let's let what we do here speak for us and let the public decide.

Our goal in the next few months is to separate the wheat from the chaff and hopefully to get rid of the chaff. We all like to think of ourselves as good stewards of the public's money. This is our chance to prove it.

Now the work begins . . .

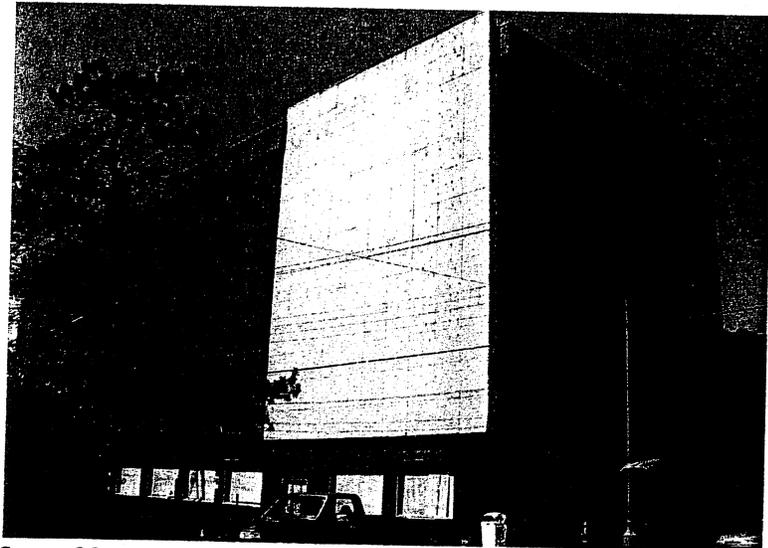
WELLS BUILDING
Downtown Sapulpa, OK
Federal and State Historic Tax Credit Project

ORIGINALLY



In 1917 an 18 year old African American – Fire-Creek Indian, William Clayton, built this five story building and it is still the largest structure in downtown Sapulpa. Originally, a furniture store occupied the first floor while the upper floors were used as office space primarily for attorneys. At five stories tall and 47,000 square feet large, the Wells Building sits right next to the Creek County courthouse. It fronts Dewey Avenue, a stretch of historic Route 66.

30 YEARS



Some 30 years ago, a gigantic gold cheese grater screen and aggregate panels were added to the entire north and east elevations, covering hundreds of wooden windows. In 1980, Ed Wells bought the property. He renamed it after his family but was unable to prevent the building's deterioration over the

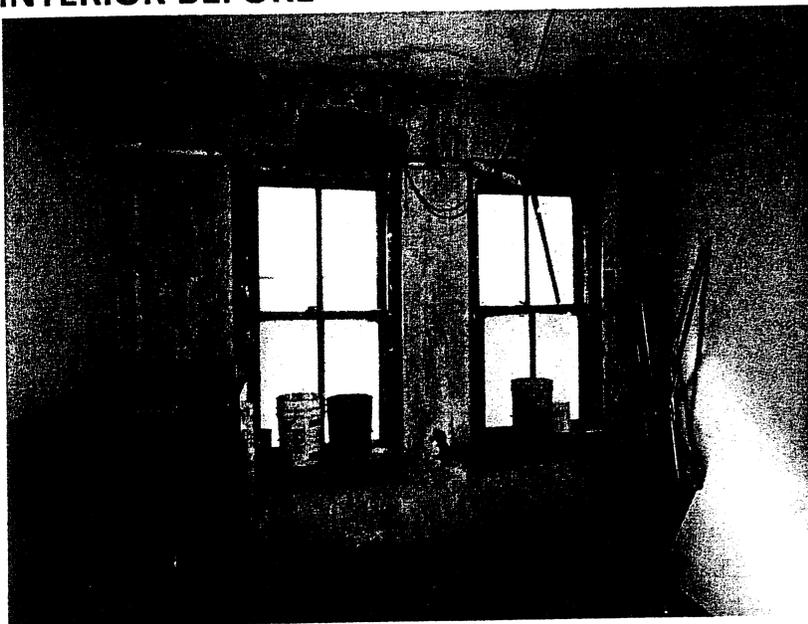
next three decades. Sapulpa Main Street served as the nonprofit partner with the developer, Metro Plains. It was eligible for historic tax credits. After almost a month of work, the new front was off, exposing tons of pigeon droppings, very dirty windows, soiled masonry, and a partially damaged cornice.

NOW



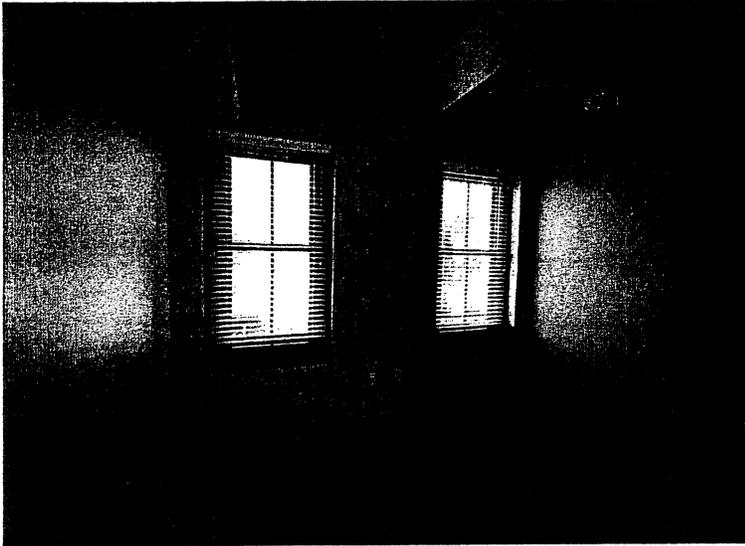
Maintenance and repair work restored this grand façade, now a building for two commercial spaces and 32 apartments as part of a \$5 million project. Main Street helped promote the project and kept interest high during a difficult economic environment. Today the Wells building holds 32 senior housing apartments and provides first class commercial space on the first floor. The building now contributes to the downtown economy and will serve as a wonderful centerpiece for downtown Sapulpa for many years to come.

INTERIOR BEFORE

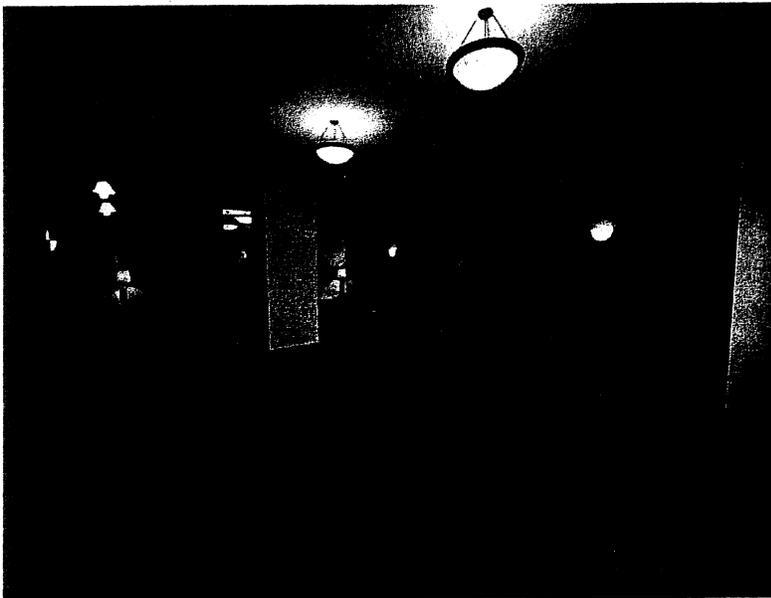


Becoming a certified investment tax credit project, meeting numerous Secretary of the Interior's Standards, and following guidelines for the Americans Disabilities Act determined many of the interior choices for a building. While keeping original materials in place and adapting for everyone's use, the owners learn that the building provides its design answers.

INTERIOR AFTER



Interior mosaic tile floors, plaster walls, plaster crown moldings, original wood trim, and original windows retain the feel of the original interior while adapting for new uses.



Public spaces and public corridors retain familiar spaces while new apartments provide for new downtown residents. The Wells building offers urban living right along Historic Route 66.



TODAY

MetroPlains is now renting 32 new apartments to seniors. Rents are affordable because of a combination of private and public investment. John Errigo of MetroPlains, LLC, stated the following: "The state historic tax credit is an important financial tool that has public roots but leverages private dollars. For the Wells Building, the state historic tax credit brought 11% of the sources of funds. Without that gap financing, the project would have been infeasible. If the state historic tax credit had been replaced with another source of funds, it's likely that the rents would be higher and not serving lower-income seniors."

Completing this project generated jobs, preserved a historic part of the downtown streetscape, and offered seniors an affordable place to live. All of these benefits have economic value that outweighs the tax credit itself, such as sales tax collected on materials and products, income taxes paid on wages, etc. Seniors who pay less for housing have more disposable income for other expenses, which drives retail sales and other activity in the downtown area. And, restoring such an anchor to the downtown area helps to stabilize other buildings by encouraging investment.

As Mr. Errigo stated, without the credit, the project would not have happened and no taxes would have been collected. Furthermore, the building would have deteriorated creating an even worse eyesore for a very beautiful downtown.

Currently, there are over 50 tax credit projects in the process and about a fourth of those are non-urban projects.

RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

NOTE: Status of each project in the application process is provided. The Historic Preservation Certification Application has three parts: Part 1/certification of significance, Part 2/certification of proposed rehabilitation work, and Part 3/final certification of the rehabilitation construction.

FY2005	ORE Total
Philtower 427 South Boston Avenue Tulsa, OK, Tulsa County James Hawkins, Philtower LLC Part 3 Approved (Certified)	\$ 4,276,071.00
Skirvin Hotel 1 Park Avenue Oklahoma City, OK , Oklahoma County Part 3 Approved (Certified)	\$34,988,424.00
Union National Bank 400 SE Frank Phillips Boulevard Bartlesville, OK , Washington County Ron Swigart, Arvest Bank Part 3 Approved (Certified)	\$ 1,231,146.00
Greenlease Moore Cadillac Agency 914-920 North Broadway Avenue Oklahoma City, OK, Oklahoma County Thomas Russell, 914 N. Broadway Association, Inc. Part 3 Received (under NPS review)	\$ 4,084,617.00

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2006

ORE Total

Stanford Furniture

\$ 7,577,539.00 (phase 1)

1 East Sheridan
Oklahoma City, OK, Oklahoma County
Charles Ainsworth, Ainsworth Co.
Part 2 Approved and Phase 1 Construction Complete

Kivlehen House

\$ 300,000.00

525 North Jackson
Edmond, OK, Oklahoma County
Marianna Lloyd
Part 3 Approved (Certified)

Mayo Office Building

\$31,771,553.00

420 South Main Street
Tulsa, OK, Tulsa County
Wiggin Properties
Part 3 In Review at SHPO

Park Harvey Building

\$16,474,090.00

200 North Harvey Avenue
Oklahoma City, OK, Oklahoma County
Part 3 Approved (Certified)

901 North Denver

\$ 147,476.00

Tulsa, OK, Tulsa County
Gary and Lisa Ziegler
Part 3 Approved (Certified)

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2007	ORE Total
Masonic Lodge 325 Seventh Street Perry, OK, Noble County Edwin Malzahn Part 2 Denied	N/A
Cordell Opera House 225 E. Main Street Cordell, OK, Washita County Beryl Curley, Opera House Antique Mall Part 2 Approved	N/A
United Founders Tower 5900 Mosteller Drive Oklahoma City, OK, Oklahoma County Jim Meyer, Founders Tower Condominium Part 2 Denied (now under appeal)	N/A
Benedictine Hospital 2003 West Warner Avenue Guthrie, OK, Logan County A. Sam Coury Part 2 On Hold	N/A
Citizens Bank Tower 2200 North Classen Blvd. Oklahoma City, OK, Oklahoma County Richard Tanenbaum, Gardner Tanenbaum Part 3 Approved (Certified)	\$16,002,310.00
J.I. Case Plow Works 2 East California Avenue Oklahoma City, OK, Oklahoma County John Shelton, Diversified Historic Properties Part 2 Approved	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2007 continued	ORE Total
Mayo Hotel 115 West 5 th Street Tulsa, OK, Tulsa County Tori Snyder, Mayo Hotel & Lofts LP Part 3 Approved (Certified)	\$44,000,000.00
1007 North Broadway 1007 N. Broadway Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 3 Approved (Certified)	\$ 754,944.00
United Artists 624 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 188,269.00
Severs Block 101 W. Broadway Muskogee, OK, Muskogee County Judy McKie, Severs Block Holding Co. Part 2 Approved and Phase 1 Construction Complete	\$ 2,191,222.00 (phase 1)
Vickery Station 602 South Elgin Avenue Tulsa, OK, Tulsa County Michael Sager, Blue Dome LLC Part 3 Approved (Certified)	\$ 200,000.00
1015 North Broadway 1015 N. Broadway Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 3 Approved (Certified)	\$ 4,342,527.00
Mid-Continent Life 1400 Classen Drive Oklahoma City, OK, Oklahoma County Shannon Nance, MCLI LLC Part 3 Approved (Certified)	\$15,000,000.00

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2008

ORE Total

704-708 W. Sheridan 704-708 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row Part 3 Approved (Certified)	\$ 810,751.00
Atlas Life Insurance 415 N. Boston Ave. Tulsa, OK, Tulsa County Jeff Hartman, SJS Hospitality Part 3 Approved (Certified)	\$14,000,000.00
Clayton Wells 215 W. Dewey Sapulpa, OK, Tulsa County LaVerne Hanson, MetroPlains Realty Part 3 Approved (Certified)	\$ 4,765,193.00
Walter Edwards House 1621 N.E. Grand Blvd. Oklahoma City, OK, Oklahoma County James R. Johnson Part 1 Approved	N/A
Film Exchange 700-702 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 824,842.00
Oklahoma Theatre Supply 628 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 269,000.00
Plaza Court Shopping Center 1100 Classen Drive Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 3 Approved (Certified)	\$ 4,176,665.00

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2009	ORE Total
<p>Chickasha Hotel 124 W. Chickasha Chickasha, OK, Grady County Cary DeHart, Chickasha Housing Partners Part 2 Approved</p>	N/A
<p>DeVaughan's Drug 103 W. Broadway Anadarko, OK, Caddo County Kathleen Lacey Part 2 Submitted</p>	N/A
<p>1910 Building 323 Seventh Street Perry, OK, Noble County Edwin Malzahn Part 3 Approved (Certified)</p>	\$ 176,634.00
<p>Hadden Hall 215 NW 10th Street Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved</p>	N/A
<p>Buick Motor 1101 N. Broadway Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved</p>	N/A
<p>Guardian Garage 1117 N. Robinson Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 1 Approved</p>	N/A
<p>Manhattan Building 325 W. Broadway Muskogee, OK, Muskogee County G. Hassenflu, Muskogee Housing Partners Part 2 Approved</p>	N/A
<p>Chieftain Pontiac 1100 N. Broadway Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved</p>	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2010	ORE Total
<p>Sand Springs Power 221 South Main Street Sand Springs, OK, Tulsa County Kenneth Alexander, Springloaded Brew. Part 2 Approved</p>	N/A
<p>Rawlins Furniture 120 West Main Ardmore, OK, Carter County Jose Romo, Romo Company Part 2 Approved</p>	N/A
<p>Bijou Royal Theatres 114 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Denied</p>	N/A
<p>Masonic Temple 110 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Approved</p>	N/A
<p>M. N. Wilson 106 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Denied</p>	N/A
<p>612 NW 29th Street 612 N.W. 29th Street Oklahoma City, OK, Oklahoma County James Varnum and Amy Young Part 2 Approved</p>	N/A
<p>Vesper Building 929 N. Broadway Oklahoma City, OK, Oklahoma County Tom Russell, BMI Systems Part 2 Approved</p>	N/A
<p>Cities Service Station 1648 Southwest Blvd. Tulsa, OK, Tulsa County James Frasier, Frasier Family LLP Part 2 Approved</p>	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2010 continued	ORE Total
Jewel Theater 904 N.E. 4 th Street Oklahoma City, OK, Oklahoma County Arthur Hurst & Sherri Williams Part 1 Approved	N/A
Robinson Packer – Regal Hotel 210-220 N. Main Street Tulsa, OK, Tulsa County David P. Sharp, Sharp Development Part 2 Approved	N/A
Tulsa Paper Company 114-124 East Brady Street Tulsa, OK, Tulsa County David P. Sharp, Sharp Development Part 2 Approved	N/A
PPG Warehouse / Detroit Lofts 305 East Archer Tulsa, OK, Tulsa County John Snyder and Tori Meadows Snyder, Detroit Lofts Part 2 Approved and Construction Complete	N/A
2229 North Gatewood Avenue 2229 N. Gatewood Ave. Oklahoma City, OK, Oklahoma County Earl W. Bourne Part 2 Approved	N/A
Eisele Motor Company 201 NW 10 th Street Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 1 Approved	N/A
Reinauer Motors 25 NW 9 th Street Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 1 Approved	N/A
1302 East 6th Street 1302 East 6 th Street Tulsa, OK, Tulsa County Rachel Navarro, Next Big Thing Investments Part 2 Approved	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2011	QRE Total
Bristow Firestone Station 321 North Main Street Bristow, OK, Creek County Jack Longacre, Bristow Body Shop Part 2 Approved	N/A
1969 Tulsa City Hall 200 Civic Plaza Tulsa, OK, Tulsa County John Snyder, TOCH LLC Part 1 Approved	N/A
Cline Hotel 228-230 NW 10 th Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 1 Denied	N/A
Ward Building 107 North Boulder Tulsa, OK, Tulsa County reg Oliphant, Interak Corp. Part 2 In Review at SHPO	N/A
Metropolitan Library 131 Dean A. McGee Ave. Oklahoma City, OK, Oklahoma County Judy Hatfield Part 2 Approved	N/A
Ford Assembly Plant 900 West Main Street Oklahoma City, OK, Oklahoma County Hall Capital LLC Part 1 Approved	N/A
<u>POTENTIAL FUTURE PROJECT</u>	
Braniff Building 324 North Robinson Oklahoma City, OK, Oklahoma County Sandridge Energy Application Pending	N/A



State Historic Preservation Office

Oklahoma Historical Society
Oklahoma History Center
800 Nazih Zuhdi Drive
Oklahoma City, OK 73105-7917
405/521-6249
FAX 405/522-0816
<http://www.okhistory.org/shpo/shpom.htm>

Fact Sheet #14

August 2007

FREQUENTLY ASKED QUESTIONS ABOUT TAX CREDITS FOR REHABILITATION

Federal and Oklahoma State tax law currently provide attractive incentives for the rehabilitation of historic and older buildings. These special benefits encourage revitalization of historic districts as well as individual buildings. To qualify for the Federal tax incentives, requirements of both the Internal Revenue Service and the U.S. Department of the Interior must be met. To qualify for the Oklahoma State tax incentives, projects must qualify for the Federal tax credits. The State Historic Preservation Office (SHPO) participates in the review of proposed rehabilitation projects and is the initial point of contact for applicants. The U.S. Department of the Interior, National Park Service (NPS), is the agency responsible for certifying historic structures and rehabilitation work. Following are brief answers to frequently asked questions about eligibility for the credits, the application process, the standards that must be met in the rehabilitation work, how the numbers work, and where additional information can be obtained.

INDEX OF QUESTIONS

A. General Information about the Federal and State Rehabilitation Tax Credits

1. Which Federal and State statutes authorize the rehabilitation tax credits? (Page 4)
2. Which regulations and rules govern use of the Federal and State tax credits? (Page 4)
3. How much are the tax credits worth? (Page 4)
4. What is a tax credit? (Page 4)
5. Can I get tax credits for rehabilitation work to my historic home? (Page 4)
6. Which Internal Revenue Service (IRS) and Oklahoma Tax Commission (OTC) forms are needed to attach to my tax returns to claim the rehabilitation tax credits? (Page 5)
7. Are there special terms I should use that will improve my communication with the IRS, OTC, SHPO, and NPS? (Page 5)
8. How do the numbers work? (Page 5)
9. How much work do I have to do in order to qualify for the credits? (Page 5)

10. Are there consultants who help figure out the financing for a tax credit project? (Page 6)
11. Can I "sell" the tax credits, and what does that mean to me? (Page 6)
12. The Oklahoma Statutes indicate that the State credits are "freely transferable." Why is this so significant? (Page 7)
13. Where can I go for more information about the regulations governing the Federal and State tax incentives? (Page 7)

B. Qualifying for the 20% Federal and State Tax Credits

1. What is a "certified historic structure"? (Page 7)
2. How do I confirm that my building is a "certified historic structure"? (Page 7)
3. Does it matter when I obtain confirmation that my building is either individually eligible for the National Register of Historic Places or is a contributing resource to a historic district? (Page 8)
4. If my building was identified as a noncontributing resource in a historic district, is there any possibility that I could qualify for the 20% tax credits? (Page 8)
5. What is a "certified state or local district?" (Page 8)
6. What is a certified rehabilitation? (Page 8)
7. What are the *Secretary of the Interior's Standards and Guidelines for Rehabilitating Historic Buildings* and where can I find them? (Page 9)
8. How do I obtain "certification" of my rehabilitation work? (Page 9)
9. Will using the 20% tax credit restrict my rehabilitation work? (Page 9)
10. How much time does it take to obtain preliminary certification of my rehabilitation work? (Page 10)
11. I have already started rehabilitation work before filling out any application forms or making submittal to the SHPO, can I still qualify for the 20% tax credit? (Page 10)
12. What forms do I need to complete to obtain certification of my proposed rehabilitation work for the 20% tax credits? (Page 10)
13. How do I obtain final certification when my project's rehabilitation work is completed? (Page 10)
14. What do I do if I need to revise my plans for rehabilitation work after I have received NPS preliminary certification? (Page 11)

15. What happens if I decide to do additional rehabilitation work after I receive final certification of completed work from NPS? (Page 11)
16. Should I consult local code officials about my rehabilitation project? (Page 11)
17. Should I retain an Architect to develop my rehabilitation project plans? (Page 11)

C. Qualifying for the 10% Federal and State Tax Credits

1. Which buildings qualify for the 10% tax credits? (Page 12)
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The Questions are Answered

A. General Information about the Federal and State Rehabilitation Tax Credits

1. Which Federal and State statutes authorize the rehabilitation tax credits?

The Federal tax credits are authorized under the Tax Reform Act of 1986 (Section 47 of Title 26 of the United States Code). The State tax credits are authorized under State Statute 68-2357.41.

2. Which regulations and rules govern use of the Federal and State tax credits?

The Federal tax credits program is governed by two sets of regulations, including the Internal Revenue Service Code "*Section 47, Rehabilitation Credit*" and the U.S. Department of the Interior's "*36 CFR Part 67 – Historic Preservation Certifications Pursuant to Section 48(G) and Section 170(H)*" of the Internal Revenue Code of 1986. The State tax credits program is administered pursuant to Oklahoma Tax Commission Rules (Chapter 50, "Income") Section "*710:50-15-108. Credit for qualified rehabilitation expenditures.*"

3. How much are the tax credits worth?

There are two tiers of both the Federal and the State tax credits. The first tier provides a 20% tax credit for the certified rehabilitation of a certified historic structure. The second tier provides a 10% tax credit for renovation of an older building that is not currently listed in the National Register of Historic Places either individually or as a contributing resource to a district. The value of the credit is either 20% or 10% of a project's **qualified expenditures.**

4. What is a tax credit?

A tax credit reduces the taxpayers tax liability. That is, the amount of the credit is subtracted from the amount the taxpayer owes the IRS and the OTC. A credit differs from a deduction as the latter reduces taxable income rather than tax liability.

5. Can I get tax credits for rehabilitation work to my historic home?

The IRS requires that the building be used for the generation of income. Historic homes are only eligible for the tax credits in as much as the home is used for an income producing purpose, for example, a rental property. If the historic home is the principal residence of the homeowner, and not used as an income producing property, then the Federal and State tax credits are not available to offset the cost of rehabilitation. If a portion of the building is used as the owner's principal residence and business, then the IRS or your professional tax advisor should be contacted for further guidance.

6. Which Internal Revenue Service (IRS) and Oklahoma Tax Commission (OTC) forms are needed to attach to my tax returns to claim the rehabilitation tax credits?

For purposes of the Federal tax return, you must attach IRS Form 3468 and may need to attach a copy of an approved Historic Preservation Certification Application, Part 2 or Part 3 (as appropriate to the project). IRS Form 3468 is available on line at <http://www.irs.gov/pub/irs-pdf/f3468.pdf>. For purposes of the State tax return, you must attach OTC Form #511 CR which is available at <http://www.tax.ok.gov/it2006/511CR-06.pdf>. You should verify that the form year is the same as the year for which your tax return is being prepared.

7. Are there special terms I should use that will improve my communication with the IRS, OTC, SHPO, and NPS?

Yes. A quick and easy way to learn the critical terminology is to review the instructions provided with the Historic Preservation Certification Application, the NPS form used to obtain certification for the 20% tax credits. Additionally, you will find definitions of terms throughout this SHPO Fact Sheet and in other guidance from the SHPO, IRS and NPS. Take particular note of terms such as "certified historic structure," "certified rehabilitation," "contributing resource," "noncontributing resource," "qualified expenditures," and "substantial rehabilitation test."

8. How do the numbers work?

Basically, using the 20% tax credit as an example, 20% of the amount that an owner spends rehabilitating a building will come back to the owner as a Federal tax credit. An additional 20% of the cost of rehabilitating the building will come back to the owner as a State tax credit. Together the Federal and State tax credits will offset the cost of the building rehabilitation by 40%. If a project's total qualified expenditures for a building rehabilitation equal \$100,000, then \$20,000 will be the amount of the Federal tax credit available plus \$20,000 for the amount of the State tax credit available, for a total of \$40,000 of available tax credits, offsetting the cost of the project by 40%. In their publication entitled, "*Tax Aspects of Historic Preservation – Frequently Asked Questions*," the IRS uses a similar question and answer format to address specific questions related to what project costs do and do not qualify toward the credits. They also address issues related to alternative minimum tax and passive activity restrictions. You may find this publication on line at http://www.nps.gov/history/hps/tps/tax/IRSQ_A.htm

9. How much work do I have to do in order to qualify for the credits?

The work on the building must be enough to render the building able to be placed in service, in other words, safely able to be occupied and used for the production of income. This requirement would include the ability to obtain a certificate of occupancy that may be required by your local jurisdiction. In addition to this physical measurement, the IRS

requires that the rehabilitation project meet a particular definition of "Substantial." The definition of substantial is expressed as a dollar amount. The dollar amount is arrived at by calculating the adjusted basis of the building and its structural components. The formula to calculate the adjusted basis is: The purchase price of the property, minus the value of the land, plus improvements already made, minus depreciation already taken. In order to meet the substantial rehabilitation test the total of qualified expenditures must exceed the result of the formula by at least one dollar. In cases where the adjusted basis is less than \$5,000, then at least one dollar more than \$5,000 must be expended. The substantial rehabilitation test must be met during a 24-month measuring period for a single phased project and a 60-month measuring period for a multiple phased project. Further guidance related to the IRS requirements can be obtained from the "IRS Connection" accessed through the NPS website at <http://www.nps.gov/history/hps/tps/tax/IRS.htm>

It is possible that the cost of replacing a roof for a historic building could be enough to meet the dollar value required to meet the Substantial rehabilitation test; however, if a new roof alone is not enough to render the building usable for an income producing purpose (for example an inadequate electrical or plumbing system), then your project would need to include more work.

10. Are there consultants who help figure out the financing for a tax credit project?

Yes. The SHPO suggests that you talk with your tax professional, attorney, or banker for guidance in obtaining such professional services.

11. Can I "sell" the tax credits, and what does that mean to me?

The rules governing who is entitled to claim a rehabilitation tax credit differ between the Federal tax credit and the State tax credit. Several financial institutions, corporate entities, and others "buy and sell" tax credits. In order to utilize the Federal preservation tax incentives, one must retain an ownership interest in the property that has benefited from a rehabilitation project. The ownership entity must be in place before the rehabilitated building is placed in service (see IRS definition of "placed in service"). Certain investors, corporations, and institutions are interested in joining in ownership of buildings that will qualify for Federal preservation tax incentives in order to reduce their overall tax liability. It is very important that a building owner interested in pursuing the Federal preservation tax incentives seek advice from the IRS or their professional tax consultant before pursuing a project to make sure that their personal financial situation is one that will allow them to actually claim the credit. If a situation exists that will not allow the owner to utilize the credit in a way that they had expected, that owner may wish to seek partners that can utilize the credits. To claim the Federal tax credits, such partners must be part of the ownership entity before the rehabilitated building is placed in service. The State tax credits may be freely transferred to another party that has no other interest in the rehabilitated building except to purchase the right to utilize the State tax credits to reduce their State tax liability. Such transfer transactions may take place after the rehabilitation project is completed and usually discount the value of the tax credit to

cover administrative costs of the transfer. It is essential that a taxpayer obtain qualified professional advice to arrange any transactions that will authorize others to utilize the Federal or State tax credits.

12. The Oklahoma Statutes indicate that the State credits are "freely transferable." Why is this so significant?

The Federal tax credits are not "freely transferable." However, the Oklahoma rehabilitation credits are. This is significant because the entity that acquires the credits does not have to establish an ownership interest in the rehabilitated property to use them.

13. Where can I go for more information about the regulations governing the Federal and State tax incentives?

The SHPO web site with more information and links to the NPS website can be accessed at <http://www.okhistory.org/shpo/taxcredits.htm>. The NPS web site with more information can be accessed at <http://www.nps.gov/history/hps/tps/tax/index.htm>. The NPS web site also contains a link to the IRS regulations at <http://www.nps.gov/history/hps/tps/tax/IRS.htm>. The Oklahoma Tax Commission can be accessed at <http://www.tax.ok.gov/>.

B. Qualifying for the 20% Federal and State Tax Credits

1. What is a "Certified Historic Structure"?

A "certified historic structure" is defined as a building that is individually listed in the National Register of Historic Places **OR** a building that is located in a *registered historic district* (a *registered historic district* is defined as any district listed in the National Register of Historic Places) listed in the National Register of Historic Places *and* certified by the NPS as **contributing** to the historic significance of that district. The "structure" must be a building – not a bridge, ship, railroad car, or dam. A state or local historic district may also qualify as a *registered historic district* if the district and the enabling statute are certified by the Secretary of the Interior.

2. How do I confirm that my building is a "certified historic structure"?

A complete list of individual properties and historic districts located in Oklahoma that are listed in the National Register of Historic Places is available from the SHPO as a bound paper copy or at the SHPO website at <http://www.okhistory.org/shpo/nrhandbook.htm>. SHPO staff can check the original National Register nomination for any historic district, and, unless the nomination is an extremely old one, it will contain a list of the contributing and noncontributing resources (in the case of the tax credits, "resources" is defined as buildings). In order to confirm whether your building is contributing to the historic district, SHPO staff will need the building's street address. To receive NPS certification that a building within a *registered historic district* is a *certified historic structure* (regardless of how it was classified in the original National Register

nomination) or of an individual property that is not currently listed in the register, you must complete the Historic Preservation Certification Application Part 1 and submit it to the SHPO.

3. Does it matter when I obtain confirmation that my building is either individually eligible for the National Register of Historic Places or is a contributing resource to a historic district?

Yes. You are required to submit Form # 10-168, "Historic Preservation Certification Application Part 1 – Evaluation of Significance" before the building is placed in service.

4. If my building was identified as a noncontributing resource in a historic district, is there any possibility that I could qualify for the 20% tax credits?

Yes. The contributing/noncontributing status of any building can change as the result of alterations to the building, the passage of time, and changing interpretations of history. So, it is possible that the building's status could have changed. There is also the possibility that the building could be individually eligible for the National Register even though it is not a contributing resource to the district in which it is located. You should not hesitate to contact the SHPO to help you assess your particular situation.

5. What is a "certified state or local district?"

It is a local historic preservation district certified by NPS as containing sufficient requirements for documentation and evaluation of a property's significance to insure that a district designated under the local ordinance could also be listed in the National Register of Historic Places. This is not the same thing as qualifying for Certified Local Government (CLG) status. Certification of the ordinance for tax credit purposes is a completely separate process. There are no "certified state or local districts" in Oklahoma at this time. It is important to note that any Historic Preservation Certification Application for a property in a district designated under a "certified state or local district" must be accompanied with National Register level documentation for the district.

6. What is a certified rehabilitation?

A "certified rehabilitation" is a rehabilitation project for which all work has been completed in accordance with the **Secretary of the Interior's Standards for Rehabilitation** and is certified by the NPS as such. The NPS conveys certification by signing off on the bottom of the Historic Preservation Certification Application, Part 3, which the owner completes and transmits to the SHPO for submission to the NPS. A Part 3 application must be submitted in order to document the completion of the project seeking the 20% Federal and the 20% State tax credit. If a taxpayer claims the credit without completing the Part 3 application process, the credit may be revoked by the IRS.

7. What are the Secretary of the Interior's Standards and Guidelines for Rehabilitating Historic Buildings and where can I find them?

The Secretary of the Interior's Standards for Rehabilitation are the ten (10) basic principles established by the Secretary of the Interior which are recommended in the planning and execution of projects which alter historic buildings. Together these ten principles create a framework for making decisions related to appropriate rehabilitation work. The Standards can be obtained in hard copy from the SHPO or accessed on the SHPO's website at <http://www.okhistory.org/shpo/taxcredits.htm> or at the NPS website at <http://www.nps.gov/history/hps/tps/>. The Guidelines for Rehabilitating Historic Buildings explain in more specific detail related to building materials, features, and components, how to apply the Secretary's Standards to specific work items often contemplated when pursuing a rehabilitation project. The Guidelines can also be accessed at the noted website locations for the SHPO and the NPS.

8. How do I obtain "certification" of my rehabilitation work?

Before beginning your rehabilitation project, it is strongly advised that you complete the Historic Preservation Certification Application - Part 2 and obtain preliminary certification of your proposed project work. Then, when your project is finished, you complete the Historic Preservation Certification Application - Part 3 to obtain final certification of completed work. Each application phase is to be submitted to the SHPO. The SHPO will process the application and forward it to the NPS for review and approval. The NPS is the only agency that can "certify" the rehabilitation work.

9. Will using the 20% tax credit restrict my rehabilitation work?

The 20% investment tax credit is an incentive to encourage the retention of character defining historic materials, features and details important in determining the building's historic integrity. A rehabilitation project that meets the Standards for Rehabilitation is said to be an appropriate rehabilitation of a historic building. For the tax credit project to be certified, the work MUST meet the Secretary of the Interior's Standards for Rehabilitation, and the taxpayer must receive certification of compliance with the Standards from NPS. The Standards consist of ten common sense items, which can be taken into consideration with some thought and advance project planning. Project planning is important to undertake in order to complete the application process and obtain certification. You may not be able to do every work item the way you originally anticipated, but the Standards are flexible and projects are evaluated in a reasonable manner taking into consideration economic and technical feasibility. When you follow the application process as set forth in NPS guidance and work closely with the SHPO, there is no reason to feel as though your project was "restricted."

10. How much time does it take to obtain preliminary certification of my rehabilitation work?

The SHPO has thirty (30) days from receipt of project documentation to complete its review. If everything needed for review is contained in the application, the SHPO forwards it to the NPS with comments. The NPS then has thirty (30) days to complete its review process. The total amount of time required for a tax credit project is largely controlled by the owner/developer and is directly related to how long the owner/developer takes to assemble the documentation needed to describe the project in detail and complete the application forms.

11. I have already started rehabilitation work before filling out any application forms or making submittal to the SHPO, can I still qualify for the 20% tax credit?

Yes, but having already started the work may mean that you may have jeopardized your eligibility for the credit. You can still file the application for a project that is already in progress or that is completed. However, you must have good documentation of the building's condition prior to the beginning of your construction work (usually in the form of photographs, at a minimum), and your work must still meet the Secretary's Standards for Rehabilitation. You are strongly discouraged from starting your project without benefit of SHPO review and NPS certification of the proposed project plans. You should also consult your tax advisor and the IRS regulations. Timing for completion and the date that the building was placed in service may also jeopardize your ability to qualify for the credits.

12. What forms do I need to complete to obtain certification of my proposed rehabilitation work for the 20% tax credits?

You complete NPS Form #10-168a, "Historic Preservation Certification Application Part 2 – Description of Rehabilitation." Technically, the proposed scope of work approved during review of the Part 2 is considered a **preliminary certification**, as a final certification cannot be determined until the work is completed. If the building is already individually listed in the National Register of Historic Places, then you do not complete Part 1 of the HPCA. For all other situations, you must complete Form # 10-168, "Historic Preservation Certification Application Part 1 – Evaluation of Significance." For all projects, you must complete Part 2 of the HPCA to obtain preliminary certification of the proposed work.

13. What do I do when my rehabilitation work is completed and I need to obtain final certification of the project?

When project work is finished, you will complete NPS Form # 10-168c, "Historic Preservation Certification Application – Request for Certification of Completed Work" (also known as "Part 3") and submit it to the SHPO. SHPO staff will conduct an on-site inspection of the completed project and forward the Part 3 to NPS. NPS will issue the

final certification of completed work provided that all items were executed in accordance with the approved Part 2 and any subsequently approved amendments.

14. What do I do if I need to revise my plans for rehabilitation work after I have received NPS preliminary certification?

Contact the SHPO to discuss your needs to revise the project plans. If the revision still seems necessary, then complete NPS Form #10-168b, "Continuation/Amendment Sheet" of the Historic Preservation Certification Application. It will be processed in the same manner as the original Part 2.

15. What happens if I decide to do additional rehabilitation work after I receive final certification of completed work from NPS?

If the work is to take place during the first five (5) years following final certification of the rehabilitation work, you must contact the SHPO for guidance in filing an amendment. Remember that work done during this initial five (5) year period that does not meet the Secretary's Standards may result in the recapture of your tax credits. Work done after the initial five (5) year period is not subject to any review process.

16. Should I consult local code officials about my rehabilitation project?

It is customary for construction projects to need a building permit. You should consult your City government to find out what permits may be required and what building codes must be met. You may also need to contact the State Fire Marshal's office to see if there are code requirements that need to be met. It is important that you let the code officials know that you are pursuing preservation tax credits for your project. The SHPO can help you communicate with State and local code officials to make sure that the Secretary's Standards and IRS requirements are considered and your project can still qualify for the credits. Sometimes it may seem that historic materials, details and features would need to be sacrificed to meet current building codes. There are usually options that will allow you to keep historic fabric in tact AND meet the State and local code requirements. Architects and Construction Contractors are accustomed to working with State and local building code officials and may benefit your project in this regard.

17. Should I retain an Architect to develop my rehabilitation project plans?

NPS regulations for review of proposed rehabilitation projects do not include a requirement for the applicant to retain an Architect. However, Oklahoma Statutes do stipulate which projects require the use of an Architect for building projects, including tax credit rehabilitation projects. You should contact your local building official or City government offices to help you determine if an Architect is required by State law. The SHPO encourages applicants to use the services of qualified design professionals because they can help an owner/developer achieve a project that can proceed more smoothly and can effect an efficient tax credit review and certification process. The use of an Architect can lead to a higher quality finished project and a lower total project cost.

C. Qualifying for the 10% Federal and State Tax Credits

1. Which buildings qualify for the 10% tax credits?

Buildings that are not certified historic structures and that were placed in service before 1936 may be renovated for the 10% credit provided all IRS requirements are satisfied. Buildings that are individually listed or contributing to a National Register listed historic district are not eligible for the Federal or State 10% credit.

2. Are there any design standards or special requirements for the renovation work if I am using the 10% tax credits?

There are no design standards to follow in planning a renovation project for the 10% credits, and this means that the Secretary of the Interior's Standards for Rehabilitation do not apply. However, project work must satisfy all Internal Revenue Service requirements which include a certain percentage of existing walls to remain in place. Applicants interested in obtaining it should consult with their tax advisor. The NPS and the SHPO do not review the proposed renovation work for these projects.

3. Are the SHPO and NPS ever involved in a project for the 10% credit?

If a building is located within a district that is listed in the National Register of Historic Places, the applicant for tax credits must complete the Historic Preservation Certification Application, Part 1 regardless of whether the building is identified as contributing or noncontributing to the district and regardless of whether the applicant is pursuing the 20% or the 10% credits. The contributing/noncontributing status of a building can change as the result of alterations to the building, passage of time, and changes in the interpretation of history. The Part 1 is submitted to the SHPO for review and comment. The SHPO will then forward the Part 1 to the NPS for review and certification or de-certification, as appropriate.

4. If my building is located in a historic district that is listed in the National Register of Historic Places, can I choose to use the 10% credit instead of completing the application process for the 20% credit?

It depends on whether your building is a contributing or noncontributing resource within the National Register listed historic district and when the building was originally placed in service. If the building is noncontributing to the National Register district and was originally placed in service before 1936, you are eligible for the 10% credit (see items 1, 2, and 3 above) as long as you meet the other IRS requirements for the 10% program. If your building is a contributing resource to the district, you are not eligible for the 10% credit. If you desire tax credits, the only preservation tax incentive available to you would be the 20% credit.

- 5. Can I just request that my building, which is individually listed in the National Register of Historic Places, be removed from the National Register so I can take advantage of the 10% credit instead of going through the application process for the 20% credit?**

No. Owners may request removal of their property from the National Register of Historic Places. However, properties are only removed from the register when circumstances outlined in NPS regulations (36 CFR Part 61) are met. The property owner's desire to pursue the 10% instead of the 20% tax credits is not justification for removal from the National Register under these regulations.

- 6. If my building is identified as a contributing resource in a historic district, can I get that classification changed to noncontributing and use the 10% credit?**

As discussed above, the contributing/noncontributing status of a building can certainly change. If you believe your building should be classified as noncontributing to the district, then filing the Historic Preservation Certification Application, Part 1 will provide the official documentation needed for the SHPO and NPS to consider your claim. However, as with properties individually listed in the National Register (see Item 5. above), a property owner's preference for use of the 10% credits is not a justification for reclassifying the building.

- 7. Does it matter how an older building will be used when the owner is planning to take advantage of the 10% credits?**

Yes. This is one of the critical differences between the 20% and 10% credits. Rental residential property does not qualify for the 10% investment tax credit. However, a certified historic structure that undergoes a certified rehabilitation qualifies for the 20% credit even when the building will be used for rental residential purposes.

D. Getting information and assistance with project planning, the application process, project financing, and related regulations and rules

- 1. Who should I contact first for general information about the tax credits and for guidance about the rehabilitation standards and certification process?**

The SHPO should be your first contact. We can send you a hard copy of all the information and materials you need to get started, or you can access the information on line at our website at <http://www.okhistory.org/shpo/taxcredits.htm>. The SHPO also annually presents two one-day workshops on the tax credits, and the schedule of these sessions is found on the SHPO's website at <http://www.okhistory.org/shpo/shpoevents.htm>. Contacting the SHPO early in your project planning can save you time and money. There are many myths and misconceptions about the requirements of the tax credits program and the application process. Be careful about the comments and advice freely given by third parties.

2. Who should I contact with my questions about the Internal Revenue Service's regulations?

The SHPO encourages every applicant to confer with their own tax professional about these issues. Also, you and your tax professional should not hesitate to contact the IRS for information, and currently the contact person is Colleen Gallagher at (651) 726-1480 (Bloomington, MN).

3. Who should I contact with my questions about the Oklahoma Tax Commission's rules?

Again, the SHPO stresses the importance of consulting your own tax professional. For guidance, you or your tax professional may need to contact the OTC's Tax Policy Division at (405) 521-3123.

4. Are there other sources of information about the rehabilitation tax credits for me to consult?

The NPS website is another very helpful source of information. Visit them at <http://www.nps.gov/history/hps/tps/>. You can even test your knowledge of the Secretary's Standards by spending a few minutes with their Electronic Rehab tutorial at <http://www.nps.gov/history/hps/tps/e-rehab/index.htm>.

Economic Impacts of Historic Preservation in Oklahoma

Research Conducted for

PRESERVATION OKLAHOMA, Inc.

405 Northwest Fifteenth Street

Oklahoma City, Oklahoma 73103

STUDY FUNDERS

STATE HISTORIC PRESERVATION OFFICE/OKLAHOMA HISTORICAL SOCIETY

CITY OF OKLAHOMA CITY

CHESAPEAKE ENERGY

THE KIRKPATRICK FAMILY FUND

NATIONAL TRUST FOR HISTORIC PRESERVATION

JULIE BOTT MINER, IN MEMORY OF LT. COL. AND MRS. JAMES F. BOTT

Research Conducted by

CENTER FOR URBAN POLICY RESEARCH

David Listokin, Co-Principal Investigator

Michael L. Lahr, Co-Principal Investigator

Bryan Grady, Co-Principal Investigator

Edward J. Bloustein School of Planning and Public Policy

Rutgers, The State University of New Jersey

New Brunswick, New Jersey 08901

In Cooperation with

Professor Dan S. Rickman

Stillwater, Oklahoma



Brad Henry
Office of the Governor
State of Oklahoma

Dear Oklahoma Community Leaders:

It is my pleasure to present to you a new and valuable tool for use in your efforts to strengthen Oklahoma's economy and support community revitalization and heritage tourism.

During our centennial celebration, the importance of Oklahoma's rich past took center stage. We undertook some amazing projects, such as the construction of the Oklahoma History Center, to preserve the Sooner State's legacy for future generations. It was exciting to witness increased public awareness about Oklahoma's unique history and how each community plays a special role in telling our story.

Now, it is time to capitalize on that new sense of pride.

The preservation of significant landmarks contributes to a community's quality of life and economic vitality. Those benefits are now quantified in the study *Economic Impacts of Historic Preservation in Oklahoma*. Inside, you will find information about how well-established programs like those of the Oklahoma Historical Society, the Oklahoma Department of Commerce, local governments, and others have encouraged redevelopment of individual buildings, commercial districts, and residential neighborhoods, resulting in new jobs, higher property values, increased state and local tax revenues, and growing tourism across the state.

In addition to an analysis of the economic impacts of historic preservation in Oklahoma, the study provides suggestions about public policy improvements that could make historic preservation an even more powerful tool for community revitalization.

I wish to thank Preservation Oklahoma, Inc. for coordinating the process to obtain the study and I encourage all of you to consider the results. I look forward to working with you as we move into Oklahoma's second century with a vibrant economy and a sincere appreciation for our heritage.

Sincerely,


Brad Henry
Governor

FOREWORD

Completion of *Economic Impacts of Historic Preservation* represents another important milestone in our statewide preservation program. As with other efforts such as Oklahoma's annual preservation conference and the creation of a state rehabilitation tax credit, teamwork among public agencies, nonprofit organizations, and individual citizens made the study possible. The Oklahoma Historical Society, State Historic Preservation Office (SHPO); Preservation Oklahoma, Inc. (POK); and the Oklahoma Main Street Center staff knew such a study could benefit the state and discussed ways to make it a reality.

In 2006, the SHPO pledged a portion of the study costs from its annual Historic Preservation Fund allocation from the U. S. Department of the Interior, and POK (Oklahoma's statewide nonprofit for historic preservation) agreed to secure the additional financial support necessary. With contributions from the SHPO, the City of Oklahoma City, Chesapeake Energy, the National Trust for Historic Preservation, the Kirkpatrick Family Fund, and Julie Bott Miner in memory of Lt. Col. and Mrs. James F. Bott, the resources were in place to move ahead with the project. POK and SHPO staff worked closely to develop the request for proposals for the study. POK conducted the competitive selection process in consultation with all of the partners. The Oklahoma Main Street Center, Oklahoma Department of Commerce was a key partner in the initiative as they provided valuable and extensive data for the study and participated in draft study reviews and other activities. The Oklahoma Tourism and Recreation Department also generously provided assistance to the study.

The Center for Urban Policy Research, Rutgers, The State University of New Jersey was selected to complete the study. Dr. David Listokin and Dr. Michael Lahr, et al of Rutgers were the principals, and Dr. Dan S. Rickman, Oklahoma State University worked closely with them to complete the property valuation analysis portion of the study. Rutgers developed, under contract to the National Park Service's National Center for Preservation Technology and Training, the input/output model used for this and many similar studies across the nation. It is known as the Preservation Economic Impact Model (PEIM).

The study included a detailed analysis of the economic impacts of general rehabilitation work in Oklahoma, of redevelopment completed under the federal and state rehabilitation tax credits programs; of the Oklahoma Main Street Program; of heritage tourism initiatives; and of local historic district designation. This executive summary provides a concise statement about how these activities are contributing to our statewide and local economies and places our efforts in a national context. The full report is available on the websites of the study partners listed above. We believe that the study offers community leaders in the public and private sectors the data they have long needed to support improvements in public policy that will not only stimulate our economy, but will result in improved preservation of the buildings, structures, sites, districts, objects, and landscapes that represent Oklahoma's unique heritage.

The importance of such studies is supported in the Advisory Council on Historic Preservation's publication, *Preserve America Summit Report* which summarizes the suggestions and recommendations for the future of the federal preservation program developed during the *Preserve America* summit held in New Orleans in October 2006. One of the report's recommendations states: "Measure and share preservation's benefits by developing consistent ways to measure direct and indirect impacts (particularly economic) and by pursuing and promoting necessary research."

Oklahoma's statewide preservation program has grown and matured in conjunction with the national program. The dedicated efforts of our partner organizations and agencies to identify and protect Oklahoma's significant historic properties can be seen in towns and cities of all sizes and across the rural landscape. We take great pride in the fact that the National Trust for Historic Preservation's annual conference was held in Tulsa in October 2008 and that their National Town Meeting for the Main Street Program will come to Oklahoma City in 2010. These national events and many state and local activities have brought historic preservation to the forefront of community planning processes, and the need for sound documentation of how historic preservation can improve our quality of life and the economy is essential. We believe that the *Economic Impacts of Historic Preservation in Oklahoma* meets this need and contributes to accomplishment of the broader national historic preservation agenda.

Bob L. Blackburn
Executive Director, Oklahoma Historical Society
And State Historic Preservation Officer

Acknowledgment

The activity that is the subject of this publication has been financed in part with federal funds from the National Park Service, Department of the Interior. However, the contents and opinions do not necessarily reflect the view or policies of the Department of the Interior, nor does the mention of trade names or commercial products constitute endorsement or recommendations by the Department of the Interior.

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PREFACE

Historic preservation adds value to the lives of all Oklahoma residents. Our state's historic resources are extraordinarily diverse and contribute significantly to the cultural, aesthetic, social and educational opportunities of our citizenry. Oklahoma's unique history has a legacy unmatched by any other in our nation's development, and we all share a responsibility in preserving our collective past. With these thoughts in mind, Preservation Oklahoma stands ready to further the cause of historic preservation through its ongoing advocacy, educational, and leadership activities. The results of this study will assist Preservation Oklahoma in advancing its mission of protecting and promoting our state's historic resources, communities, and landscapes. Historic preservation and the cultural heritage of Oklahoma remain foremost on the minds of many across our great state with the passing of the recent centennial year. Preservation Oklahoma is hopeful that this renewed appreciation for our state's unique and diverse history will provide further interest in preserving our heritage. This benchmark study undoubtedly will provide substantial rationale for the need to promote historic preservation activities across the state.

In 2006, Preservation Oklahoma formed a public-private partnership with the Oklahoma Historical Society, the State Historic Preservation Office, the National Trust for Historic Preservation, the City of Oklahoma City, Chesapeake Energy, the Kirkpatrick Family Fund, Julie Bott Miner in memory of her parents, Lt. Colonel and Mrs. James F. Bott, the Oklahoma Main Street Program and the Oklahoma Department of Tourism for the purposes of funding an economic impact study of the value of historic preservation to the state's regions, communities, and neighborhoods. As the study indicates, historic preservation activities across the state generated a total of \$357 million for the local and statewide economies during 2007. Preservation Oklahoma is grateful to its partners in this important endeavor, and is confident that the results of this study will provide support for future preservation efforts statewide.

On behalf of the Board of Directors and membership of Preservation Oklahoma, Incorporated, I would like to extend my heartfelt gratitude to all of our partners for their contributions to this project. As the only statewide preservation organization, Preservation Oklahoma relies on its many partnerships across the state to assist it in fulfilling its mission. This project will help many communities and neighborhoods in realizing the importance of preservation efforts to economic and cultural vitality.

Respectfully,

Kay Decker, Ed.D.
President of the Board of Directors, Preservation Oklahoma

EXECUTIVE SUMMARY

STUDY OBJECTIVE AND ORGANIZATION

This study examines the many significant economic effects of historic preservation in Oklahoma. The study examines the *total* economic effects of historic preservation, encompassing both the *direct* and *multiplier* effects. The *direct impact* component consists of labor and material purchases made specifically for the preservation activity. The *multiplier* effects incorporate what are referred to as *indirect* and *induced* economic consequences. The *indirect impact* component consists of spending on goods and services by industries that produce the items purchased for the historic preservation activity. The *induced impact* component focuses on the expenditures made by the households of workers involved either directly or indirectly with the activity. To illustrate, lumber purchased at a hardware store for historic rehabilitation is a direct impact. The purchases of the mill that produced the lumber are an indirect impact. The household expenditures of the workers at both the mill and the hardware store are induced impacts.

Economists estimate direct, indirect, and induced effects using an input-output model (I-O). This study specifies the total economic effects of major elements of historic preservation in Oklahoma through a state-of-the-art I-O model developed by the Center for Urban Policy Research (CUPR) for the National Park Service, Division of Cultural Resources, National Center for Preservation Technology and Training. The model is termed the Preservation Economic Impact Model (PEIM).

In the current analysis in Oklahoma, the PEIM is applied to both *annual* (2007) historic preservation investment in this state and to the *cumulative* investment of two major historic preservation subsidies/programs applied in Oklahoma. The PEIM is first applied to an *annual* (2007) outlay of major components of historic preservation investment. The annual Oklahoma historic preservation components considered by the PEIM include *historic rehabilitation* (\$125 million in 2007), *heritage tourism* (\$175 million in 2007), and the state's *Main Street program* (\$57 million¹ in 2007)—for a total of \$357 million in 2007. The PEIM is then also applied to *cumulative* \$1,392 million expenditures attributable to two major programs for historic preservation (i.e. over the life of the program being modeled expressed in current value—2007—terms) in Oklahoma: the federal historic rehabilitation investment tax credit (ITC) since its inception in 1978 through 2007 (\$507 million) and the Main Street program since its inception in Oklahoma in 1986 through 2007 (\$885 million). (The \$507 million and \$885 million are both expressed in inflation-adjusted dollars, taking into account inflation over time.) The results of the PEIM model include many fields of data. The fields most relevant to this study are the total impacts of the following:

- **Jobs:** *Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.* (Manufacturing jobs, for example, tend to be full-time; in retail trade and real estate, part-time jobs predominate.) All jobs generated at businesses in the region are included, even though the associated labor income of in-commuters may be spent outside of the region. In this study, all results are for activities occurring within the

¹ The \$57 million excludes the rehabilitation investment associated with Main Street (since this has already been counted in the tally of Oklahoma total historic rehab) and also expresses the Main Street-associated job creation into a capitalized value figure. The \$57 million is an annual inflation-adjusted average of Main Street activity over 1986-2007.

time frame of one year. Thus, the job figures should be read as job-years, where several individuals might fill one job-year on any given project.

- **Income:** "Earned" or labor income, specifically wages, salaries, and proprietors' income. Income does not include non-wage compensation (such as benefits, pensions, or insurance); transfer payments; or dividends, interest, or rents.
- **Wealth:** Value added — the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP) or, in some public data, GDP by state. Value added is widely accepted by economists as the best measure of economic well-being. It is estimated from state-level data by industry. For a firm, value added is the difference between the value of goods and services produced and the value of goods and non-labor services purchased. For an industry, therefore, it is composed of labor income (net of taxes); taxes; non-wage labor compensation; profit (other than proprietors' income); capital consumption allowances; and net interest, dividends, and rents received.
- **Output:** Of the measures in any input-output report, perhaps the least well-defined one is that labeled "output." Output is defined as the value of shipments, which is reported in the Economic Census. The value of shipments is very closely related to the notion of business revenues. Thus it is NOT the "output" to which most other economists refer and which is better known as "gross domestic product" (GDP).

Within input-output analysis, "output" is also not the same as business revenues, for several reasons. It is probably better defined as net business receipts, however. First, establishments often sell some of their output to themselves and therefore do not ship it. Hence, such sales cannot be included in the Census's tally of the value of shipments. Second, to avoid some double counting in national accounts (those used to produce input-output tables), "output" in the wholesale and retail trade industries is measured simply as their margins, which is value added plus the costs of inputs used in the course of doing business. That is, for these trade industries, "output" does NOT include the value of the items stocked on shelves.

- **Taxes:** Tax revenues generated by the activity. The tax revenues are detailed for the federal, state, and local levels of government. Totals are calculated by industry.

Federal tax revenues include corporate and personal income, Social Security, and excise taxes, estimated from calculations of value added and income generated.

State tax revenues include income, excise, sales, and other state taxes, estimated from calculations of value added and income generated (e.g. visitor purchases).

Local tax revenues include payments to sub-state governments, mainly through property taxes on new worker households and businesses. Local tax revenues can also include sales and other taxes.

The major findings of the study are highlighted below and also summarized in Exhibits 1 and 2 on the following pages.

Summary Exhibit 1 shows the annual economic impacts of three components of Oklahoma yearly historic preservation activity as of 2007: rehabilitation of structures (\$125 million), heritage tourism (\$175 million), and the Main Street program (\$57 million). Based on multi-year averages and expressed on an annual basis as of 2007, these items together comprise a total of \$357 million annually in direct spending. This spending creates over 8,000 jobs within Oklahoma that generate \$460 million in output, \$166 million in labor income, \$243 million in gross state product (GSP), about \$194 million to the state's total wealth (in-state wealth, which encompasses GSP less federal taxes) and \$25 million in Oklahoma state and local taxes.

Summary Exhibit 2 quantifies the cumulative impacts of the Main Street program and the federal Historic Rehabilitation Investment Tax Credit (ITC) in Oklahoma. These programs have had long-running impacts on the state; ITC was created by an act of Congress in 1976 and was implemented two years later, while the national Main Street program was created in 1980 and arrived in Oklahoma in 1986 with the founding of local groups in Duncan and Okmulgee. From 1978 through 2007, cumulative investment in Oklahoma-based ITC was \$507 million while the cumulative Oklahoma Main Street investment from 1986 through 2007 was \$885 million. (All cumulative dollar values are expressed in 2007 inflation-adjusted dollars.) Combined, the programs have generated nearly \$1.4 billion in direct historic preservation spending (in today's dollars) since their inception; those investments have created nearly 35,000 jobs statewide in Oklahoma, contributing \$1.9 billion in output in Oklahoma, \$1.1 billion in GSP, \$782 million in income, \$888 million in net wealth to Oklahoma (GSP less federal taxes), and a cumulative \$102 million in Oklahoma state and local taxes.

SUMMARY EXHIBIT I
Summary of the Annual (2007) Economic Impacts of Historic Preservation Activities in Oklahoma—Historic Rehabilitation, Tourism, and Main Street

	I	II	III	
	<i>Historic Rehabilitation</i>	<i>Heritage Tourism</i>	<i>Main Street Program[†]</i>	<i>Total Examined Economic Impacts</i>
	\$125 million annually of historic rehabilitation expenditures results in:	\$175 million annually of heritage travel-attributed expenditures results in:	\$57 million annually of construction and added retail payroll results in:	\$357 million (I + II + III)
	National Total (Direct and Multiplier) Impacts			
OKLAHOMA DIRECT EFFECTS				
↓				
NATIONAL TOTAL IMPACTS (DIRECT AND MULTIPLIER)				
Jobs (person-years)	3,186	4,735	1,820	9,740
Income (\$ million)	88.8	84.2	39.6	212.5
Output (\$ million)	238.1	285.2	105.4	628.6
GDP* (\$ million)	124.9	131.6	58.6	315.0
Taxes (\$ million)	28.8	36.8	15.6	81.2
Federal (\$ million)	21.4	21.0	10.1	52.5
Local/State (\$ million)	7.4	15.8	5.5	28.8
	In-State Oklahoma Total (Direct and Multiplier) Impacts			
↓				
OKLAHOMA PORTION OF NATIONAL TOTAL IMPACTS				
Jobs (person-years)	2,530	3,980	1,560	8,071
Income (\$ million)	69.9	63.6	32.1	165.6
Output (\$ million)	171.2	208.9	79.6	459.8
GSP* (\$ million)	96.0	100.0	47.0	243.1
Taxes (\$ million)	26.3	33.6	14.5	74.4
Federal (\$ million)	20.4	19.6	9.6	49.5
Local/State (\$ million)	5.9	14.0	4.9	24.9
In-state wealth* (\$ million)	75.6	80.4	37.4	193.6

Source: Rutgers University, Center for Urban Policy Research, 2008.

*GDP=Gross Domestic Product; GSP = Gross State Product; In-state wealth = GSP less federal taxes.

Note: Totals may differ from indicated subtotals because of rounding.

[†]Net of Main Street-associated historic rehabilitation spending—as this activity is already counted in the state's overall historic rehab tally.

SUMMARY EXHIBIT 2
Summary of Select Cumulative Economic Impacts of Historic Preservation Programs in Oklahoma—
Federal ITC and Main Street

	I	II	
	<i>Historic Rehabilitation Federal Investment Tax Credit (ITC)</i>	<i>Main Street Program†</i>	<i>Total Examined Economic Impacts</i>
OKLAHOMA DIRECT EFFECTS			
↓			
	\$507 million of tax credit-related construction expenses since 1978 resulted in:		
	\$885 million of construction and added retail payroll since 1986 resulted in:		\$1,392 million (I+ II)
	National Total (Direct and Multiplier) Impacts		
	12,996	28,446	41,442
NATIONAL TOTAL IMPACTS (DIRECT AND MULTIPLIER)			
Jobs (person-years)	361.3	612.5	973.8
Income (\$ million)	1,634.3	1,634.3	2,602.7
Output (\$ million)	506.7	908.8	1,415.5
GDP* (\$ million)	116.9	243.3	360.1
Taxes (\$ million)	87.0	156.0	243.0
Federal (\$ million)	29.8	87.3	117.1
Local/State (\$ million)			
↓			
	In-State Oklahoma Total (Direct and Multiplier) Impacts		
	10,322	24,437	34,760
OKLAHOMA PORTION OF NATIONAL TOTAL IMPACTS			
Jobs (person-years)	283.7	498.1	781.8
Income (\$ million)	694.0	1,237.4	1,931.4
Output (\$ million)	389.3	730.4	1,119.8
GSP* (\$ million)	106.7	226.2	332.9
Taxes (\$ million)	82.8	148.7	231.4
Federal (\$ million)	24.0	77.5	101.5
Local/State (\$ million)	306.5	581.7	888.4
In-state wealth* (\$ million)			

Source: Rutgers University, Center for Urban Policy Research, 2008.

*GDP=Gross Domestic Product; GSP = Gross State Product; In-state wealth = GSP less federal taxes.

Note: Totals may differ from indicated subtotals because of rounding.

† Includes Main Street-associated historic rehabilitation spending.

ECONOMIC IMPACTS OF ANNUAL OKLAHOMA HISTORIC REHABILITATION (2007)

- Between 2001 and 2007, an estimated annual total of just over \$1.2 billion was spent on the rehabilitation of existing residential and nonresidential buildings in Oklahoma, according to CUPR research. Of this total, an estimated \$125 million (10 percent) was spent on rehabilitation of historic properties (older properties that were on, or might qualify for, the National Register of Historic Places and/or local landmark designations). Just under \$30 million of the historic rehabilitation was on residential properties, with the remainder (about \$95 million) on structures serving non-residential uses.

SUMMARY EXHIBIT 3 Estimated Annual Value of Total Rehabilitation and Historic Building Rehabilitation in Oklahoma, 2001-07

Property Type	Estimated Total Rehabilitation (in \$ million)	Estimated Historic Rehabilitation (in \$ million)	Historic Rehab as Share of Total Rehabilitation
Residential	295.7	29.7	10.0%
Nonresidential	<u>920.8</u>	<u>95.3</u>	10.3%
Total	1,216.5	125.0	10.3%

- Economic benefits from the historic rehabilitation are enjoyed throughout the Oklahoma economy. The total economic impacts to the nation from the \$125 million in annual statewide historic rehabilitation spending include 3,186 jobs generating an additional \$238 million in output, \$89 million in income and \$125 million in GDP. At the state of Oklahoma level, the \$125 million in annual (2007) historic rehabilitation spending translates to 2,530 jobs, \$70 million in labor income, \$96 million in GSP and \$6 million in annual state and local Oklahoma taxes. The in-state wealth (GSP minus federal taxes) resulting from rehabilitation expenditures amounts to \$76 million, indicating a high 79 percent retention rate.

SUMMARY EXHIBIT 4 Total Economic Impacts of Annual Oklahoma Historic Building Rehabilitation (\$125 million), 2007

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	2,530	656	3,186
Income (\$millions)	69.9	18.9	88.8
Output (\$millions)	171.2	66.9	238.1
GDP/GSP ^a (\$millions)	96.0	28.9	124.9
Total taxes (\$millions)	26.3	2.5	28.8
<i>Federal (\$millions)</i>	20.4	1.0	21.4
<i>State/Local (\$millions)</i>	5.9	1.5	7.4
In-State wealth ^b (\$millions)	75.6	---	---

^a GDP/GSP = Gross Domestic Product/Gross State Product.

^b In-State wealth = GSP minus federal taxes.

- The benefits that accrue to Oklahomans from annual investment in historic rehabilitation projects are extensive. As with all spending examined in this study, every sector of the state's economy sees their payrolls and production increased. Just under half of the Oklahoma-based jobs from the annual rehabilitation investment (1,168 of 2,530 jobs) and Oklahoma gross state product (\$43.7 million of \$96.0 million GSP) created by historic rehabilitation within Oklahoma accrue to the state's construction industry; this is as one would expect, given the share of such projects that require the employment of building contractors. Other Oklahoma major beneficiaries are transportation and utilities (345 jobs, \$18.6 million in GSP) as well as the finance, insurance, and real estate (FIRE) sector (301 jobs, \$7.0 million in GSP). The services sector, plus both the wholesale and retail trades, all see many jobs and \$12 million in GSP created as a result of historic rehabilitation activity.

ECONOMIC IMPACTS OF ANNUAL OKLAHOMA HERITAGE TOURISM (2007)

- What is the profile of heritage travel and heritage travelers in Oklahoma? While the current investigation was not able to obtain Oklahoma-specific information, from studies done nationally on heritage travel, the average heritage traveler is middle-aged and middle-income; is often employed (when working) in managerial/professional or technical/sales/administrative support occupations, or may be retired; is motivated by leisure travel; often stays in a hotel/motel/B&B; and spends considerably more than the "average" leisure traveler.
- CUPR estimates that, based on tourism industry trends and previous research into the nature of heritage tourism, approximately \$175 million (minimum) was spent in Oklahoma in 2007 on goods and services related to such Oklahoma heritage travel. The total national economic impacts of this include 4,735 jobs generating \$285 million in output, \$132 million in GDP, and \$84 million in income at the national level. At the state of Oklahoma level, the \$175 million in Oklahoma heritage travel translates to 3,980 jobs, an additional \$209 million in Oklahoma output, \$100 million in-state GSP, and \$64 million in income. The in-state wealth deriving from heritage tourism (GSP less federal taxes) amounts to just over \$80 million with \$14 million realized in state and local Oklahoma taxes.

SUMMARY EXHIBIT 5 Total Economic Impacts of Annual Oklahoma Heritage Tourism Spending (\$175 million), 2007

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	3,980	755	4,735
Income (\$millions)	63.6	20.6	84.2
Output (\$millions)	208.9	76.3	285.2
GDP/GSP (\$millions)	100.0	31.6	131.6
Total taxes (\$millions)	33.6	3.2	36.8
Federal (\$millions)	19.6	1.4	21.0
State/Local (\$millions)	14.0	1.8	15.8
In-state wealth (\$millions)	80.4	---	---

- With regard to heritage tourism, it is no surprise that the vast majority of annual employment and GSP gains within the state are located in retail trade (2,290 jobs, \$43.0 million in GSP) and services (1,212 jobs, \$30.0 million GSP) sectors, since these would include the businesses that tourists would most likely interact with – gift shops, gas stations, restaurants, lodging, etc. However, due to the indirect and induced effects, significant impacts reverberate throughout the state's economy, most prominently in the finance, insurance, and real estate (FIRE) sector (136 jobs, \$9.4 million GSP). Wholesale trade firms see 118 jobs created that contribute nearly \$5.1 million to the state's pre-tax wealth or gross state product, but the manufacturing group adds more to GSP (\$6.0 million) with fewer jobs (99), since industries there are typically much more capital intensive.
- As just detailed, heritage tourism in Oklahoma generates considerable economic benefit in terms of jobs, wealth created, income earned, etc. A further contribution is that the above economic activity is often disproportionately derived from residents traveling from out-of-state. Thus, the economic benefit from Oklahoma heritage travel is disproportionately importing new dollars of economic activity to Oklahoma—an optimal strategy of economic pump priming. Additionally, heritage travel in Oklahoma is contextually most important to the economic vitality of the host communities containing the historic resources that are visited.
- Illustrative is the economic contribution of one aspect of heritage travel in Oklahoma—that associated with visitors to Route 66 in this state. Route 66 travelers to Oklahoma are considerable in number; spend large sums on lodging, food, travel, and other purchases; and often come from out-of-state so that the Route 66 traveler spending “imports” considerable economic benefit to the state of Oklahoma.
- For example, two Route 66 sites in Oklahoma are the Historic Round Barn in Arcadia (2006 population of 279) and the Route 66 Museum in Clinton (2006 population of 8,448). The following data on visitation to these sites show the large number of Route 66 site visitors to these communities (especially relative to the size of Arcadia and Clinton) and that many of the visitors come from out of Oklahoma—thus “importing” their spending’s economic benefit to Oklahoma.

**Visitation to Historic Round Barn—Arcadia, OK
(April-September 2007)**

Visitor Residence	Number	%
In-State (Oklahoma)	1,305	47.2
Out-of-State (Rest of U.S.)	1,027	37.2
Foreign	<u>431</u>	<u>15.6</u>
	2,763	100.0

**Visitation to Route 66 Museum—Clinton, OK
(2006)**

Visitor Residence	Number	%
In-State (Oklahoma)	4,995	16.0
Out-of-State (Rest of U.S.)	18,152	58.2
Foreign	<u>8,063</u>	<u>25.8</u>
	31,210	100.0

- A more detailed picture of the significant “imported” economic benefit of heritage travel, in this instance Route 66 visitation, is evident from the detailed visitor origin data on travelers to the Historic Round Barn in Arcadia. (See attached Round Barn table.) Of the 2,763 visitors to this historic site as of spring-summer 2007 (for which data were available), 1,305 or somewhat less than half came from Oklahoma. About 110 visitors (5 percent of the total) came from neighboring Texas. Many Round Barn visitors, however, came from afar including 81 from California, 79 from Germany, 57 from England, 55 from Norway, 39 from Italy, and about 30-40 from each of the following states—Arkansas, Florida, Illinois, Indiana, Kansas, Michigan, Missouri, New York, Ohio, and Tennessee.

Visitor Origin Data
Historic Round Barn on Route 66

Arcadia, Oklahoma

For April- September 2007:

Total Visitation: 2,763

<u>US States</u>	<u>Tally</u>	<u>%</u>	<u>Foreign</u>	<u>Tally</u>	<u>%</u>
Alabama	16	0.74%	Australia	3	0.70%
Alaska	1	0.05%	Austria	5	1.16%
Arizona	20	0.93%	Belgium	4	0.93%
Arkansas	30	1.39%	Bolivia	1	0.23%
California	81	3.75%	Brazil	5	1.16%
Colorado	21	0.97%	Canada	20	4.64%
Connecticut	7	0.32%	Chile	1	0.23%
Delaware	5	0.23%	China	1	0.23%
Florida	30	1.39%	Colombia	1	0.23%
Georgia	16	0.74%	Costa Rica	1	0.23%
Hawaii	2	0.09%	Czech Republic	1	0.23%
Idaho	3	0.14%	Denmark	10	2.32%
Illinois	31	1.44%	England	57	13.23%
Indiana	28	1.30%	Estonia	0	0.00%
Iowa	14	0.65%	Finland	2	0.46%
Kansas	38	1.76%	France	33	7.66%
Kentucky	12	0.56%	Germany	79	18.33%
Louisiana	10	0.46%	Hungary	1	0.23%
Maine	7	0.32%	Holland	13	3.02%
Maryland	9	0.42%	Iceland	2	0.46%
Massachusetts	16	0.74%	Indonesia	1	0.23%
Michigan	32	1.48%	Ireland	12	2.78%
Minnesota	10	0.46%	Israel	0	0.00%
Mississippi	5	0.23%	Italy	39	9.05%
Missouri	40	1.85%	Japan	12	2.78%
Montana	5	0.23%	Mexico	0	0.00%
Nebraska	8	0.37%	Netherlands	20	4.64%
Nevada	6	0.28%	New Zealand	7	1.62%
New Hampshire	1	0.05%	Nicaragua	0	0.00%
New Jersey	10	0.46%	Norway	55	12.76%
New Mexico	7	0.32%	Poland	1	0.23%
New York	25	1.16%	Portugal	6	1.39%
North Carolina	21	0.97%	Romania	0	0.00%
North Dakota	6	0.28%	Saudia Arabia	1	0.23%
Ohio	44	2.04%	Scotland	4	0.93%
Oklahoma	1305	60.47%	Singapore	0	0.00%
Oregon	14	0.65%	Slovakia	0	0.00%
Pennsylvania	23	1.07%	Spain	1	0.23%
Rhode Island	2	0.09%	South Africa	2	0.46%
South Carolina	16	0.74%	Sweden	10	2.32%
South Dakota	5	0.23%	Switzerland	18	4.18%
Tennessee	27	1.25%	Thailand	1	0.23%
Texas	108	5.00%	Venezuela	1	0.23%
Utah	6	0.28%			
Vermont	1	0.05%	TOTAL	431	100.00%
Virginia	8	0.37%			
Washington	11	0.51%			
West Virginia	0	0.00%			
Wisconsin	15	0.70%			
Wyoming	0	0.00%			
TOTAL	2158	100.00%			

ECONOMIC IMPACTS OF THE ANNUAL OKLAHOMA MAIN STREET PROGRAM (1986-2007 YEARLY AVERAGE)

- As in many other states, Oklahoma has a Main Street program to help revitalize downtown business districts statewide. Oklahoma's program was founded in 1986 and is now active in 41 communities ranging from small Oklahoma towns to several neighborhoods of Oklahoma City. The program is designed to provide local businesses with professional expertise and seed-money financial assistance, as well as create public-private partnerships to leverage added investment in their communities.
- The program's own records indicate that the Main Street program is associated with approximately \$57 of investment million per year (based on a multi-year average). (The \$57 million subtracts Main Street-associated historic rehabilitation which has already been counted in the previously detailed Oklahoma historic rehabilitation tally and converts Main Street-associated retail employment into a value figure.) This \$57 million comes from a combination of private investment, related infrastructure improvements, and the payrolls of newly-created firms (over 200 per year). On a statewide basis, the Main Street Program helps to create 1,560 jobs annually statewide in Oklahoma that were associated with \$80 million in output, \$47 million in GSP, and \$32 million in new labor income. Overall, \$37 million was added to the state's wealth, including nearly \$5 million in state and local tax revenues.

SUMMARY EXHIBIT 6

Total Economic Impacts of Annual Oklahoma Main Street Investment (\$57 million), 2007

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	1,560	260	1,820
Income (\$million)	32.1	7.5	39.6
Output (\$million)	79.6	25.8	105.4
GDP/GSP (\$million)	47.0	11.6	58.6
Total taxes (\$million)	14.5	1.1	15.6
Federal (\$million)	9.6	0.5	10.1
State/Local (\$million)	4.9	0.6	5.5
In-state wealth (\$million)	37.4	---	---

- As one would expect, more than half of the state's jobs (about 1,600) created by Main Street program activity fall under retail trade (804), since a large number of tenants in rehabilitated downtowns are shopkeepers. Nearly \$16.5 million in gross state product is generated from this employment. The next-largest impacts come from the construction sector (382 jobs, \$13.9 million in GSP), as effects attributable to the program include both public infrastructure improvements and rehabilitation of non-historic structures within downtown areas. More than 100 additional jobs in the services (146 jobs, \$3.8 million in GSP) and manufacturing (107 jobs, \$6.4 million in GSP) sectors are generated by Main Street program activity as well.

ECONOMIC IMPACTS FROM THE CUMULATIVE INVESTMENT IN FEDERAL HISTORIC TAX CREDIT PROJECTS (1978-2006) AND MAIN STREET PROGRAM (1986-2007) IN OKLAHOMA

- The federal Historic Rehabilitation Investment Tax Credit (ITC) program for income-producing properties has been an effective tool for neighborhood and historic revitalization in both the nation and Oklahoma. Since the passage of the program's enabling legislation in 1976, it has nationally leveraged \$31 billion in private sector investment in historic structures, mostly from the private sector. Tax credits differ from, and are financially more desirable than, tax deductions. A tax credit directly reduces the amount of taxes owed by a taxpayer dollar-for-dollar, while a tax deduction merely reduces the amount of income subject to taxation. Under the federal ITC program, owners of income-producing buildings listed on the National Register of Historic Places can earn a tax credit equal to 20 percent of rehabilitation expenditures.
- Over the life of the program, projects in the state of Oklahoma that were undertaken by the private sector and subsidized by federal ITC had a market value of \$346 million, or \$507 million in today's (2007) dollars. These projects created over 10,300 jobs in Oklahoma (of 13,000 nationally), leading to \$694 million in Oklahoma based output, \$389 million in GSP, \$284 million in labor income and \$307 million in added in-state wealth (GSP minus federal taxes), of which \$24 million found its way into state and local government coffers.

SUMMARY EXHIBIT 7

Cumulative Economic Impact of Oklahoma Construction Projects Subsidized by the Federal Historic Rehabilitation Investment Tax Credit (\$507 million)

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	10,323	2,673	12,996
Income (\$millions)	283.7	77.6	361.3
Output (\$millions)	694.0	274.4	968.4
GDP/GSP (\$millions)	389.4	117.3	506.7
Total taxes (\$millions)	106.7	10.1	116.8
<i>Federal (\$millions)</i>	82.7	4.3	87.0
<i>State/Local (\$millions)</i>	24.0	5.8	29.8
In-State wealth (\$millions)	306.7	---	---

- As noted, over the life of the federal ITC program, more than 10,000 jobs and nearly \$390 million of state gross product were created in Oklahoma by projects that received the tax credits. Almost half of both Oklahoma totals accrued to the construction sector (4,826 jobs, \$177 million in GSP). Three other areas of the state's economy saw over 1,000 jobs created, thanks to the ITC: services (1,734), manufacturing (1,436), and retail trade (1,219). Compared to the services sector, however, manufacturing again produced more wealth despite fewer additional employees (\$77.9 million GSP in manufacturing versus \$49.5 million GSP in services). Retail generated \$28.5 million in new gross state wealth, while the finance, insurance, and real estate (FIRE) sector was not far behind (\$21.8 million GSP) despite only 380 added employees over thirty years.

- Main Street is another important program to foster historic preservation, both nationally and in Oklahoma. Since its creation in 1986 more than 1,200 local Main Street initiatives have been established nationally representing a cumulative national investment of about \$45 billion (not adjusted for inflation or constant dollars).
- Since its initiation in 1986, the cumulative investment in the Oklahoma Main Street Program is estimated at \$885 million in current (2007) dollars².
- The cumulative impact from the Oklahoma \$825 million in Main Street investment has created a total of 28,446 jobs nationwide, the vast majority of which (24,437) were retained in-state. This increase in employment can be shown to have generated \$1.2 billion in Oklahoma-based output, just under \$500 million within Oklahoma alone in labor income, \$730 million in addition to the gross state product, and a \$582 million boost to total in-state wealth (GSP minus federal taxes) –\$504 million for residents and businesses and \$78 million in tax revenues for the state and local entities.

SUMMARY EXHIBIT 8

Cumulative Economic Impact of the Oklahoma Main Street Program (\$885 million)

	In-State	Out-of-State	Total (U.S.)
Jobs (person years)	24,437	4,009	28,446
Income (\$million)	498.1	114.4	612.5
Output (\$million)	1,237.4	396.9	1,634.3
GDP/GSP ^a (\$million)	730.4	178.4	908.8
Total taxes (\$million)	226.2	17.1	243.3
<i>Federal (\$million)</i>	148.7	7.3	156.0
<i>State/Local (\$million)</i>	77.5	9.8	87.3
In-state wealth (\$million)	581.7	---	---

- As noted, more than two decades of Main Street activity in Oklahoma have generated 24,437 jobs for the state's residents, equivalent to roughly 1.5% of the state's entire non-farm workforce. Just over half of these have been located in the retail trades (12,887), with those jobs contributing \$263.9 million in gross state product. The construction sector generated less than half the number of jobs (5,797) but nearly as much in wealth (\$211.3 million in GSP) from Main Street program-related investments. Other major beneficiaries included services (2,257 jobs, \$58.3 million in GSP), manufacturing (1,631 jobs, \$97.9 million GSP), and finance, insurance, and real estate (FIRE) (716 jobs, \$42.7 million GSP).

² The Oklahoma Main Street program, records indicate that a total of \$425 million can be attributed to the program's physical improvement activities since 1986. Façade rehabilitations (which were omitted from the earlier (annual 2007) count to avoid duplicating some projects included in the overall Oklahoma annual rehabilitation investment) contributed an additional \$33 million. Adjusted for inflation, we find a total of \$546 million. Furthermore, \$339 million (constant dollars) was added to state payrolls by the creation of new firms in Main Street districts statewide or the expansion of existing ones. This yields a grand cumulative total of \$885 million in Oklahoma Main Street investments, which is employed in the current analysis.

IMPACTS OF HISTORIC PRESERVATION ON PROPERTY VALUES IN OKLAHOMA

- In addition to having properties listed in the National Register of Historic Places, Oklahoma maintains its own state registry, which directly mirrors its national equivalent and includes other properties as well. Moreover, some communities in Oklahoma have enacted historic preservation ordinances and have established local preservation programs. An important prompt to local preservation and designation activity in Oklahoma is the Certified Local Government program.
- From a theoretical perspective, historic designation can exert many different pressures on a property's value. It can improve it by providing prestige, protection from demolition, financial incentives via tax credits, and being a catalyst for neighborhood-wide improvement. It can theoretically dampen a property's value, however, by sometimes ramping up the costs of building rehabilitation and by sometimes disallowing or challenging the realization of real estate "highest and best use." Thus, it is theoretically possible that some owners will gain and others will lose as a result of officially designating their properties as historic.
- Given the theoretical ambiguities of the effect of historic designation on property values, a large literature has developed to estimate the *net* impact of historic designation on property values. The techniques applied in this literature have become more sophisticated over time, suggesting that the most recent literature is the most statistically valid. Regardless of the vintage, however, the literature overwhelmingly points to a net positive effect on property values of historic designation. Only a handful of studies come to a negative impact conclusion, and most of these are studies focusing strictly either upon the costs of alteration and demolition or upon the values of multifamily residential properties.
- To assess the effect of historic designation on property values in the State of Oklahoma, the current study analyzed two samples of housing values and characteristics. The samples were for different years—2000 and 2003—and limited to properties in Oklahoma County. Each sample was evaluated for the differential effects caused by structural housing characteristics, geographic location characteristics, and location within a particular historic district in Oklahoma County (eleven historic districts in this county were examined). Ordinary least squares regression was the statistical device used to control for these various factors.
 - In the year 2000 sample, three historic districts—Crown Heights, Jefferson Park, and Edgemere Park—had higher property values compared to other neighborhoods in Oklahoma County controlling for differences in housing characteristics and general location.
 - By 2003 all but the Putnam Heights and Jefferson Park historic neighborhoods had higher values. In other words, in 2003, 9 of 11 historic districts in Oklahoma County had statistically higher property values after controlling for standard real estate influences.
 - Thus, property values in 9 of 11 districts appreciated more during the three-year span (2000-2003) compared to equivalent properties in non-historic-designated areas of the

same neighborhoods. The greatest rates of appreciation occurred in the historic districts of Crown Heights (69%), Edgemere Park (53%), and Heritage Hills and Capitol-Lincoln (28%). That is, homes in these four districts experienced remarkable average annual appreciation rates exceeding 8.5% during the three-year study period!

- The analysis that yielded the reported results assumes, in a statistical sense, housing and neighborhood characteristics neither improved nor declined across the study period. But the national literature suggests such characteristics are actually more likely to improve under a regime of historic designation. In this vein, the study results are likely conservative with respect to the magnitude of the positive effects accrued by properties within historic districts of Oklahoma County. The property value appreciating effect of designation may thus be greater than that reported above.
- Overall, our analysis shows that *residential properties in historic districts in Oklahoma County, Oklahoma, generally experienced greater price appreciation than did residential properties in other (nonhistoric) neighborhoods of that county.*

CONCLUSION

- The detail on the economic contributions from the many facets of historic preservation in Oklahoma are contained in Summary Exhibits 9-22 which are organized as follows:

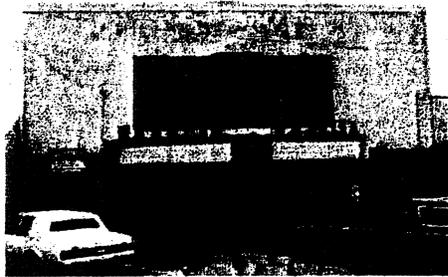
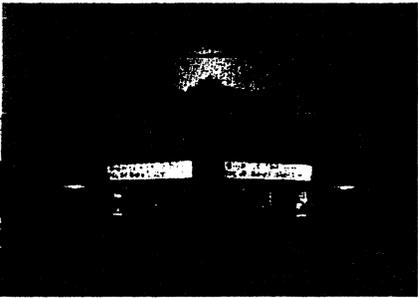
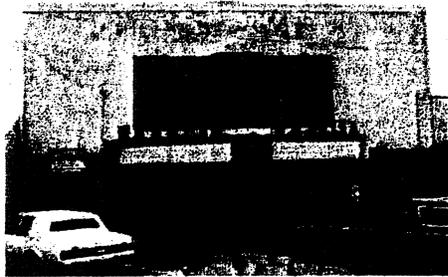
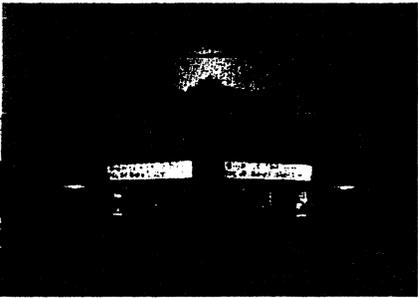
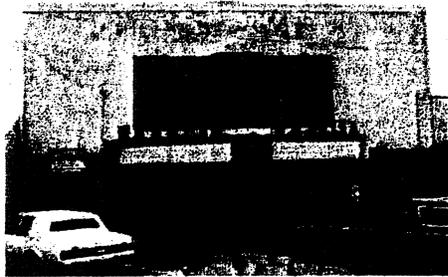
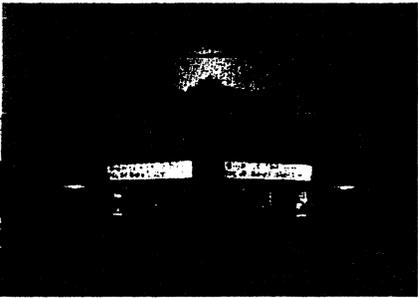
<i>Summary Exhibit #</i>	<i>Historic Spending Type</i>	<i>National or State-Level Impact</i>	<i>Annual or Cumulative Spending</i>
9	Rehab, Tourism, and Main Street	National	Annual
10	Rehab, Tourism, and Main Street	State (OK)	Annual
11	Federal ITC and Main Street	National	Cumulative
12	Federal ITC and Main Street	State (OK)	Cumulative
13	Rehab	National	Annual
14	Rehab	State (OK)	Annual
15	Tourism	National	Annual
16	Tourism	State (OK)	Annual
17	Main Street	National	Annual
18	Main Street	State (OK)	Annual
19	Federal ITC	National	Cumulative
20	Federal ITC	State (OK)	Cumulative
21	Main Street	National	Cumulative
22	Main Street	State (OK)	Cumulative

- While numbers are important to quantitatively frame the many economic contributions of historic preservation in Oklahoma, they do not convey the significant qualitative contribution of preservation to local revitalization in this state. Figure 1 contains a sample of “snapshots” (from the Oklahoma Main Street Program) of how preservation is enhancing the quality of life in communities throughout Oklahoma while contributing to their economic revitalization.

- The full report on the economic contributions of historic preservation in Oklahoma follow in the current study which is organized as follows:

<i>Study Chapter</i>	<i>Contents</i>
1	Background of Historic Preservation Economics
2	Economic Impacts of Annual Oklahoma Historic Rehabilitation
3	Economic Impacts of Annual Oklahoma Heritage Tourism
4	Economic Impacts of Annual and Cumulative Oklahoma Main Street Program
5	Economic Impacts of the Cumulative Oklahoma Investment in Federal Historic Tax Credit Projects
6	Historic Property Valuation: Issues and Impacts
7	Economic Benefits of Historic Preservation in Oklahoma: Summary, Context, and Policy
Appendix A	Input-Output Analysis—Technical Notes
Appendix B	Bibliography: Economics of Historic Preservation

Figure 1:
Examples of Historic Preservation Investment and Revitalization in Oklahoma
(From Oklahoma Main Street Program)

<i>Oklahoma Community</i>	<i>Illustrative Investment</i>				
Cordell	Renovation of Washita Theatre -Built in 1946; transformed into modern complex by 1999 -Attracts many more people to downtown.				
	<table><tr><td data-bbox="402 590 643 621">Before Investment:</td><td data-bbox="883 590 1097 621">After Investment:</td></tr><tr><td data-bbox="402 642 850 919"></td><td data-bbox="850 621 1268 919"></td></tr></table>	Before Investment:	After Investment:		
Before Investment:	After Investment:				
					
El Reno	Restoration of Downtown trolley -8,000 people ride in first 5 months of operation -Encourages downtown investment				
					
Enid	Façade Improvement Program -Enhances the sales of downtown businesses				
					

Newkirk

Facade and Other Improvements

- 1909 Korn's Building restored to enhance the local heritage and economic activity

Before Investment:

After Investment:



Okmulgee

First Rehabilitation Program in Oklahoma Main Street History

M&D Drug Store – displays excellence of downtown Okmulgee



Shattuck

Renovation/Adaptive Reuse

-Downtown Funeral Home to downtown Main Street Office

-Successful results promoted other business in the area to renovate as well.



Idabel

Renovation of Rouleau Hotel (built 1916)

Before Investment:

After Investment:

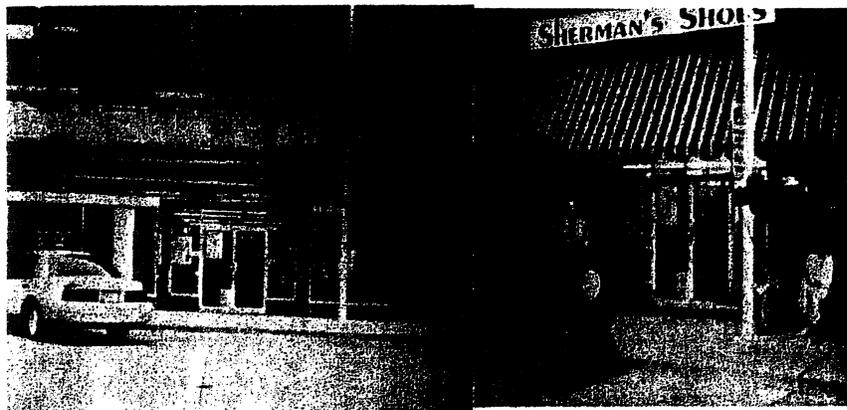


Renovation of the Sherman's Shop

- Preservation encouraged maintaining historical character
- First of several facade improvements by downtown businesses

Before Investment:

After Investment:



SUMMARY EXHIBIT 9

**Total National Economic & Tax Impacts of Annual Oklahoma Historic Preservation Activity:
Historic Rehabilitation, Heritage Tourism, and Main Street Program (\$357 million, 2007)**

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	7,970.3	108	510.0	1,668.3
2. Agri. Serv., Forestry, & Fish	2,001.6	48	723.5	1,681.4
3. Mining	9,648.0	58	2,077.0	3,604.2
4. Construction	78,292.9	1,618	44,452.0	60,973.1
5. Manufacturing	177,080.4	1,134	40,062.9	63,583.2
6. Transport. & Public Utilities	39,563.2	335	10,448.6	16,311.2
7. Wholesale	28,228.9	309	11,479.3	13,443.5
8. Retail Trade	122,229.2	3,492	44,043.4	68,630.8
9. Finance, Ins., & Real Estate	46,228.3	472	14,712.0	28,929.1
10. Services	114,023.9	2,129	43,014.9	54,582.4
11. Government	3,375.4	36	1,021.5	1,593.2
Total Effects (Private and Public)	628,642.1	9,740	212,545.3	315,000.5
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	335,983.4	6,337	128,787.9	184,602.8
2. Indirect and Induced Effects	292,658.7	3,403	83,757.4	130,397.7
3. Total Effects	628,642.1	9,740	212,545.3	315,000.5
4. Multipliers (3/1)	1.871	1.537	1.650	1.706
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				188,490.0
2. Taxes				48,244.6
a. Local				8,919.0
b. State				13,160.6
c. Federal				26,165.0
General				7,854.7
Social Security				18,310.3
3. Profits, dividends, rents, and other				78,265.8
4. Total Gross State Product (1+2+3)				315,000.5
IV. TAX ACCOUNTS				
	Business	Household	Total	
1. Income --Net of Taxes	188,490.0	170,780.2		
2. Taxes	48,244.6	32,992.7	81,237.3	
a. Local	8,919.0	1,900.8	10,819.8	
b. State	13,160.6	4,769.7	17,930.3	
c. Federal	26,165.0	26,322.2	52,487.2	
General	7,854.7	26,322.2	34,176.9	
Social Security	18,310.3	0.0	18,310.3	
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				27.3
Income				595,365
State/Local Taxes				80,533
Gross State Product				882,354
INITIAL EXPENDITURE IN DOLLARS				357,000,000

SUMMARY EXHIBIT 10

**Total In-State Economic & Tax Impacts of Annual Oklahoma Historic Preservation Activity:
Historic Rehabilitation, Heritage Tourism, and Main Street Program (\$357 million, 2007)**

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	1,921.5	13	97.5	349.2
2. Agri. Serv., Forestry, & Fish	1,320.8	39	560.3	1,138.9
3. Mining	5,860.5	39	1,267.7	2,215.5
4. Construction	74,233.7	1,566	42,995.6	58,685.7
5. Manufacturing	87,222.1	550	19,485.8	31,118.0
6. Transport. & Public Utilities	22,004.4	148	5,366.6	8,291.2
7. Wholesale	21,274.7	233	8,651.4	10,131.7
8. Retail Trade	118,581.1	3,394	42,727.9	66,494.9
9. Finance, Ins., & Real Estate	28,754.0	276	7,814.7	17,489.3
10. Services	95,902.5	1,784	35,771.7	45,939.2
11. Government	2,695.3	29	812.8	1,256.9
Total Effects (Private and Public)	459,770.8	8,071	165,552.2	243,110.6
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	296,301.4	5,979	117,297.7	167,433.6
2. Indirect and Induced Effects	163,469.4	2,092	48,254.5	75,677.1
3. Total Effects	459,770.8	8,071	165,552.2	243,110.6
4. Multipliers (3/1)	1.552	1.350	1.411	1.452
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				148,667.9
2. Taxes				42,447.3
a. Local				6,834.1
b. State				11,584.7
c. Federal				24,028.4
General				6,278.6
Social Security				17,749.8
3. Profits, dividends, rents, and other				51,995.5
4. Total Gross State Product (1+2+3)				243,110.6
IV. TAX ACCOUNTS				
	Business	Household	Total	
1. Income --Net of Taxes	148,667.9	165,552.2		
2. Taxes	42,447.3	31,982.7	74,429.9	
a. Local	6,834.1	1,842.6	8,676.7	
b. State	11,584.7	4,623.7	16,208.4	
c. Federal	24,028.4	25,516.4	49,544.8	
General	6,278.6	25,516.4	31,795.0	
Social Security	17,749.8	0.0	17,749.8	
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				22.6
Income				463,732
State/Local Taxes				69,706
Gross State Product				680,982
INITIAL EXPENDITURE IN DOLLARS				357,000,000

SUMMARY EXHIBIT 11
Cumulative National Economic & Tax Impacts of Oklahoma Historic
Preservation Programs: Federal ITC and Main Street (\$1,392 million)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	21,857.0	338	1,512.1	4,874.3
2. Agri. Serv., Forestry, & Fish	7,493.0	171	2,565.3	6,228.3
3. Mining	38,083.1	257	8,805.3	15,361.6
4. Construction	487,802.0	10,823	294,577.6	397,460.3
5. Manufacturing	793,733.0	5,457	189,800.2	310,273.1
6. Transport. & Public Utilities	153,299.7	1,110	38,716.6	61,399.4
7. Wholesale	111,750.6	1,211	45,443.6	53,219.2
8. Retail Trade	481,532.2	14,542	184,621.8	301,881.4
9. Finance, Ins., & Real Estate	183,049.7	1,974	64,498.3	115,123.1
10. Services	312,236.4	5,433	139,673.4	144,102.3
11. Government	11,844.0	126	3,588.3	5,609.7
Total Effects (Private and Public)	2,602,680.7	41,442	973,802.5	1,415,532.6
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	1,391,843.3	26,931	615,386.1	867,438.6
2. Indirect and Induced Effects	1,210,837.4	14,511	358,416.4	548,094.0
3. Total Effects	2,602,680.7	41,442	973,802.5	1,415,532.6
4. Multipliers (3/1)	1.870	1.539	1.582	1.632
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				832,897.2
2. Taxes				205,093.8
a. Local				30,823.6
b. State				54,917.8
c. Federal				119,352.4
General				33,301.9
Social Security				86,050.5
3. Profits, dividends, rents, and other				377,541.5
4. Total Gross State Product (1+2+3)				1,415,532.6
IV. TAX ACCOUNTS				
1. Income --Net of Taxes		Business	Household	Total
2. Taxes		832,897.2	802,592.5	
a. Local		205,093.8	155,051.2	360,145.1
b. State		30,823.6	8,932.9	39,756.5
c. Federal		54,917.8	22,415.5	77,333.3
General		119,352.4	123,702.9	243,055.3
Social Security		33,301.9	123,702.9	157,004.8
		86,050.5	0.0	86,050.5
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				29.8
Income				699,571
State/Local Taxes				84,116
Gross State Product				1,016,906
INITIAL EXPENDITURE IN DOLLARS				1,392,000,000

SUMMARY EXHIBIT 12
**Cumulative In-State Economic & Tax Impacts of Oklahoma Historic
 Preservation Programs: Federal ITC and Main Street (\$1,392 million)**

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	4,804.2	36	271.7	986.7
2. Agri. Serv., Forestry, & Fish	4,835.3	137	1,981.6	4,136.3
3. Mining	22,922.5	174	5,376.6	9,386.2
4. Construction	472,130.8	10,623	289,025.3	388,697.4
5. Manufacturing	439,963.9	3,067	107,516.8	175,730.9
6. Transport. & Public Utilities	87,268.7	526	20,633.4	32,139.3
7. Wholesale	83,404.5	904	33,916.7	39,719.9
8. Retail Trade	465,363.3	14,106	178,783.1	292,388.1
9. Finance, Ins., & Real Estate	106,108.7	1,096	33,249.1	64,490.8
10. Services	235,452.5	3,992	108,309.4	107,830.7
11. Government	9,137.3	98	2,755.4	4,261.1
Total Effects (Private and Public)	1,931,391.9	34,760	781,819.1	1,119,767.6
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	1,248,419.8	25,685	572,759.1	800,203.0
2. Indirect and Induced Effects	682,972.0	9,075	209,060.0	319,564.6
3. Total Effects	1,931,391.9	34,760	781,819.1	1,119,767.6
4. Multipliers (3/1)	1.547	1.353	1.365	1.399
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				670,114.6
2. Taxes				181,868.7
a. Local				22,454.5
b. State				48,485.1
c. Federal				110,929.1
General				27,105.9
Social Security				83,823.3
3. Profits, dividends, rents, and other				267,784.3
4. Total Gross State Product (1+2+3)				1,119,767.6
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		670,114.6	781,819.1	
2. Taxes		181,868.7	151,038.1	332,906.8
a. Local		22,454.5	8,701.7	31,156.2
b. State		48,485.1	21,835.3	70,320.4
c. Federal		110,929.1	120,501.1	231,430.2
General		27,105.9	120,501.1	147,606.9
Social Security		83,823.3	0.0	83,823.3
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				25.0
Income				561,652
State/Local Taxes				72,900
Gross State Product				804,431
INITIAL EXPENDITURE IN DOLLARS				1,392,000,000

SUMMARY EXHIBIT 13
Total National Economic & Tax Impacts of Annual Oklahoma Historic
Preservation Activity: Historic Rehabilitation (\$125 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	1,806.7	32	132.6	426.0
2. Agri. Serv., Forestry, & Fish	1,436.0	33	495.5	1,193.2
3. Mining	4,612.8	39	1,204.1	2,122.3
4. Construction	55,796.0	1,186	32,627.2	44,443.1
5. Manufacturing	85,839.7	586	20,054.1	31,654.5
6. Transport. & Public Utilities	14,838.4	115	3,920.4	6,350.6
7. Wholesale	9,658.8	105	3,927.8	4,599.8
8. Retail Trade	12,795.5	340	4,706.5	7,876.2
9. Finance, Ins., & Real Estate	15,753.6	172	5,688.8	9,917.5
10. Services	34,486.8	567	15,718.6	15,774.0
11. Government	1,055.5	11	319.7	499.6
Total Effects (Private and Public)	238,079.8	3,186	88,795.3	124,856.8
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	124,995.5	1,853	55,432.1	74,352.4
2. Indirect and Induced Effects	113,084.3	1,333	33,363.2	50,504.5
3. Total Effects	238,079.8	3,186	88,795.3	124,856.8
4. Multipliers (3/1)	1.905	1.719	1.602	1.679
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				75,041.2
2. Taxes				14,981.4
a. Local				2,225.3
b. State				2,351.8
c. Federal				10,404.2
General				2,722.6
Social Security				7,681.7
3. Profits, dividends, rents, and other				34,834.3
4. Total Gross State Product (1+2+3)				124,856.8
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		75,041.2	71,646.8	
2. Taxes		14,981.4	13,841.3	28,822.7
a. Local		2,225.3	797.4	3,022.8
b. State		2,351.8	2,001.0	4,352.8
c. Federal		10,404.2	11,042.9	21,447.1
General		2,722.6	11,042.9	13,765.4
Social Security		7,681.7	0.0	7,681.7
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				25.5
Income				710,363
State/Local Taxes				59,005
Gross State Product				998,855
INITIAL EXPENDITURE IN DOLLARS				125,000,000

SUMMARY EXHIBIT 14
Total In-State Economic & Tax Impacts of Annual Oklahoma Historic
Preservation Activity: Historic Rehabilitation (\$125 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture				
2. Agri. Serv., Forestry, & Fish	389.7	3	25.0	90.4
3. Mining	994.5	29	413.4	851.8
4. Construction	3,053.1	29	831.2	1,468.1
5. Manufacturing	54,373.7	1,168	32,138.6	43,663.5
6. Transport. & Public Utilities	49,691.1	345	11,819.6	18,614.9
7. Wholesale	7,993.8	52	1,972.8	3,105.1
8. Retail Trade	7,020.9	76	2,855.1	3,343.6
9. Finance, Ins., & Real Estate	11,343.3	301	4,182.4	7,024.8
10. Services	8,839.7	93	2,893.1	5,370.6
11. Government	792.8	9	239.0	369.1
Total Effects (Private and Public)	171,232.1	2,530	69,851.2	96,049.9
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	108,343.3	1,706	50,623.9	66,924.1
2. Indirect and Induced Effects	62,888.8	824	19,227.3	29,125.9
3. Total Effects	171,232.1	2,530	69,851.2	96,049.9
4. Multipliers (3/1)	1.580	1.483	1.380	1.435
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				59,445.7
2. Taxes				12,834.2
a. Local				1,446.6
b. State				1,757.1
c. Federal				9,630.5
General				2,141.4
Social Security				7,489.1
3. Profits, dividends, rents, and other				23,770.0
4. Total Gross State Product (1+2+3)				96,049.9
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		59,445.7	69,851.2	
2. Taxes		12,834.2	13,494.4	26,328.7
a. Local		1,446.6	777.4	2,224.1
b. State		1,757.1	1,950.9	3,708.0
c. Federal		9,630.5	10,766.1	20,396.6
General		2,141.4	10,766.1	12,907.5
Social Security		7,489.1	0.0	7,489.1
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				20.2
Income				558,809
State/Local Taxes				47,456
Gross State Product				768,399
INITIAL EXPENDITURE IN DOLLARS				125,000,000

SUMMARY EXHIBIT 15
Total National Economic & Tax Impacts of Annual Oklahoma Historic
Preservation Activity: Heritage Tourism (\$175 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	5,236.2	63	315.1	1,041.1
2. Agri. Serv., Forestry, & Fish	381.5	10	161.2	333.5
3. Mining	3,689.0	11	586.6	985.1
4. Construction	5,236.3	42	1,177.8	2,250.8
5. Manufacturing	62,901.7	353	13,128.8	20,375.3
6. Transport. & Public Utilities	18,372.1	175	4,933.7	7,430.7
7. Wholesale	13,802.5	152	5,612.8	6,573.2
8. Retail Trade	82,595.6	2,331	29,000.2	43,894.7
9. Finance, Ins., & Real Estate	22,824.9	218	6,359.8	14,202.7
10. Services	68,396.1	1,360	22,382.1	33,632.5
11. Government	1,835.6	20	555.1	864.1
Total Effects (Private and Public)	285,271.4	4,735	84,213.1	131,583.6
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	153,997.8	3,250	48,153.2	73,763.9
2. Indirect and Induced Effects	131,273.7	1,485	36,059.9	57,819.7
3. Total Effects	285,271.4	4,735	84,213.1	131,583.6
4. Multipliers (3/1)	1.852	1.457	1.749	1.784
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				79,362.5
2. Taxes				24,039.1
a. Local				5,297.1
b. State				7,951.8
c. Federal				10,790.2
General				3,698.0
Social Security				7,092.2
3. Profits, dividends, rents, and other				28,182.0
4. Total Gross State Product (1+2+3)				131,583.6
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		79,362.5	66,148.5	
2. Taxes		24,039.1	12,779.1	36,818.2
a. Local		5,297.1	736.2	6,033.4
b. State		7,951.8	1,847.5	9,799.2
c. Federal		10,790.2	10,195.4	20,985.6
General		3,698.0	10,195.4	13,893.4
Social Security		7,092.2	0.0	7,092.2
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				27.1
Income				481,217
State/Local Taxes				90,472
Gross State Product				751,906
INITIAL EXPENDITURE IN DOLLARS				175,000,000

SUMMARY EXHIBIT 16
Total In-State Economic & Tax Impacts of Annual Oklahoma Historic
Preservation Activity: Heritage Tourism (\$175 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	1,325.4	9	61.5	218.7
2. Agri. Serv., Forestry, & Fish	211.7	7	98.7	188.5
3. Mining	2,036.6	5	276.4	469.9
4. Construction	3,234.4	16	438.6	1,101.8
5. Manufacturing	22,224.8	99	3,850.8	6,080.0
6. Transport. & Public Utilities	10,332.7	74	2,530.5	3,838.3
7. Wholesale	10,623.2	118	4,319.9	5,059.1
8. Retail Trade	81,053.2	2,290	28,444.9	42,994.1
9. Finance, Ins., & Real Estate	15,408.0	136	3,537.7	9,379.4
10. Services	60,942.5	1,212	19,552.1	30,003.2
11. Government	1,522.9	16	459.3	710.6
Total Effects (Private and Public)	208,915.3	3,980	63,570.4	100,043.5
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	135,887.9	3,082	42,985.9	66,468.2
2. Indirect and Induced Effects	73,027.4	899	20,584.5	33,575.4
3. Total Effects	208,915.3	3,980	63,570.4	100,043.5
4. Multipliers (3/1)	1.537	1.292	1.479	1.505
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				61,549.5
2. Taxes				21,323.9
a. Local				4,326.8
b. State				7,229.2
c. Federal				9,768.0
General				2,952.3
Social Security				6,815.7
3. Profits, dividends, rents, and other				17,170.1
4. Total Gross State Product (1+2+3)				100,043.5
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		61,549.5	63,570.4	
2. Taxes		21,323.9	12,281.0	33,605.0
a. Local		4,326.8	707.5	5,034.3
b. State		7,229.2	1,775.4	9,004.6
c. Federal		9,768.0	9,798.0	19,566.1
General		2,952.3	9,798.0	12,750.3
Social Security		6,815.7	0.0	6,815.7
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				22.7
Income				363,259
State/Local Taxes				80,222
Gross State Product				571,677
INITIAL EXPENDITURE IN DOLLARS				175,000,000

SUMMARY EXHIBIT 17
Total National Economic & Tax Impacts of Annual Oklahoma Historic
Preservation Activity: Main Street Program (\$57 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	929.4	13	62.5	201.7
2. Agri. Serv., Forestry, & Fish	184.3	4	66.9	154.9
3. Mining	1,347.9	8	286.6	497.2
4. Construction	17,264.1	390	10,648.3	14,281.2
5. Manufacturing	28,357.0	195	6,883.7	11,559.3
6. Transport. & Public Utilities	6,360.0	46	1,596.2	2,532.7
7. Wholesale	4,770.6	52	1,940.0	2,271.9
8. Retail Trade	26,847.1	822	10,340.0	16,865.3
9. Finance, Ins., & Real Estate	7,660.4	82	2,667.4	4,815.5
10. Services	11,150.7	203	4,918.2	5,180.6
11. Government	484.9	5	146.9	229.7
Total Effects (Private and Public)	105,356.3	1,820	39,556.7	58,590.2
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	56,990.2	1,234	25,202.6	36,486.6
2. Indirect and Induced Effects	48,366.1	586	14,354.1	22,103.7
3. Total Effects	105,356.3	1,820	39,556.7	58,590.2
4. Multipliers (3/1)	1.849	1.475	1.570	1.606
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				34,104.3
2. Taxes				9,228.6
a. Local				1,397.6
b. State				2,858.3
c. Federal				4,972.8
General				1,434.8
Social Security				3,538.0
3. Profits, dividends, rents, and other				15,257.3
4. Total Gross State Product (1+2+3)				58,590.2
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		34,104.3	32,998.7	
2. Taxes		9,228.6	6,374.9	15,603.6
a. Local		1,397.6	367.3	1,764.8
b. State		2,858.3	921.6	3,779.9
c. Federal		4,972.8	5,086.1	10,058.9
General		1,434.8	5,086.1	6,520.9
Social Security		3,538.0	0.0	3,538.0
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				31.9
Income				693,978
State/Local Taxes				97,276
Gross State Product				1,027,899
INITIAL EXPENDITURE IN DOLLARS				57,000,000

SUMMARY EXHIBIT 18

Total In-State Economic & Tax Impacts of Annual Oklahoma Historic Preservation Activity: Main Street Program (\$57 million, 2007)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	206.3	1	11.0	40.1
2. Agri. Serv., Forestry, & Fish	114.6	3	48.2	98.7
3. Mining	770.8	5	160.1	277.5
4. Construction	16,625.6	382	10,418.5	13,920.4
5. Manufacturing	15,306.3	107	3,815.4	6,423.1
6. Transport. & Public Utilities	3,677.9	22	863.2	1,347.7
7. Wholesale	3,630.7	39	1,476.4	1,729.0
8. Retail Trade	26,184.7	804	10,100.7	16,476.0
9. Finance, Ins., & Real Estate	4,506.3	46	1,384.0	2,739.3
10. Services	8,220.5	146	3,738.7	3,788.0
11. Government	379.6	4	114.5	177.2
Total Effects (Private and Public)	79,623.4	1,560	32,130.6	47,017.1
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	52,070.2	1,191	23,687.9	34,041.3
2. Indirect and Induced Effects	27,553.2	369	8,442.7	12,975.8
3. Total Effects	79,623.4	1,560	32,130.6	47,017.1
4. Multipliers (3/1)	1.529	1.310	1.356	1.381
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				27,672.7
2. Taxes				8,289.1
a. Local				1,060.7
b. State				2,598.5
c. Federal				4,629.9
General				1,185.0
Social Security				3,444.9
3. Profits, dividends, rents, and other				11,055.4
4. Total Gross State Product (1+2+3)				47,017.1
IV. TAX ACCOUNTS				
	Business	Household	Total	
1. Income --Net of Taxes	27,672.7	32,130.6		
2. Taxes	8,289.1	6,207.3	14,496.3	
a. Local	1,060.7	357.6	1,418.3	
b. State	2,598.5	897.4	3,495.8	
c. Federal	4,629.9	4,952.3	9,582.1	
General	1,185.0	4,952.3	6,137.2	
Social Security	3,444.9	0.0	3,444.9	
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				27.4
Income				563,696
State/Local Taxes				86,213
Gross State Product				824,862
INITIAL EXPENDITURE IN DOLLARS				57,000,000

SUMMARY EXHIBIT 19
Cumulative National Economic & Tax Impacts of Oklahoma
Historic Preservation Programs: Federal ITC (\$507 million)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	7,342.8	132	537.7	1,728.1
2. Agri. Serv., Forestry, & Fish	4,663.2	103	1,536.8	3,848.8
3. Mining	17,409.2	140	4,415.6	7,750.8
4. Construction	225,379.1	4,898	132,947.5	180,610.0
5. Manufacturing	359,191.1	2,467	84,501.6	133,510.3
6. Transport. & Public Utilities	54,996.2	406	14,051.4	22,292.1
7. Wholesale	38,656.1	419	15,719.6	18,409.3
8. Retail Trade	51,905.3	1,379	19,090.2	31,943.2
9. Finance, Ins., & Real Estate	63,984.7	699	23,113.0	40,283.1
10. Services	140,612.8	2,308	64,048.5	64,303.6
11. Government	4,316.0	46	1,307.2	2,042.5
Total Effects (Private and Public)	968,456.4	12,996	361,269.2	506,721.8
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	506,992.5	7,569	225,151.4	301,101.6
2. Indirect and Induced Effects	461,463.9	5,427	136,117.8	205,620.2
3. Total Effects	968,456.4	12,996	361,269.2	506,721.8
4. Multipliers (3/1)	1.910	1.717	1.605	1.683
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				303,957.2
2. Taxes				60,624.7
a. Local				8,970.1
b. State				9,503.0
c. Federal				42,151.6
General				10,947.5
Social Security				31,204.1
3. Profits, dividends, rents, and other				142,139.9
4. Total Gross State Product (1+2+3)				506,721.8
IV. TAX ACCOUNTS				
1. Income --Net of Taxes		Business	Household	Total
2. Taxes		303,957.2	291,040.4	
a. Local		60,624.7	56,225.5	116,850.2
b. State		8,970.1	3,239.3	12,209.4
c. Federal		9,503.0	8,128.4	17,631.4
General		42,151.6	44,857.8	87,009.4
Social Security		10,947.5	44,857.8	55,805.3
		31,204.1	0.0	31,204.1
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				25.6
Income				712,563
State/Local Taxes				58,858
Gross State Product				999,451
INITIAL EXPENDITURE IN DOLLARS				507,000,000

SUMMARY EXHIBIT 20
Cumulative In-State Economic & Tax Impacts of Oklahoma
Historic Preservation Programs: Federal ITC (\$507 million)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	1,575.9	14	99.8	361.5
2. Agri. Serv., Forestry, & Fish	3,078.2	86	1,241.6	2,622.8
3. Mining	11,128.1	101	2,934.0	5,152.4
4. Construction	219,601.8	4,826	130,962.0	177,443.1
5. Manufacturing	206,218.2	1,436	49,341.6	77,838.5
6. Transport. & Public Utilities	30,350.2	189	7,275.0	11,298.0
7. Wholesale	27,830.8	302	11,317.5	13,253.9
8. Retail Trade	46,000.0	1,219	16,959.5	28,482.3
9. Finance, Ins., & Real Estate	35,934.1	380	11,757.8	21,832.7
10. Services	109,065.4	1,734	50,875.3	49,543.0
11. Government	3,235.6	35	975.2	1,506.1
Total Effects (Private and Public)	694,018.1	10,322	283,739.3	389,334.4
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	438,188.5	6,971	205,497.1	270,952.7
2. Indirect and Induced Effects	255,829.6	3,351	78,242.2	118,381.7
3. Total Effects	694,018.1	10,322	283,739.3	389,334.4
4. Multipliers (3/1)	1.584	1.481	1.381	1.437
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				240,319.0
2. Taxes				51,928.7
a. Local				5,807.2
b. State				7,087.1
c. Federal				39,034.3
General				8,613.0
Social Security				30,421.3
3. Profits, dividends, rents, and other				97,086.7
4. Total Gross State Product (1+2+3)				389,334.4
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		240,319.0	283,739.3	
2. Taxes		51,928.7	54,815.0	106,743.7
a. Local		5,807.2	3,158.0	8,965.2
b. State		7,087.1	7,924.5	15,011.7
c. Federal		39,034.3	43,732.5	82,766.8
General		8,613.0	43,732.5	52,345.5
Social Security		30,421.3	0.0	30,421.3
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				20.4
Income				559,644
State/Local Taxes				47,292
Gross State Product				767,918
INITIAL EXPENDITURE IN DOLLARS				507,000,000

SUMMARY EXHIBIT 21
Cumulative National Economic & Tax Impacts of Oklahoma
Historic Preservation Programs: Main Street (\$885 million)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	14,515.6	206	974.4	3,146.5
2. Agri. Serv., Forestry, & Fish	2,829.8	69	1,028.5	2,379.5
3. Mining	20,674.5	117	4,389.8	7,611.0
4. Construction	262,424.4	5,925	161,630.6	216,851.1
5. Manufacturing	434,550.3	2,990	105,300.4	176,765.4
6. Transport. & Public Utilities	98,306.8	704	24,665.9	39,108.6
7. Wholesale	73,096.0	792	29,724.7	34,810.6
8. Retail Trade	429,631.0	13,164	165,533.1	269,940.7
9. Finance, Ins., & Real Estate	119,070.1	1,275	41,387.1	74,843.2
10. Services	171,628.1	3,125	75,626.8	79,800.9
11. Government	7,528.3	80	2,281.1	3,567.3
Total Effects (Private and Public)	1,634,255.0	28,446	612,542.4	908,824.8
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	884,850.8	19,362	390,234.6	566,336.9
2. Indirect and Induced Effects	749,404.2	9,084	222,307.7	342,487.9
3. Total Effects	1,634,255.0	28,446	612,542.4	908,824.8
4. Multipliers (3/1)	1.847	1.469	1.570	1.605
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				528,948.3
2. Taxes				144,471.3
a. Local				21,854.0
b. State				45,415.4
c. Federal				77,202.0
General				22,354.8
Social Security				54,847.2
3. Profits, dividends, rents, and other				235,405.3
4. Total Gross State Product (1+2+3)				908,824.8
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		528,948.3	511,559.1	
2. Taxes		144,471.3	98,827.1	243,298.4
a. Local		21,854.0	5,693.7	27,547.7
b. State		45,415.4	14,287.3	59,702.7
c. Federal		77,202.0	78,846.2	156,048.1
General		22,354.8	78,846.2	101,201.0
Social Security		54,847.2	0.0	54,847.2
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				32.1
Income				692,138
State/Local Taxes				98,588
Gross State Product				1,026,921
INITIAL EXPENDITURE IN DOLLARS				885,000,000

SUMMARY EXHIBIT 22
Cumulative In-State Economic & Tax Impacts of Oklahoma
Historic Preservation Programs: Main Street (\$885 million)

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	3,228.3	22	171.9	625.3
2. Agri. Serv., Forestry, & Fish	1,757.2	51	739.9	1,513.5
3. Mining	11,794.5	73	2,442.6	4,233.8
4. Construction	252,529.1	5,797	158,063.3	211,254.4
5. Manufacturing	233,745.7	1,631	58,175.2	97,892.4
6. Transport. & Public Utilities	56,918.5	337	13,358.4	20,841.3
7. Wholesale	55,573.7	602	22,599.2	26,466.0
8. Retail Trade	419,363.3	12,887	161,823.6	263,905.8
9. Finance, Ins., & Real Estate	70,174.7	716	21,491.2	42,658.1
10. Services	126,387.1	2,257	57,434.2	58,287.8
11. Government	5,901.7	63	1,780.2	2,755.0
Total Effects (Private and Public)	1,237,373.8	24,437	498,079.8	730,433.2
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
1. Direct Effects	810,231.4	18,714	367,262.0	529,250.4
2. Indirect and Induced Effects	427,142.4	5,723	130,817.8	201,182.9
3. Total Effects	1,237,373.8	24,437	498,079.8	730,433.2
4. Multipliers (3/1)	1.527	1.306	1.356	1.380
III. COMPOSITION OF GROSS STATE PRODUCT				
1. Wages--Net of Taxes				429,795.6
2. Taxes				129,940.0
a. Local				16,647.3
b. State				41,398.0
c. Federal				71,894.8
General				18,492.8
Social Security				53,402.0
3. Profits, dividends, rents, and other				170,697.6
4. Total Gross State Product (1+2+3)				730,433.2
IV. TAX ACCOUNTS				
		Business	Household	Total
1. Income --Net of Taxes		429,795.6	498,079.8	
2. Taxes		129,940.0	96,223.0	226,163.1
a. Local		16,647.3	5,543.6	22,190.9
b. State		41,398.0	13,910.8	55,308.8
c. Federal		71,894.8	76,768.6	148,663.4
General		18,492.8	76,768.6	95,261.4
Social Security		53,402.0	0.0	53,402.0
EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE				
Employment (Jobs)				27.6
Income				562,802
State/Local Taxes				87,570
Gross State Product				825,348
INITIAL EXPENDITURE IN DOLLARS				885,000,000



Testimony before the HB 1285 Task Force on July 15, 2011

Re: Study of State Tax Credits and Economic Incentives
Agenda Item No. 4(b) Presentation with respect to the Tax Credits for Assessments related to Life and Health Insurance Guaranty Association: 36 OS Section 2030(I)

Presented by Brenda Nation, Regional Vice President, State Relations
American Council of Life Insurers

The American Council of Life Insurers (ACLI) represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S. life insurance and annuity industry. Two hundred seventy-four member companies are licensed to do business in Oklahoma and account for 91% of the life insurance premiums and 90% of the annuity considerations in the state. We appreciate the opportunity to provide comments to this Task Force regarding tax offsets for life and health insurance guaranty association assessments.

House Bill 1285 created the Task Force for the Study of State Tax Credits and Economic Incentives. The legislation defines the scope of the Task Force's study of tax credits and economic incentives that affect state or local tax liabilities in the six enumerated items below.

1. *The justification for the enactment of any state tax credits based upon the relevant economics of the applicable industry or economic sector affected.*
2. *The economic impact related to the utilization of state tax credits;*
3. *Analysis of the utilization of the credits by tax credit purchasers;*
4. *The impact of tax credits on any and all economic sectors of the state economy;*
5. *The adequacy or inadequacy of state tax credits or other economic incentives; and*
6. *Such other matters related to state tax credits or economic incentives as the Task Force deems relevant.*

It is admirable that Oklahoma, like many other states, seeks to achieve a better understanding of the tax credits that it offers as well as the use of those credits and the benefit those credits provide to the state. However, premium tax offsets for insurance guaranty fund assessments differ significantly from the types of credits described in HB 1285 in the sense that corporations are taxed differently than insurers doing business in Oklahoma.

- **Corporations are taxed on net income; insurers are taxed on gross income.**

In order to discuss Oklahoma's insurance premium tax offset for guaranty fund assessments (provided under Oklahoma Statutes Annotated Article 20B, Section 2030), it is first necessary to place the insurance guaranty fund assessment offset in perspective in relation to other tax credits offered to corporations doing business in Oklahoma.

Most of the economic incentive credits offered by the state are credits against the corporate net income tax. While it is true that some of these credits are also offered against the insurance premium tax, the net income tax operates entirely differently from the gross premium tax paid by insurers. That is, corporations doing business in Oklahoma pay income taxes on their corporate income, less expenses and tax deductions allowed under the state's Tax Code. Insurers, on the other hand, are statutorily required to pay taxes on their gross insurance premiums collected in the state, without the benefit of deductions for operating costs and tax deductions that are afforded to non-insurance corporations doing business in the state.

- **Corporate tax credits are voluntary; insurer guaranty association assessments are mandatory.**

Most importantly, the tax credits contemplated in HB 1285 are voluntary. A corporate taxpayer has the freedom to choose whether to make the investment in order to receive the tax credit. Insurers doing business in Oklahoma do not "choose" to be assessed by the guaranty association in order to receive the tax offset for that assessment.

- **Unlike corporate taxpayers that only pay a voluntary net income tax, insurers are mandated by law to pay assessments to the state guaranty fund in addition to paying gross premium taxes to the state.**

Insurers doing business in Oklahoma are required by law to be a member of the state guaranty association and to pay assessments imposed by that association when the need arises. Guaranty association assessments are made when it becomes necessary for the solvent insurers doing business in the state to cover the obligations of one of their failed competitors. Unlike economically based tax credits wherein the taxpayer can choose whether to make an investment depending on their current financial condition, an insurer must pay a guaranty association assessment regardless of whether the insurer is financially prepared for such a fiscal outlay. Insurers pay these assessments as a matter of law, not choice. Indeed, given the choice insurers would choose to not be assessed at all, regardless of the availability of the offset.

- **Guaranty association assessments only occur when an insurer is deemed to be insolvent, and funds are needed to pay death benefits or to reimburse an assuming insurer that takes over the insolvent insurer's policies.**

Guaranty associations are created by state legislatures to honor the commitments made to policyholders by companies that have become insolvent. Insurers authorized to write insurance and annuities in the state are required to be members of the associations. State guaranty associations meet the short-term and long-term financial needs of people who, through no fault of their own, are left unprotected when their insurer becomes insolvent.

When a member life insurer becomes insolvent, a state's life and health insurance guaranty association will attempt to transfer policies to other solvent insurers and provide coverage (generally to residents) on outstanding claims and benefits, subject to certain exclusions and limits. The association will assess member insurers in order to cover such claims and benefits, as well as administrative costs. The assessments are based on an insurer's share of industry premiums received in the state.

- **Unlike corporate tax credits, the premium tax offsets allowed under current law can only be taken by an insurer after an insolvency occurs and after an assessment has been paid.**

Forty-four states with life and health guaranty associations, including Oklahoma, allow insurers to offset the amount paid as assessments to the state guaranty association against their premium tax or other tax.

liability. In other words, insurers may take a credit for the amount of their guaranty assessments against the premium taxes they owe the state treasury.

- **If insurers did not pay guaranty association assessments to protect the policyholders of an insolvent insurer, there would be a detrimental economic impact to the policyholders and the state.**

One of the primary responsibilities of a state insurance department is to prevent and minimize losses to policyholders upon the insolvency of an insurer. Retirement benefits from retirement annuities and life insurance death benefits would be at risk when an insolvency occurs, which would most certainly impact the state through not only lost sales tax and income tax revenue, but may also trigger an increase in social services provided by the state. Normally corporate bankruptcies are not subsidized by other solvent corporations—once the assets are liquidated, the creditors, including the state, are left with no further recourse. Unlike other businesses, the insurance industry is mandated by law to contribute when one of its competitors becomes insolvent, eliminating or diffusing the economic impact on the state.

Premium tax offsets enable the financial burdens of a particular insolvency to be distributed among the entire state and all of its taxpayers, not just a limited number of insurers and policyholders. Even with a full tax offset over 5 years, solvent companies are, in essence, providing interest-free loans to the state in order to cover a failed competitor's policyholder obligations. For example, if an insurer is assessed \$100,000 in Oklahoma where the offset is 20% per year over 5 years, the insurer's net recovery (after taking into account the time value of money) is only about \$76,000 (assuming a 10% discount rate based on the cost of capital).

As earlier stated, because life insurers are taxed on their gross insurance premiums collected in the state and are mandated to pay a guaranty association assessment when an insolvency occurs, life insurers are not receiving the same type tax treatment with a premium tax offset that corporate taxpayers receive on other tax credits in the state.

- **Without an adequate offset, life insurance companies must pass the costs of guaranty association assessments on to future policyholders.**

Life insurance companies must recover their expenses from the premiums charged to their policyholders. Giving life and health insurance companies the right to adequately offset assessments against future taxes provides a practical and equitable alternative. Moreover, life insurance policies are long-term contracts wherein premium rates are set at the beginning of the contract. Since life insurance premium rates cannot be adjusted periodically as with other lines of insurance, without the tax offset any adjustment for guaranty assessments would fall disproportionately on future policyholders.

- **Because the amount and timing of future guaranty fund assessments are very difficult to predict, life insurers are unable to price for them in their products.**

State insurance departments are diligent in their efforts to detect signs of a troubled insurer to prevent an insurer from becoming insolvent. Only the insurance regulators have this information, and therefore, the rest of the insurance industry does not have a crystal ball to predict when or if one of their competitors will become insolvent in order to anticipate a guaranty association assessment. Therefore, the elimination or reduction of a tax offset could expose insurers to future liabilities that are unknown and unquantifiable.

- **If a state's premium tax offset is eliminated or reduced, well-managed insurers would be penalized three times.**

First, when they lose business to competitors who inadequately price their products; second, when they are assessed by a guaranty association to cover the costs of those competitors' insolvencies; and third, when they are unable to offset some or all of their paid assessments against premium or other taxes. As a matter of fairness, companies that are assessed to pay the unpaid claims and obligations of poorly-run competitors should be able to recover some or all of their costs through tax offsets.

- **State insurance departments regulate the insurance industry primarily to protect resident policyholders.**

Tax offsets give the states a financial interest in ensuring that they provide efficient and effective solvency regulation, which protects not only well-managed insurers, but their policyholders as well.

In summary, the scope of the HB 1285 Task Force's Study can be summed up as follows:

Justification: Guaranty association assessments and their accompanying tax offset are not part of the standard array of voluntary tax credits offered by the state and contemplated by HB 1285. The guaranty assessment tax offset granted to insurers is an acknowledgement by the state that the insurers are covering the obligations of one of their own that has failed.

Economic impact related to the utilization of the tax credit and Impact of tax credits on economic sectors of the state economy: Because insurers cover the obligations of their failed competitors, policy owners remain protected and the state does not incur any obligations or suffer economic damage because of the failed insurer's insolvency.

Adequacy or inadequacy of state tax credits: While the tax offset allows insurers to recoup their assessment over a five-year period, when the time value of money is factored in insurers actually lose money on the assessment.

Independent Insurance Agents of Oklahoma

Task Force for the Study of Tax Credits & Economic Incentives

Impact of Property & Casualty Guaranty Association Tax Offsets

Dan Ramsey, CIC
7/15/2011



July 15, 2011

MEMORANDUM

To: Task Force for the Study of Tax Credits and Economic Incentives
From: Dan Ramsey, President/CEO, Independent Insurance Agents of Oklahoma

Representative Dank has been kind enough to allow me an opportunity to speak to the Task Force today. I very much appreciate the work you are doing and the opportunity to visit with you for a very brief time today.

My comments are general in nature, but are specifically directed to your considerations of tax offsets allowed to insurance companies for assessments paid to the Oklahoma Property & Casualty Guaranty Association.

First of all, I come representing the Independent Insurance Agents of Oklahoma (IIAO) although I do currently serve as Vice-Chairman of the Oklahoma Property & Casualty Guaranty Association. IIAO is a member-based association comprised of approximately 500 independent insurance agencies located in Oklahoma. There are approximately 5,000 agents and employees who work in these agencies. In addition we have over 100 Associate Members which are insurance companies and vendors who bring another 4,000 individuals under our umbrella. IIAO has member agencies located in every county in Oklahoma and over 150 communities. IIAO members sell approximately 80% of the commercial lines business in Oklahoma and 37% of personal lines – available markets are critical to our members. IIAO is part of the Independent Insurance Agents and Brokers of America, over 30,000 agencies - the largest trade association of property and casualty insurance agents in the country.

I personally have been in the property & casualty insurance business since 1972. I owned an agency in Chickasha for 22 years, sold my agency & served two terms in the Oklahoma House of Representatives (1994-1998); in 1998 I assumed my current position and have worked on legislative and regulatory issues on the state and federal level in various capacities since that time.

Having worked hard to get contracts to represent insurance companies, only to see some of them pull out of my agency or leave the state altogether after bad loss experience primarily due to weather is quite frustrating. Many people don't understand why insurance companies don't want to write them or don't want to write business in Oklahoma. First of all one must understand that Oklahoma competes with all other states for an insurance company's capacity to write business. That competition is based upon the regulatory and legislative environment, the legal environment, weather trends, economic conditions, and other factors. Some of those things you as legislators can influence; some, such as the weather, you obviously cannot.

Every insurance company is restricted in the amount of insurance it can write because it must set dollars aside to pay for losses. In other words it must collect enough premiums to pay claims, pay its expenses, show some profit to its investors, and set money aside to pay for future claims. In my 30+ years in this

business I have come to understand that the property & casualty insurance business is a challenge in Oklahoma for two primary reasons:

1. We are a relatively small state from a population and premium standpoint. Oklahoma has approximately 3.7 million people; the Oklahoma Insurance Department 2009 Annual Report shows a total of \$5.67 billion in total Oklahoma Premiums. Of that total, \$969 million was for homeowners' insurance premiums.
2. Oklahoma, as you are well aware, is subject to severe weather. Tornadoes, such as those that ripped through the state on 5/3/99; the hail storm in NW Oklahoma City last spring; recent ice storms in the winter; and the rash of tornadoes in just about every corner of the state this spring, make it extremely challenging for insurance companies to write business at a profit in Oklahoma. A. M. Best Report for 2009, in fact, shows that of the top 15 carriers, only one (Chubb) collected more premiums than they paid in losses for that year. Insurance Service Office (ISO) reports that in 2010 and 2011, it designated 12 catastrophic storm losses in Oklahoma. Of the 11 losses they have closed, insurance companies have paid \$2.8 billion in weather-related losses. (Copies of A. M. Best and ISO reports are provided.)

Quite simply, a small population with small premium coupled with large loss severity does not present a favorable climate for the property & casualty insurance business. The numbers above do not take into consideration claims paid for loss due to fire, theft, vandalism, liability, and a myriad of other perils covered by a homeowners' policy.

My concern to the task force is that any actions that will discourage or potentially disrupt an already fragile market are of a great concern to my agents. In my opinion we need to do whatever is possible to encourage these companies to continue to invest their dollars in Oklahoma. Removal of tax offsets will potentially do one or a combination of three things:

1. Market restriction – Companies will reduce their writings
2. Market withdrawal – Companies will conclude they cannot continue to write business in Oklahoma and leave the state
3. Increased premiums – Companies will pass along the assessments they currently pay to the Property & Casualty Guaranty Fund to the consumer resulting in higher premiums.

So, while removal of these tax offsets does not directly impact my member agencies, they may ultimately create disruption in the marketplace, reduce the number of carriers, and increase premiums to the consumer.

Table II. Property and Casualty Lines of Business

LINES OF BUSINESS SUMMARY	PREMIUMS WRITTEN
FIRE	92,236,773
ALLIED LINES	99,651,312
MULTIPLE PERIL CROP	165,326,204
FEDERAL FLOOD	8,514,699
FARMOWNERS MULTIPLE PERIL	101,501,708
HOMEOWNERS MULTIPLE PERIL	969,926,227
COMMERCIAL MULTIPLE PERIL (NON LIABILITY)	271,675,735
COMMERCIAL MULTIPLE PERIL (LIABILITY)	109,657,025
MORTGAGE GUARANTY	57,127,934
OCEAN MARINE	11,538,117
INLAND MARINE	153,809,542
FINANCIAL GUARANTY	2,548,237
MEDICAL PROFESSIONAL LIABILITY	108,800,120
EARTHQUAKE	3,922,699
GROUP A&H	40,312,891
CREDIT A&H	939,273
COLLECTIVELY RENEWABLE A&H	1,561
NON-CANCELABLE A&H	12
GUARANTEED RENEWABLE A&H	12,621,137
NON-RENEWABLE FOR STATED REASONS ONLY	2,142,957
OTHER ACCIDENT ONLY	232,069
MEDICARE TITLE XVIII	0
ALL OTHER A&H	2,076,372
FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM	0
WORKERS' COMPENSATION	721,771,337
OTHER LIABILITY (OCCURRENCE)	228,953,509
OTHER LIABILITY (CLAIMS-MADE)	87,477,218
EXCESS WORKERS' COMPENSATION	16,386,643
PRODUCTS LIABILITY	29,341,891
PRIVATE PASSENGER AUTO NO-FAULT (PERSONAL INJURY PROTECTION)	4,302,663
OTHER PRIVATE PASSENGER AUTO LIABILITY	1,070,918,462
COMMERCIAL AUTO NO-FAULT (PERSONAL INJURY PROTECTION)	76,402
OTHER COMMERCIAL AUTO LIABILITY	228,225,693
PRIVATE PASSENGER AUTO PHYSICAL DAMAGE	800,527,610
COMMERCIAL AUTO PHYSICAL DAMAGE	86,198,951
AIRCRAFT (ALL PERILS)	20,181,977
FIDELITY	8,454,403
SURETY	61,854,874
BURGLARY AND THEFT	1,532,418
BOILER AND MACHINERY	14,231,925
CREDIT	15,085,877
WARRANTY	14,806,283
AGGREGATE WRITE-INS FOR OTHER LINES OF BUSINESS	15,153,807
FINANCE CHARGES	37,082,991
TOTAL OKLAHOMA PREMIUMS	5,677,127,538

Best Data - 2009
 Homeowner's Multi-Peril
 Sorted by Premium Volume

Company Name	Line Code	State Code	Market Share %	Direct Premiums Written	Direct Premiums Earned	Dividends to Policyholders	Direct Losses Paid	Direct Losses Incurred	Loss Ratios P/E	Loss Ratios I/E	Loss Ratios Adj.	Group Rank - Prem.	Group Rank - Ratio	Overall Rank - Prem.	Overall Rank - Ratio
State Farm Group	4	37	26.9545	261,696,286	251,730,198	0	344,304,309	333,541,624	136.78	132.50	132.50	1	11	1	36
Farmers Ins Group	4	37	18.5959	180,544,452	174,800,297	0	203,462,566	195,975,800	116.40	112.11	112.11	2	7	2	24
Allstate Ins Group	4	37	8.5258	82,775,193	81,310,348	0	100,744,527	100,126,115	123.90	123.14	123.14	3	9	3	30
Oklahoma F B Group	4	37	7.4116	71,957,455	68,778,652	0	115,363,813	121,937,930	167.73	177.29	177.29	4	19	4	51
USAA Group	4	37	4.7166	45,792,912	43,103,881	2,967,945	51,560,751	53,800,329	119.62	124.82	134.05	5	12	5	37
Liberty Mut Ins Cos	4	37	4.0294	39,120,872	37,664,787	0	47,880,655	44,518,700	127.12	118.20	118.20	6	8	6	28
Travelers Group	4	37	3.7316	36,229,479	31,803,756	0	40,241,814	38,338,747	126.53	120.55	120.55	7	5	7	29
Shelter Ins Cos	4	37	3.0579	29,688,251	28,123,499	0	40,150,832	37,852,995	142.77	134.60	134.60	8	13	8	38
Amer Farm & Ranch Gr	4	37	2.5771	25,020,420	24,659,026	0	27,086,995	28,539,629	109.85	115.74	115.74	9	16	9	26
Hartford Ins Group	4	37	2.2270	21,621,671	21,106,842	0	29,921,459	31,205,834	142.77	147.85	147.85	10	7	10	42
Chubb Grp of Ins Cos	4	37	1.9527	18,958,377	20,869,272	0	13,684,824	14,789,139	141.76	147.85	147.85	11	1	11	9
Amer Nat P & C Group	4	37	1.8199	17,668,997	15,913,731	0	26,006,573	23,732,660	163.42	149.13	149.13	12	15	12	43
The Hanover Ins Grp	4	37	1.7881	17,360,550	15,051,213	0	25,495,804	31,165,964	169.39	207.07	207.07	13	8	13	53
Calif State Auto Grp	4	37	1.4353	13,935,352	8,980,447	0	10,869,588	12,840,926	121.04	142.99	142.99	14	14	14	40
Mellife Auto&Home Gr	4	37	1.3261	12,874,391	12,980,787	2,135	19,767,259	20,647,188	152.28	159.06	159.06	15	18	15	47
CNA Ins Companies	4	37	0.0000	0	0	0	533	533	0.00	0.00	0.00	10	0	10	0



Search Criteria: States: OK | Family Name: ALL | Years: 2010-2011

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PCS Catastrophe History by State -					
Year	Cat No.	Period	Perils	Storm Family	Estimated Loss \$
2010	90	Jan 7 - 12	Freezing, Wind	Winter Storm	20,500,000
1st Quarter Total					20,500,000
2010	13	May 10	Hail, Tornadoes, Wind	Wind and Thunderstorm Event	595,000,000
2010	14	May 12 - 16	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	1,570,000,000
2010	18	Jun 10 - 16	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	23,000,000
2nd Quarter Total					2,188,000,000
Yearly Total for 2010					2,208,500,000 ←
2011	35	Jan 31 / Feb 3	Flooding, Freezing, Ice, Snow, Wind	Winter Storm	45,000,000
2011	36	Feb 2 - 6	Freezing, Ice	Winter Storm	35,000,000
1st Quarter Total					80,000,000
2011	43	Apr 8 - 11	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	70,000,000
2011	44	Apr 14 - 16	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	109,000,000
2011	46	Apr 22 - 28	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	80,000,000

2011	48	May 20 - 27	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	160,000,000
2011	52	Jun 14 - 15	Hail, Wind	Wind and Thunderstorm Event	100,000,000
2011	53	Jun 16 - 22	Flooding, Hail, Tornadoes, Wind	Wind and Thunderstorm Event	0
2nd Quarter Total					519,000,000
Yearly Total for 2011					599,000,000
Grand Total					2,807,500,000

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PRESENTATION OF THE OKLAHOMA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION TO THE TASK FORCE FOR THE STUDY OF TAX CREDITS AND ECONOMIC INCENTIVES

INTRODUCTION: The Oklahoma Life & Health Insurance Guaranty Association is an unsung success story of state government operating through the insurance industry to protect Oklahoma policyholders whose insurance companies fail them. Since its inception in 1981, the Association has provided well over \$300 million in coverage to Oklahoma policyholders in need.

The Association is a statutory entity composed of all life and health insurers licensed to do business in the state. It is charged with protecting Oklahoma policyholders whose insurers become insolvent. The Association funds its obligations primarily by utilizing the insolvent insurer's remaining assets, but assesses its member insurers for any shortfalls.

Guaranty Association member insurers are allowed a limited offset against their Oklahoma premium taxes for the net amount of any such assessments under 36 O.S. § 2030I. Between 2004 and 2010 the Oklahoma Insurance Department reports that Guaranty Association members took approximately \$18 million in premium tax offsets. Meanwhile, the Association provided more than \$90 million in policyholder benefits during the period.

Unlike more publicized economic development tax credits, whose benefits to the public are created indirectly through their impact on the state's economy, the offsets allowed under §2030I represent a direct benefit to the public. Every dollar offset against a Guaranty Association member's premium tax corresponds directly to a dollar paid out by the Association to protect Oklahoma policyholders.

Without the fanfare or the huge bureaucracy of its high profile federal cousin, the FDIC, the Guaranty Association and similar state guaranty associations around the country have been protecting policyholders quietly, economically and efficiently for decades. The Guaranty Association is an exemplary synthesis of the government and industry: an example of how government can work through the private sector to accomplish public good.

OPERATION OF THE ASSOCIATION: The Guaranty Association was established in 1981 when the Oklahoma Legislature enacted the Oklahoma Life and Health Insurance Guaranty Association Act (36, O.S. §2021, et. seq.). Every insurer holding a license to write life insurance, health

insurance or annuities in the State of Oklahoma is required to be a member of the Association (§2023). The Association currently has 911 member insurers.

The Association operates under the immediate supervision of the Oklahoma Insurance Commissioner (§2023 and 2031). It is governed by a Board of Directors, comprised of nine member insurers, elected by the membership, subject to the approval of the Insurance Commissioner (§2028 and 2026).

The Association provides coverage for failure in the performance of contractual obligations by its member insurers under life and health insurance policies and annuity contracts owned by residents of Oklahoma (§2022 and 2025). The Association covers up to:

- \$300,000 in life insurance benefits;
- \$300,000 in individual annuity contract values;
- \$500,000 in major medical health insurance.

The Association provides coverage by either directly paying claims and benefits under the insolvent company's policies or by arranging for the assumption of the policies by a solvent insurer in return for transferred reserves (§2028). The Association funds its payment of claims, benefits and expenses through: (1) assets from the insolvent member insurer's estate in which it is a priority creditor as well as from premiums received on the continued policies (§2028); and (2) assessment of its member insurers (§2030).

The Guaranty Act provides for two types of assessments upon the Association's membership: Class A assessments of up to \$150 for each member annually are made *per capita* to fund the Association's operations. Class B assessments are made proportionally based on the assessed member's Oklahoma premium to fund claims and expenses in connection with the insolvency of a member insurer (§2030).

Class B assessments are made in one of three accounts: life, health or annuity, depending on the type of contracts giving rise to the Association's liability – i.e. the Association assesses life insurers to fund life insurance policy liabilities, health insurers for health insurance and annuity writers for annuities – The amount of each Association member's assessment is based on its Oklahoma market share for the three most recent years in the line of business (life, health or annuity) in which the assessment is made (§2030C) and cannot exceed 2% of the insurer's average annual premium during the period.

THE TAX OFFSET: Insurers are entitled to offset the amount of their Class B assessments against Oklahoma premium taxes at the rate of 20% per year over five years (§2030I). The Association provides its member insurers with certificates of contribution for the amount of Class B

assessments (§2030H). Such certificates are submitted by the members to the Oklahoma Insurance Department, which is responsible for the assessment and collection of the premium tax on insurers doing business in the state, and the Department applies the available offsets to any premium taxes due from member insurers.

While the offsets allowed under §2030I are technically “credited” against a Guaranty Association member’s premium tax by the Oklahoma Insurance Department, they are not “tax credits” in the traditional sense of the term. Insurance companies do not voluntarily contribute to the Association in return for reducing their premium taxes. Assessments are mandatory and failure to pay can result in a member insurer losing its license to do business in Oklahoma (§2031B).

The provision allowing tax offsets for Class B assessments was originally drafted by the National Association of Insurance Commissioners and included in the second version of that organization’s Model Life & Health Insurance Guaranty Association Act, which it promulgated in 1976.¹ The provision was included in the Oklahoma Guaranty Association Act when it was first enacted in 1981 and has remained in the Act ever since. Forty-four states and the District of Columbia include the same or similar tax offsets in their life and health insurance guaranty association acts.

The Oklahoma Insurance Department is only able to furnish financial data relating to tax offsets taken by Guaranty Association members for the period since 2004. According to the Department’s records, Guaranty Association member insurers offset some \$18 million against their Oklahoma premium taxes between 2004 and 2010. In the same time frame, the Guaranty Association has provided some \$92 million in coverage to Oklahoma policyholders in the form of benefits paid and contract values transferred to solvent insurers.

ANALYSIS: Because the tax offset for Guaranty Association assessments is not designed to foster economic development, it is difficult to evaluate it under the criteria specified for study in **HB 1285 §1F**. Those criteria relate primarily to the “economic impact” of the credits examined: how such credits indirectly encourage domestic commerce and industry. The assessment tax offset, on the other hand, was designed to promote a direct benefit to the public. Offsets taken by a Guaranty Association member insurer against its premium tax represent funds paid directly by the insurer to the Association and used to provide coverage to Oklahoma policyholders: each dollar offset is a dollar that unambiguously benefits the public.

Last year’s Attorney General’s Opinion on tax credits (2010 OK AG 16) lays out a three prong test to determine the validity of an economic development tax credit. Because the

¹ It is included in the current version of the Model Act at §13 as an optional provision.

Guaranty Association offset is not an economic development tax credit, the test is not precisely applicable to §2030I. It nonetheless provides a useful context in which to examine the offsets allowed against premium tax for Class B assessments. According to the Attorney General, in order to pass muster constitutionally, a credit encouraging economic development must: (1) serve a public purpose: (2) be based on adequate consideration: and (3) have adequate controls and safeguards.

The Guaranty Association premium tax offsets appear to meet every prong of the AG Opinion's test. (1) The offset clearly serves a public purpose: protecting Oklahoma policyholders whose insurers fail them. (2) There is also adequate consideration for the offsets: to be eligible, insurers must have paid a like amount to the Association to be used in providing benefits to policyholders. (3) Finally, there are adequate controls and safeguards in place: the offsets are administered and applied by the Oklahoma Insurance Department, a state agency; and the Guaranty Association itself is under the direct supervision of the Insurance Commissioner, to whom it reports and with whom it annually files public audited statements prepared by an independent accounting firm.

CONCLUSION: The Oklahoma Life & Health Insurance Guaranty Association has spent the last thirty years quietly and efficiently protecting the policyholders of Oklahoma. It is an excellent example of how the public and private sectors can work together to promote the general welfare of the state.

The premium tax offset for Guaranty Association Class B Assessments directly promotes the public welfare. The assessed funds offset against premium taxes by Association members are used by the Association directly to protect Oklahoma policyholders whose insurance companies fail them. The tax offset in 36 O.S. § 2030I thus provides a tangible benefit to the people of Oklahoma, in sharp contrast to the hypothetical benefits promoted by traditional economic development tax credits.

QUICK FACTS ABOUT THE OKLAHOMA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION

The Oklahoma Life and Health Insurance Guaranty Association was established by the Oklahoma Legislature in 1981 when it enacted the Oklahoma Life and Health Insurance Guaranty Association Act (36 §2021 et seq.). Every insurer holding a license to write life insurance, health insurance or annuities in the State of Oklahoma is required to be a member (§2023). The Association currently has 911 member insurers.

The Association operates under the immediate supervision of the Oklahoma Insurance Commissioner (§2023 and 2031). The Association is governed by a Board of Directors, comprised of nine member insurers, elected by the membership, subject to the approval of the Insurance Commissioner (§2028 and 2026).

The Association provides coverage for failure in the performance of contractual obligations by its member insurers under life and health insurance policies and annuity contracts owned by residents of Oklahoma (§2022 and 2025). The Association covers up to:

- \$300,000 in life insurance benefits;
- \$300,000 in individual annuity contract values;
- \$500,000 in major medical health insurance (§2025).

The Association provides coverage by either directly paying claims and benefits under the insolvent company's policies or by arranging for the assumption of the policies by a solvent insurer in return for transferred reserves (§2028). The Association funds its payment of claims, benefits and expenses through: (1) assets from the insolvent member insurer's estate as well as premiums received on continued policies (§2028); and (2) assessment of its member insurers (§2030).

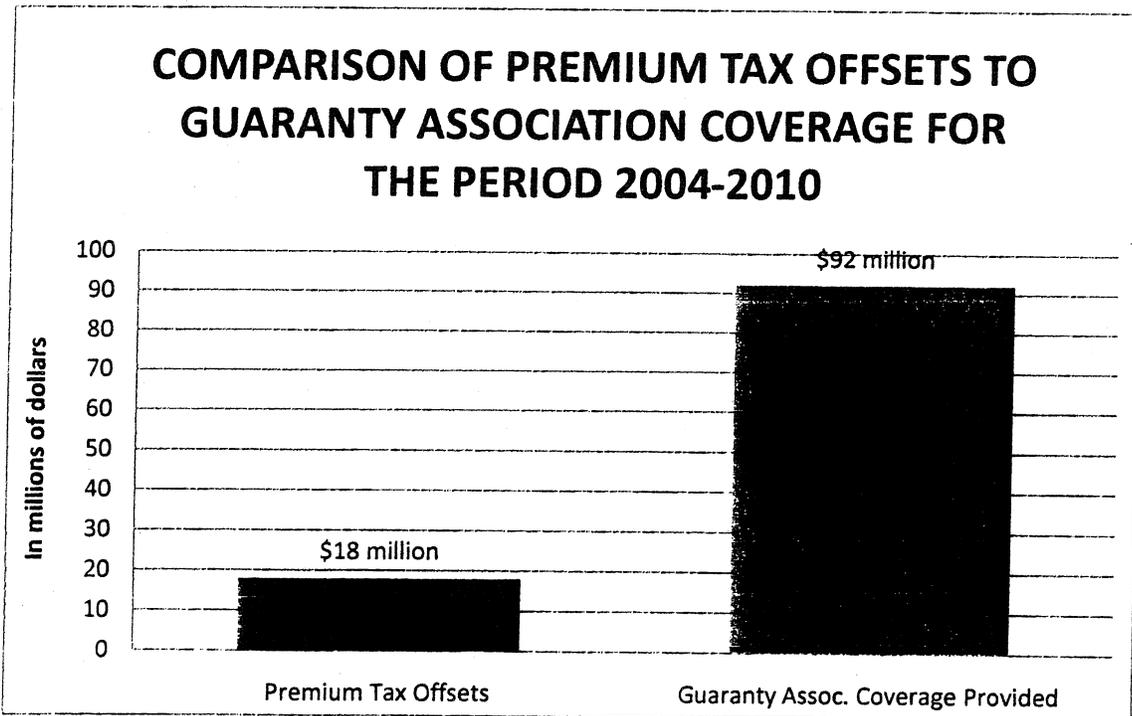
The Guaranty Association Act provides for two types of assessments upon the Association's members: (1) Class A assessments of up to \$150 per member per year to fund the Association's overhead; and (2) Class B assessments to fund claims and expenses in connection with the insolvency of a member insurer. Class B assessments are made proportionally based on the assessed member's Oklahoma market share in the line of business (life, health or annuity) for which the assessment is made (§2030).

The Association member insurers are entitled to offset the amount of Class B assessments against their Oklahoma premium taxes at the rate of 20% per year over five years (§2030I). Forty-four other jurisdictions have premium tax offsets similar to Oklahoma's.

The Association furnishes certificates of contribution for the amount of Class B assessments to its members (§2030H). The Oklahoma Insurance Department, which is responsible for the assessment and collection of the premium tax on insurers doing business in the state, applies the available offsets to any premium taxes due from member insurers.

While technically "credited" against an Association member's premium tax, the §2030I offsets are not "tax credits" in the traditional sense of the term: a tax break made in return for a voluntary investment to indirectly encourage economic development. Assessments are mandatory contributions going directly to promote the public welfare: every dollar offset against the premium tax corresponds directly to a dollar paid out by the Association to protect Oklahoma policyholders.

According to Oklahoma Insurance Department figures, between 2004 and 2010, Association member insurers have averaged \$2.4 million per year in Oklahoma premium tax offsets (a total of \$18 million). During that same time frame, the Association provided in excess of \$90 million in coverage (claims paid and reserves transferred) to Oklahoma policyholders.



**Oklahoma Insurance Department
Premium Tax Collections
(THIS DOES NOT INCLUDE ANY OTHER TAXES OR FEES)**

	FY 2007	FY 2008	FY 2009	FY 2010
Premium Tax Collected	172,349,040	151,539,043	165,318,940	165,127,333
Refunds	8,357,137	8,855,838	9,077,465	6,336,170
Net Premium Tax Collected	163,991,904	142,683,205	156,241,475	158,791,163
Total Premium Tax Collections	163,991,904	142,683,205	156,241,475	158,791,163

Credits Taken				
PSA	1,522,654	3,520,182	3,031,518	3,618,849
Flood	1,925,553	2,323,769	3,230,587	3,911,387
Life Guaranty	2,287,862	3,409,383	1,184,799	1,392,362
P&C Guaranty	8,863,304	9,328,385	10,164,977	9,536,344
Coal	9,745,663	11,681,078	6,956,681	5,615,232
Home Office	8,209,096	11,387,572	12,536,620	14,673,798
Rural Business	6,287,995	7,214,413	4,930,869	8,773,386
Small Business		407,644	8,250,721	6,472,318
Historical Building Rehab	784,022	8,160,335	5,636,367	9,176,099
Venture Capital	118,526	240,170	1,045,904	414,300
Franchise Tax			262	931
Total Credits Against Premium Tax	39,744,674	57,672,931	56,969,305	63,585,006

FY 2010 credits source: I series query oidtest/crdtyf2010 & AS400 PSA/Flood Qry
Collections are based on AS400 report

** PSA and Flood Premiums are taken directly from Direct Written Premium prior to premium tax being assessed. Therefore, they are shown as the amount that premium tax collections are reduced by their use.

PSA Premiums

CY 2006 \$67,673,511 * 2.25% = \$1,522,654
 CY 2007 \$156,452,528 * 2.25% = \$3,520,182
 CY 2008 \$134,734,138 * 2.25% = \$3,031,518
 CY 2009 \$160,837,712 * 2.25% = \$3,618,849

Flood Premiums

CY 2006 \$85,580,133 * 2.25% = \$1,925,553
 CY 2007 \$103,278,633 * 2.25% = \$2,323,769
 CY 2008 \$143,581,665 * 2.25% = \$3,230,587
 CY 2009 \$173,839,420 * 2.25% = \$3,911,387

TO: Rep. David Dank

FROM: Steven Goldman

stevenbgoldman@gmail.com

405-213-9227

Good morning..... for the Friday session on tax credit programs..... As you suggested, here is further background on the issue of the Life and Health Insurance tax credit situation:

More on the Tax Credits for Life and Health Guaranty Fund Assessments)

Background: Each insurance company pays an Assessment of about 2% of total premiums paid by Oklahomans to the Guaranty Fund held by the Oklahoma Life and Health Insurance Guaranty Association (201 Roberts S Kerr Ave, Ste 600). The Association is not a state government agency.

The amount of the Assessment becomes a tax credit to the insurance company when filing taxes with the state, according to 36 OS sec 2030 (I).

The tax credit is 20% of the Assessment amount per year for 5 years, so becomes a **100% tax credit** ($20 \times 5 = 100$)

Interestingly, the tax credit is not lost if an insurance company ceases doing business in Oklahoma. An insurance company who “runs away” from Oklahoma gets to claim the full 100% tax credit for their Assessments in their final year tax return – all 100% in one year.

Some questions:

Are the Assessments also tax *deductions* as usual business expenses?

Why both a tax *deduction* and a tax *credit* for the same assessment?

(This would be like a bank being able to use their FDIC assessment as both a tax deduction and a tax credit.)

What data are there to show that providing the tax credit serves a “public purpose” to the residents of Oklahoma?.....Especially if an insurance company which stops doing business in the state still can take the rest of their tax credits all in one year!

This statute seems to provide “free insurance” for the insurance companies.....the insurance company’s own assessment-premiums paid to their insurance guaranty association become 100% tax credits!

Disclaimer: Steven Goldman, PhD is acting as an independent policy analyst. There is no connection with his employer or clients. He invests in federal tax credit funds for low-income housing.

AUGUST 10, 2011



House of Representatives

State of Oklahoma

July 26, 2011

- TO:** Task Force for the Study of State Tax Credits and Economic Incentives
- DATE:** Wednesday, August 10, 2011
- TIME:** 10:00 a.m. - 4:00 p.m. (break for lunch)
- PLACE:** House Chamber, State Capitol Building
- AGENDA:**
1. Welcome and Introductions
 2. Energy Efficient Residential Properties Tax Credit
68 O.S. Section 2357.46
 3. 5 Year Ad Valorem Exemption for Qualifying Manufacturing Concerns and the Ad Valorem Reimbursement Fund
Article X, Section 6B of the Oklahoma Constitution
68 O.S. Section 2902
62 O.S. Section 193 (Ad Valorem Reimbursement Fund)
 4. Other business and adjournment

Members:

Rep. David Dank
Sen. Mike Mazzei
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

Credit Summary

Energy Efficient Residence Construction	
Citation	68 - 2357.46
First Enacted	2005
First Tax Year	2006
Last Tax Year	None
Carryover Period	4 years
Moratorium Effect	No credits claimed or earned b/w 7/1/10 and 6/30/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Up to \$4,000 per home
Transferable for Value?	Yes
Applicable Tax Types	Income tax
Cap	None

Credit Summary

5 Year Manufacturing Exemption	
Citation	68 O.S. Section 2902
First Enacted	1985
First Tax Year	
Last Tax Year	Open
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	Yes
Job Creation Data Available?	
Payroll Requirement?	Yes
Payroll Data Source(s)?	
Capital Asset Purchase?	
Equity Investment?	No
% or Dollar Amount	Exemption
Transferable for Value?	No
Applicable Tax Types	Ad Valorem
Cap	No

**HB1285 Task Force for the Study of State Tax Credits and Economic Incentives
August 10, 2011**

List of Speakers

Oklahoma Tax Commission

Jeff Spelmen, Director of the Ad Valorem Division
Ken Chuculate, Deputy Director of the Ad Valorem Division

State Chamber (via Ronn Cupp, Senior Vice President of Government Affairs)

Ronn Cupp
Wes Stucky, President, Ardmore Chamber of Commerce & Development Authority

Department of Commerce (via Melvin Mungai, State & Federal Legislative Liaison)

John Chiappe, Deputy Division Director, Research & Economic Analysis

Oklahoma Association of County Commissioners (via Bill Case, registered lobbyist, & Gayle Ward, Executive Director of ACCO)

Wade Patterson, Garfield County Assessor
Gene Wallace, County Commissioner Muskogee County (with superintendent)
Butch Freeman, Oklahoma County Treasurer

Oklahoma Municipal League (via Carolyn Stager, Director)

Cathy O'Conner, President of the Alliance for Economic Development of Oklahoma City

Schools

Shelley Shelby, Staff Attorney & Director of Legislative Services, Oklahoma State School Boards Association
Steven Crawford, Executive Director of the Cooperative Council of Oklahoma School Administrators

Oklahoma Association of Career and Technology Education (via Patrick McGregor, Executive Director)

Greg Winters, Superintendent of Canadian Valley Technology Center

Department of Libraries (via Susan McVey, Director)

Donna Morris, Executive Director of the Metropolitan Library System

The Wind Coalition (via Curt Roggow and Gary Huddleston – registered lobbyists)
Paul Sadler, Executive Director

Competitive Power Ventures
Steve Wolfgram, CPV Vice President and on Board of Directors of OK State Chamber (Steve has to leave at 2:30)

Acciona Solar Power
Greg Rice, Chief Financial Officer

Edison International
Bob Steins, Public Affairs Manager

EDP Renewables
Heath Herje

NextEra Energy Resources
Holly Carias

Chermac Energy (via Luke Martin, registered lobbyist)
Jaime McAlpine, President
Greg Adams, Consultant and rural landowner with wind development on family land

Clipper Wind
Nate Abercrombie

Tradewind Energy
Rod Northway

Tax Credit Tax Force

8-10-11

Opening Statement

Representative David Dank

Let me begin by thanking the members of the task force for being with us today. I think our first meeting was productive and set a good tone for our work. I know we will be better prepared with each meeting, and I expect we will revisit some of the specific issues and items we brought up last time.

Before we take up our topics for today, let me make a few comments on our first session.

We heard from defenders of two types of tax credits – historic preservation and the insurance guaranty funds.

We are talking about tens of millions of dollars in tax credits between those two categories. Those are tens of millions of dollars that the individual taxpayers of Oklahoma had to make up, or that were simply cut from our budget.

On the issue of historic preservation tax credits, we were assured that much of the work paid for by those tax credits would not have happened at all. And I confess that I have a real problem with that, and also with whether some of those projects were truly worthwhile.

There are no caps on these tax credits, and there is really very little oversight as far as whether they really do what they promise. I was downtown not long ago and noticed one of those projects, the film row buildings that benefited immensely from historic preservation tax credits. One of those buildings is now the home of a pizza parlor and a tee shirt shop. Are pizza parlors really what we are after with these tax credits?

And most of all, would landlords still attract pizza parlors without them?

The basic message we heard last time was that a lot of economic activities would not happen without these tax credits. But there are pizza parlors all over town with no tax credits involved.

In fact the vast majority of buildings either constructed or renovated don't get tax credits at all. So I really do question the value of these tax credits as economic drivers.

On the insurance tax credits, we were also told that without them insurance companies would not do business in Oklahoma. Well, I checked the numbers on that.

Twenty one other states have similar tax credits related to state guaranty funds. Twenty eight do not. Last time I checked, insurance was in fact being offered in those 28 states.

I don't know if you all followed the debate on the debt situation in Washington, but I was struck by something one of the senators said during that process.

Senator Rubio of Florida was arguing for some restraint on federal spending, and he noted that some federal tax credits could be done away with. He said this:

Some of them were the product of good policy, but some were the product of good lobbying.

I think that is the issue we face here in this task force.

Which tax credits are good policy?

And which ones are simply the result of good lobbying?

By the way, it never ends. I have been contacted recently by those pushing for three new tax credits. One wanted tax credits for charging electric cars. Another wanted them for storm shelters. And a third was pushing for tax credits for low income housing.

The simple truth is that we could exempt almost everything from taxation. And then I suppose we could apply for a historic preservation tax credit to turn this State Capitol building into a

casino or something . . . because state government would be broke and out of business.

There was one thing I did not hear at our last meeting, but I hope someone mentions it today . . . the simple need for people to take personal responsibility.

If you want to turn an old building into a pizza parlor, go for it, but don't expect the taxpayers to foot a major part of the bill for you.

If you want a storm shelter, great. But why should you expect your neighbor to subsidize it?

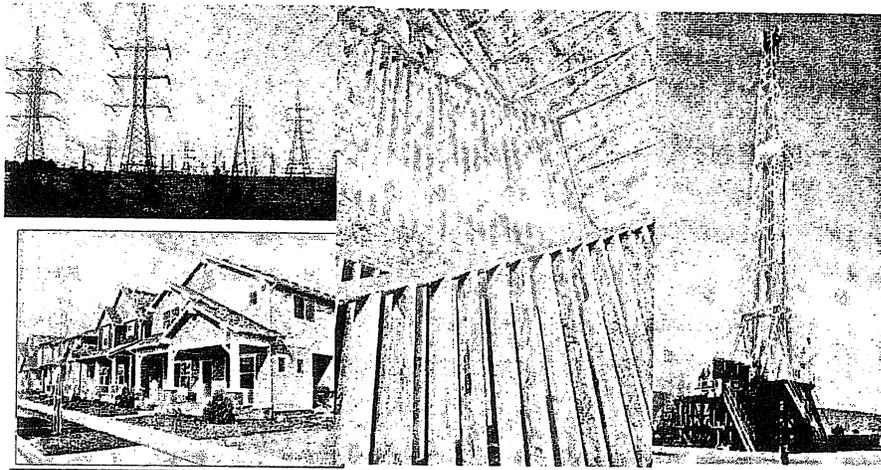
And if you get an electric car and want a place to plug it in, good for you. Just don't demand that the rest of us pay for the wiring.

I expect we will hear more on the tax credits we discussed last time, and we have a full agenda today. But let's try to keep a basic truth in mind . . . every time we grant a tax credit to Bob, Joe winds up paying the difference.

Those are my initial thoughts, and I welcome opening comments from other members of the task force . . .



Energy Efficient Tax Credits



1



Energy Efficient Tax Credits

Current and future energy demand

- 65% of total U.S. electricity consumption
- >40% of total U.S. primary energy use
- 30% of total U.S. greenhouse gas
- 136 million tons of construction and demolition waste
- 40% of raw material use globally
- Modest increases in energy efficiency would eliminate need for 600 power plants (DoE)
- Household energy expenditures can be reduced by as much as 50% for little cost

2



Energy Efficient Tax Credits

Consumption over next 20 years

- Natural gas consumption increase by 50%
- Demand for electricity increase by 45%
- To meet projected demand over next 20 years, U.S. will need 1,500 new power plants (75 per year)

3



Energy Efficient Tax Credits

For the homeowner, energy efficient building means:

- Lower operating cost
- Increased comfort
- Improved Indoor air quality
- Enhanced durability
- *More disposable income*

4



Energy Efficient Tax Credits

•Qualifications for the Energy Efficient Tax Credit

- Home built 2000 square feet or less
- For \$2000 tax credit – must be 20% more efficient than IECC 2004
- For \$4000 tax credit – must be 40% more efficient than IECC 2004
- Efficiency must be certified by a HERS rater
 - HERS = Home Energy Rating System
 - Requires 3rd Party verification
- Credit is transferrable

5



Energy Efficient Tax Credits

Additional Costs to Qualify for the Energy Efficient Tax Credit

1. More Energy Efficient Windows with Low-E Coating
2. Insulated Wall Systems
3. Air/Envelope Sealing
4. 90-95% efficient Furnaces (Code requires 80%)
5. 14-1/2 to 16 SEER A/C (Code requires 13 SEER)
6. Duct Sealing
7. Radiant Barrier Decking
8. HERS Process – inspections and testing
9. Manual J design (software that properly sizes HVAC)

6



Energy Efficient Tax Credits

Energy Efficient Tax Credit goes to the Builder

1. Changing the Market
2. Appraisal issues
 - A. OKCMAR – September 1 adding EE features and HERS to MLS
3. Affordability is still the goal
4. Helps recoup additional costs to meet higher standard
 - A. Estimated to create 2 jobs for every higher energy efficient house

7



Energy Efficient Tax Credits

Three way test of 2010 OK AG 16:

1. Serve a Public Purpose
2. Be supported by Adequate Consideration
3. Have Adequate Controls and Safe Guards

8



Energy Efficient Tax Credits

Controls and Safeguards

1. To obtain credit house must be built and tested
2. Testing is done by 3rd party verification
3. HERS rating sticker is placed on utility panel
4. Verification also supplied to Oklahoma Tax Commission
5. No credit is available until a house is constructed and verified, in other words, no partial credit

9



Energy Efficient Tax Credits

Adequate Consideration

1. Consideration is present because the credit is predicated on the ***actual construction and verification*** of an energy efficient house.

10



Energy Efficient Tax Credits

Public Purpose satisfied

1. Conservation of energy benefits all Oklahomans
 - Lessens impact on existing power grid
 - Postpones the need to build new power plants
 - Keeps utility rates lower for all consumers
2. Just like an income tax reduction, lower utility costs allows consumers to have more *disposable* income, generating economic development as it cycles through the economy
 - Purchase of consumable items; i.e., furniture, appliances, etc.
 - Expenditures on services; i.e., cleaners, restaurants, etc.

11



Energy Efficient Tax Credits

Transferability issue also raised by AG

1. Opinion says "does not appear", did not say it was unconstitutional
2. Adequate controls and safeguards exist –
 - A. House must be constructed
 - B. Must be verified by 3rd party rater
3. No one has that much tax liability – would make credit unusable – helps them recoup the extra cost

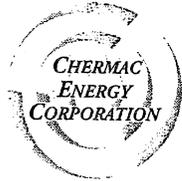
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Energy Efficient Tax Credits

**Before any questions would like to have
a presentation on HERS rating and
verification by**

**Kelly Parker
Guaranteed Watt Savers Systems**



Task Force for the Study of State Tax Credits and Economic Incentives

**5 Year Ad Valorem Exemption for
Qualifying Manufacturing Concerns and
the Ad Valorem Reimbursement Fund**

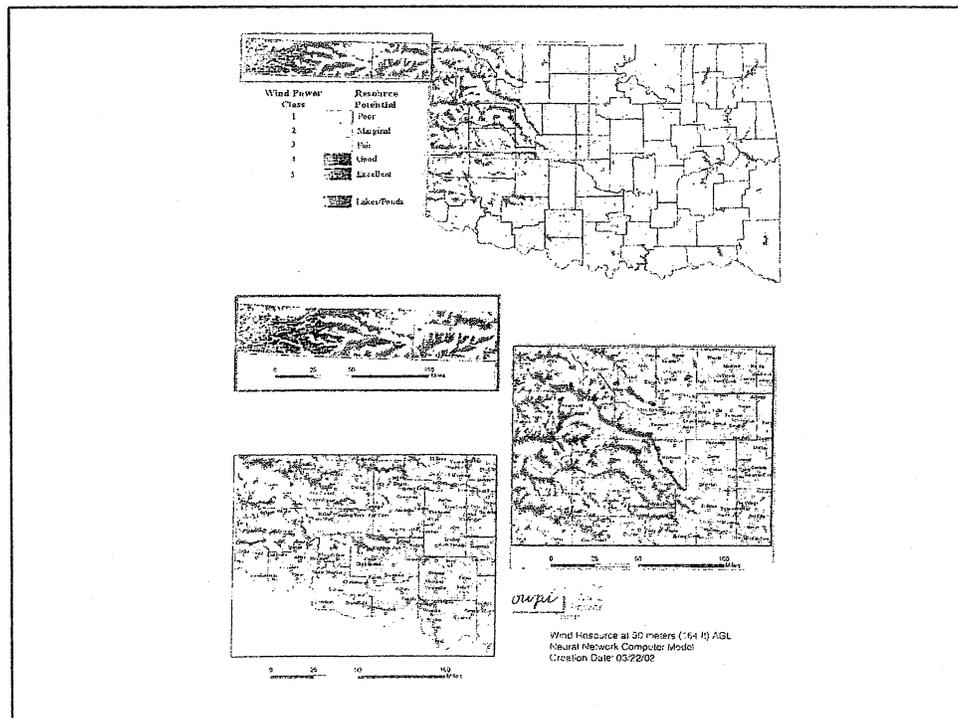
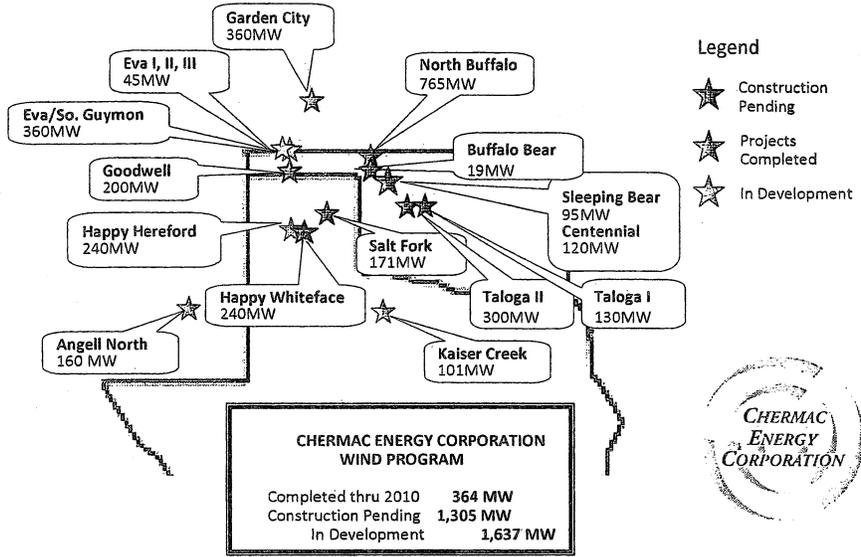
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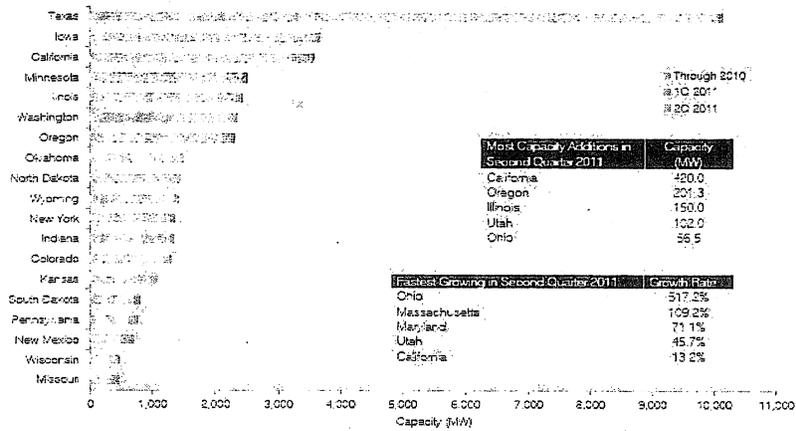
Chermac Energy Corporation

- In business for 29 years
- Registered Petroleum Engineering Firm
- Family owned business
- Native American owned business
- Oklahoma owned business
- Active wind developer since 2000
- Original developer of 120 MW OG&E Centennial Wind Farm, 95 MW Edison Sleeping Bear Wind Farm, 19 MW Edison Buffalo Bear Wind Farm, 130 MW Edison Taloga I Wind Farm

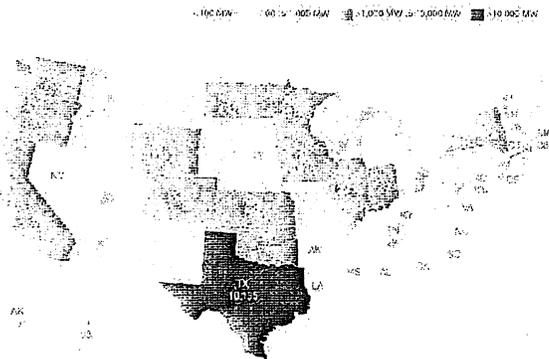
Chermac Wind Project Locations



U.S. Wind Power Capacity Installations, Top States



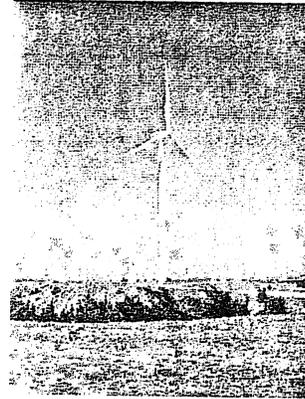
U.S. Wind Power Installations by State





Long Term Benefits for Oklahoma From Wind

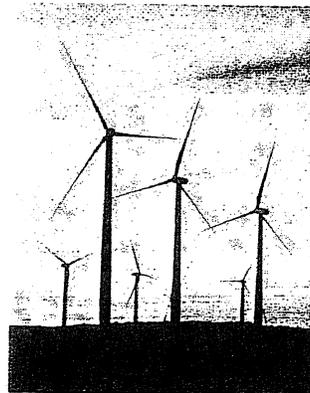
- Royalty Payments to Land Owners
- Expanded Tax Base for Schools and Counties for Rural Oklahoma
- High Quality Jobs for Rural Oklahoma
- Diversification of Income in Rural Communities
- Corporate Neighbor Benefits



Importance of Large Wind to Oklahoma Economy

***A 100 MW wind farm provides
increases in tax revenues to schools
and counties; good paying rural jobs,
royalties***

- \$20 Million in payroll in construction year
- \$867,000 per year to school districts
- \$280,000 per year to county government
- \$150,000 per year min. direct payroll employees
- \$1.5 Million per year contract labor payroll
- \$350-600,000 per year paid to landowners





Importance of Large Wind to Oklahoma Economy

- 1482 MW of built wind farms in Oklahoma since 2003 - **\$2.5 Billion of investment into the State**
- 489 MW of wind farms being built in Oklahoma with COD in 2011
- **Over \$850 Million wind investment in Oklahoma in 2011**
- Minimum 480 MW of wind development planned for completion by EOY 2012
- **Over \$850 Million planned investment for wind development in Oklahoma for 2012**



Wind Product Manufacturers/Services in Oklahoma

Company Name	Town, Oklahoma	Business Category
Boldt Construction	Tulsa/Oklahoma City	Project Construction
Eagle Claw Fabrication	Tulsa	Manufacturing Specialty Components
Ershigs, INC	Tulsa	Manufacturing Specialty Components
Hilti, Inc.	Tulsa	Manufacturing Bolt/Nut Systems
Matrix Service	Tulsa*	Turbine Maintenance
Suspended Climbing Systems Inc	Tulsa	Manufacturing Platform Lifts
The Crosby Group, Inc.	Tulsa	Manufacturing Rigging/Lifting Equip
Integra Wind Services, LLC	Oklahoma City*	Turbine Maintenance
Reel-O-Matic	Oklahoma City	Manufacturing Reels
DMI, inc.	Catoosa	Manufacturing Turbine Towers
Pelco Products, Inc	Claremore/(Oklahoma City*)	Manufacturing Transmission Poles
Bergey Windpower Co., Inc	Norman*	Manufacturing Small Wind Turbines
Ditch Witch	Perry*	Manufacturing Construction Equipment
Goff, Inc	Seminole*	Manufacturing Blasting Machines

*Worldwide Headquarters



Oklahoma Tax Benefits for Wind Development



- State Production Tax Credit (\$5/MWh produced, expires 2016)
- Sales Tax Exemption for New Manufacturing Facility (90% of Cost Sales Tax Exempt)
- Ad Valorem Tax Exemption for Qualifying Manufacturing
- *Need All Three to Compete with Texas and Kansas as well as Worldwide for Wind Development Capital*



Importance of Large Wind to Oklahoma Economy

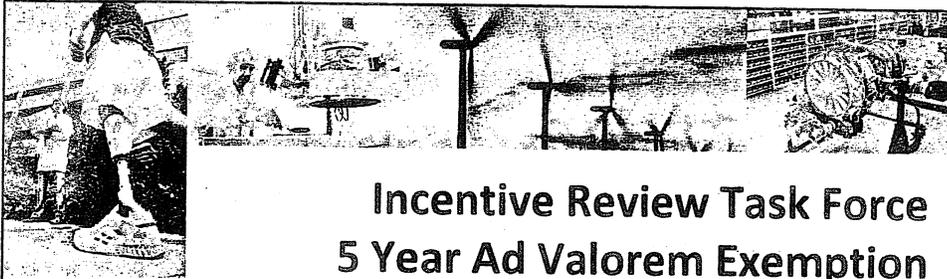
Oklahoma is 9th in US wind production today and can be the **largest wind producing state** in USA per NREL/DOE/AWEA study by 2024 (over 20 GW) based on present Oklahoma **tax structure/benefits** and the State's great wind attributes.

Any negative change will bring new Oklahoma wind to a standstill, not only in wind farms built but also in manufacturing and service jobs lost in Tulsa, Catoosa, OKC, Seminole, Claremore, & Woodward, etc.



Thank You!





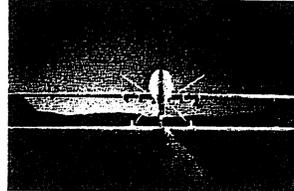
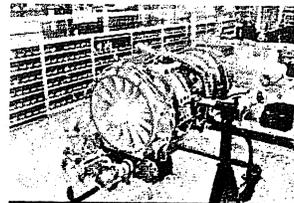
Incentive Review Task Force 5 Year Ad Valorem Exemption August 10, 2011

Presented by:
Jon Chiappe
Policy, Research and Economic Analysis



Incentive Review Committee

- Reviewed the 5 Year Ad Valorem Exemption in 2006
- Found that companies that have used the 5 year ad valorem exemption have performed better than the industry as a whole
- Recognized that, while special appropriations have been necessary recently, the incentive is an effective means of attracting new locations and new expansions to OK



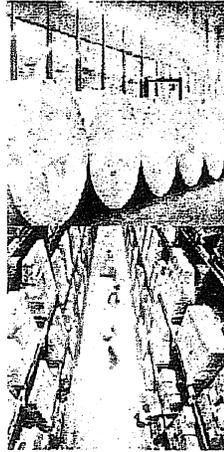
Ad Valorem Incentive

Evaluation of the Incentive

- The complete incentive package may be evaluated in a company's relocation or expansion decision
- Individual incentives are not usually evaluated in isolation
- Companies appreciate certainty over uncertainty

Impacts of the Incentive

- Reduces operating expenditures
- Increases investment flexibility

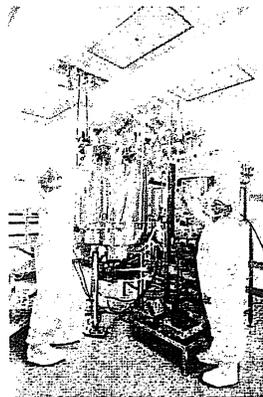


OKLAHOMA
DEPARTMENT OF COMMERCE

Recent Projects

- Dorada Poultry – Ponca City
- FlightSafety – Broken Arrow
- Baker Hughes – Claremore
- Siemens– Woodward
- Umicore – Quapaw
- Thermo Fisher Scientific – Miami
- Malarkey Roofing – Oklahoma City
- Ameron – Tulsa
- Mid America Steel & Wire – Madill
- Orchids Paper – Pryor

- Average wages >\$47,000

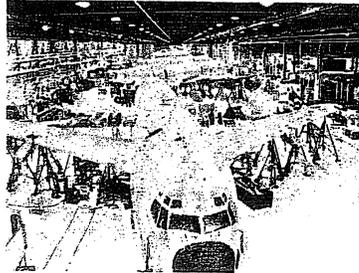


OKLAHOMA
DEPARTMENT OF COMMERCE

Future Projects

Projects in the past 2 months

- Approximately 30 projects
- Total Company Investment > \$1 billion
- Projected Jobs 1,437 start
- Projected Jobs 6,206 at full capacity
- Average Wages \$43,400
- Total Annual Payroll \$269 million



Ad Valorem Incentive

- Average 5 Year Ad Valorem \$1.98 million
- Distribution of the incentive ranges from \$22,000 to \$29 million over five years



Competing State Incentives

Alabama

- Property Tax Abatements

Louisiana

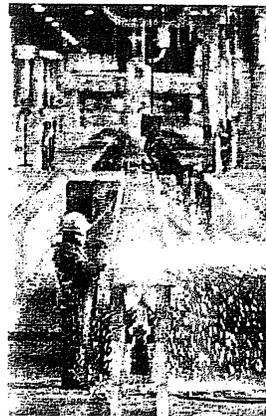
- Industrial Tax Exemption Program

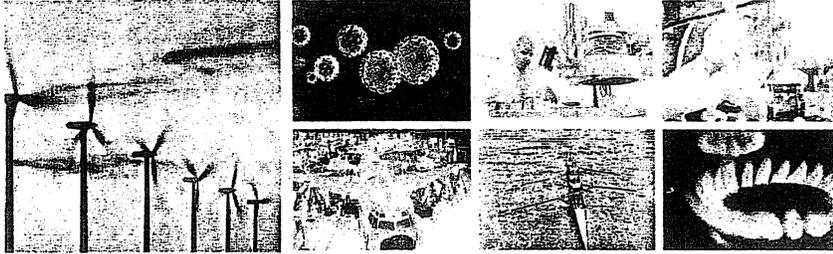
Michigan

- Industrial Property Tax Abatement
- Border County Incentives

Texas

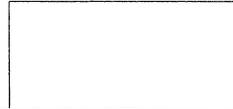
- Property Tax Abatement





For more information:
www.okcommerce.gov

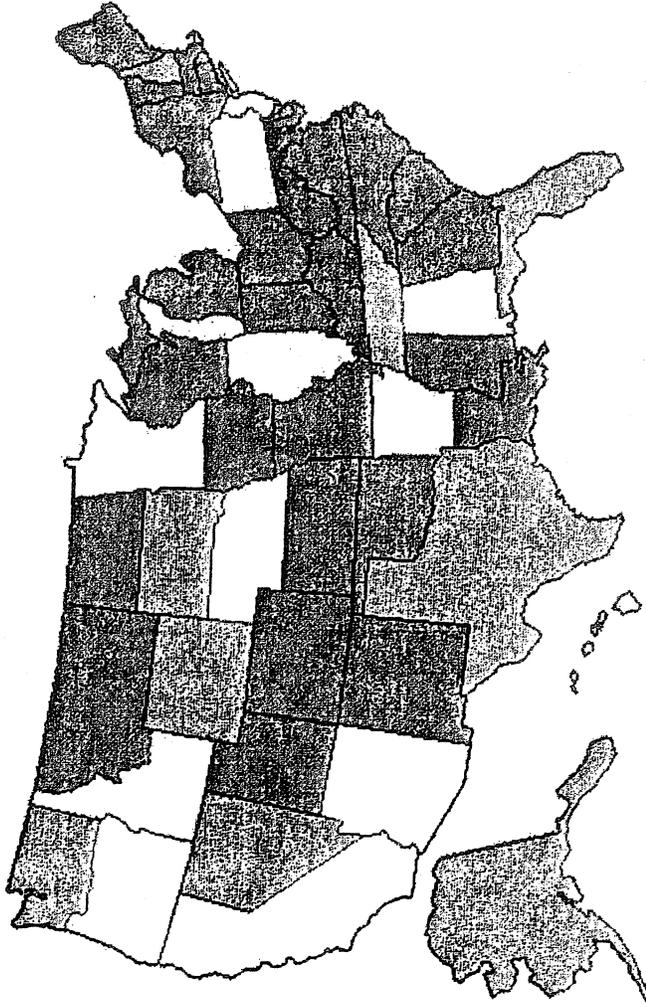
Email: melvin_mungai@okcommerce.gov
jon_chiappe@okcommerce.gov





State Tax Credits for Historic Preservation *A State-by-State Summary*

www.nationaltrust.org ■ policy@nthp.org ■ 202-588-6167
Chart last updated: July 2007



- States with income tax incentives
- States that do not tax income

Terms and Abbreviations Used:

- CARRY BACK – the ability to apply current tax credits against state income taxes due in preceding years.
- CARRY FORWARD – the ability to apply current tax credits against taxes due in future years.
- CLG (certified local government) – a local government certified by the state historic preservation officer as having the capacity to administer historic preservation programs, including grants under the National Historic Preservation Act.
- SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION (DOI) – general standards adopted by the Department of the Interior governing the rehabilitation of historic buildings. Rehabilitation must be carried out in accordance with these standards to qualify for federal rehabilitation tax credits for historic buildings as well as for many state tax incentives or financing programs.
- RECAPTURE PERIOD – period of time during which specified action, such as a change in ownership of the property, will trigger an obligation to pay back a ratable portion of the tax credit previously claimed.
- SUNSET DATE – the date on which a statutory provision will expire.

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Alabama</p> <p>Alabama Historical Commission 334-242-3184 www.preserveala.org</p>			<p>Alabama does not offer a rehabilitation tax credit at this time</p>
<p>Arizona</p> <p>State Historic Preservation Office 602-542-4009 www.pr.state.az.us/partnerships/shpo/shpo.html</p>			<p>Arizona does not offer a rehabilitation tax credit at this time.</p>
<p>Arkansas</p> <p>Arkansas Historic Preservation Program 501-324-9880 www.arkansaspreservation.org</p>			<p>Arkansas does not offer a rehabilitation tax credit at this time.</p>
<p>Alaska</p> <p>Office of History & Archeology: 907-269-8721 www.dnr.state.ak.us/parks/oha/shpo/shpo.htm</p>			<p>Note: Alaska has no state income tax.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>California</p> <p>California Office of Historic Preservation 916-653-6624 www.ohp.parks.ca.gov</p>	<p>20% rehabilitation credit for eligible properties designated by national, state, or local government and contributing buildings in historic districts; 20% state credit can be coupled with 20% federal rehabilitation tax credit for commercial property.</p>	<p>20% rehabilitation credit for eligible properties designated by national, state, or local government and contributing buildings in historic districts.</p>	<p>California does not offer a rehabilitation tax credit at this time.</p>
<p>Colorado</p> <p>Colorado Historical Society 303-866-3395 http://www.coloradohistory-oahp.org/programareas/ftc/taxcredits.htm</p>	<p>20% rehabilitation credit for eligible properties designated by national, state, or local government and contributing buildings in historic districts; 20% state credit can be coupled with 20% federal rehabilitation tax credit for commercial property.</p>	<p>20% rehabilitation credit for eligible properties designated by national, state, or local government and contributing buildings in historic districts.</p>	<p>Cap: \$50,000 per project for any tax year; no annual statewide cap. Minimum investment: \$5,000. Transferability: carry forward 10 years. Other: DOI standards apply. Work must be completed within 2 years of inception date of project. CLG can review and approve project. Sunset date for credit is 2009. Usage: Average credit given is typically \$10,000-\$13,000, indicating smaller rehabilitation projects are using the credit. Approximately 440 projects approved since the program began in 1991. A list of the Certified Local Governments and their individual incentives can be found at http://www.coloradohistory-oahp.org/programareas/clg/CLGcomp.pdf.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Connecticut</p> <p>Connecticut Historical Commission 860-566-3005 www.chc.state.ct.us</p> <p>http://www.cultureandtourism.org/cct/cwp/view.asp?a=2127&q=302270&cctPNavCtr=#435</p> <p>57</p>	<p>25% credit for rehabilitating commercial or industrial buildings for "residential use."</p>	<p>30% rehabilitation credit for owner-occupied residential, including apartments up to 4 units; properties must be on National and/or State Register and located in a targeted area.</p>	<p>Cap: \$2.7 million per project cap and \$15 million annual statewide cap for rehabilitating commercial or industrial buildings for residential use; \$30,000 per dwelling and \$3 million annual statewide cap for owner-occupied structures.</p> <p>Minimum investment: 25% of assessed building value prior to rehab for commercial; \$25,000 for owner-occupied structures.</p> <p>Transferability: freely transferable either by direct sale or disproportionate allocation among partners of a syndication partnership; alternatively, credit for rehab of commercial or industrial structures for residential use can be carried forward 5 years. Carry forward 4 years for owner-occupied structures.</p> <p>Other: one unit must be owner-occupied for 5 years (recapture period 5 years for owner-occupied credit).</p> <p>Usage: Commercial credit went into effect 2006.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Delaware</p> <p>Division of Historical and Cultural Affairs, Preservation Section 302-736-7400 www.history.delaware.gov/preservation/taxcredit.shtml</p>	<p>20% rehabilitation credit for income-producing properties; additional 10% credit for rental projects that qualify as low-income housing.</p>	<p>30% rehabilitation credit for owner-occupied residential properties; additional 10% credit for rental and owner-occupied projects that qualify as low-income housing.</p>	<p>Cap: \$20,000 per homeowner; no income-producing property cap; \$5 million annual statewide cap. Minimum investment: none Transferability: credits can be transferred, sold, or assigned to anyone with Delaware income tax or franchise tax liability; carry forward 10 years. Other: Credit to be claimed in annual progress-based installments with phased projects. Usage: Approximately 41 projects approved since the tax credit program began in 2001. Kent County Levy Court passed (9/28/99) county property tax credit equal to 50% of qualified rehabilitation. Dover's property tax credit program covers exterior improvements only, must meet DOI standards.</p>
<p>Florida</p> <p>Florida Division of Historical Resources 850-245-6333 www.flheritage.com</p>			<p>Note: Florida has no state income tax.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Georgia Georgia Historic Preservation Division 404-656-2840 www.dnr.state.ga.us/dnr/histpres</p>	<p>20% rehabilitation tax credit for eligible income-producing properties.</p>	<p>10% credit for owner-occupied properties in non-target area; 15% for owner-occupied properties in target area.</p>	<p>Cap: \$5,000 per project; no annual statewide cap. Minimum investment: none Transferability: Carry forward 10 years</p>
<p>Hawaii Hawaii State Historic Preservation Division 808-692-8015 http://www.hawaii.gov/dlnr/hpd/</p>			<p>Hawaii does not offer a rehabilitation tax credit at this time.</p>
<p>Idaho Idaho State Historical Society 208-334-2682 http://www.idahohistory.net/shpo.html</p>			<p>Idaho does not offer a rehabilitation tax credit at this time.</p>
<p>Illinois Illinois Historic Preservation Agency 217-785-1153 http://www.illinoishistory.gov/PS/taxfreeze.htm</p>			<p>Illinois does not offer a rehabilitation tax credit at this time.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Indiana Indiana Department of Natural Resources 317-232-1646 http://www.state.in.us/dnr/historic/incentives.html</p>	<p>20% rehabilitation credit for commercial, rental housing, barns, and farm buildings that are on the State Register.</p>	<p>20% rehabilitation credit for commercial, rental housing, barns, and farm buildings that are on the State Register; 20% rehabilitation tax credit for owner-occupied residential.</p>	<p>Cap: \$100,000 of tax credits per project for commercial, rental housing, barns and farm buildings; no per project cap for owner-occupied; \$450,000 annual allocation for commercial, rental, barns and farm buildings; \$250,000 annual allocation for owner-occupied residences. Minimum investment: \$10,000 over 2 years for commercial, rental housing, barns and farm buildings; \$10,000 for owner-occupied. Transferability: carry forward 15 years for commercial, rental housing, barns and farm buildings. Other: pre-approval of work required, no fees, and DOI standards apply for commercial, rental housing, barns, and farm buildings. Usage: Approximately 179 commercial projects approved since the program began in 1994. Approximately 60 residential projects approved since the program began in 2002.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Iowa</p> <p>State Historical Society of Iowa Historic Preservation and Cultural and Entertainment District Tax Credit Program 515-281-4137 http://www.iowahistory.org/preservation/financial_assistance/state_tax_credit/ia_state_tax_credit.html</p>	<p>25% rehabilitation tax credit for eligible commercial properties and barns built before 1937.</p>	<p>25% rehabilitation tax credit for income-producing, non-income-producing residential properties and barns built before 1937.</p>	<p>25% rehabilitation tax credit for eligible commercial properties, residential properties and barns built before 1937.</p> <p>Cap: \$10 million annual statewide cap in State Fiscal Year 2008, \$15 million in SFY2009, and \$20 million in SFY2010 and each fiscal year thereafter; no per project cap.</p> <p>Minimum investment: For commercial property rehabilitation; costs must equal at least 50% of the assessed value of the property, excluding the land, prior to rehabilitation. For residential properties or barns, the amount of rehab costs must equal at least \$25,000 or 25% of the assessed value of the property, excluding the land, prior to rehab. For mixed-use properties, the rehab costs shall not exceed \$100,000 per residential unit.</p> <p>Transferability: credits are transferable.</p> <p>Refunds: Full refunds permitted for credits that exceed tax liability; or in lieu of a refund may be credited to tax liability for the following year.</p> <p>Other: DOI standards apply. Pre-approval of work encouraged. Review fees apply.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Kansas</p> <p>Kansas State Historical Society 785-272-8681 http://www.kshs.org/resource/statetax.htm</p>	<p>25% rehabilitation tax credit for qualified expenses incurred during a qualified rehabilitation project for any property listed on the National Register or the State Register.</p>	<p>25% rehabilitation tax credit for qualified expenses incurred during a qualified rehabilitation project for any property listed on the National Register or the State Register.</p>	<p>Cap: none.</p> <p>Minimum investment: \$5,000 on qualified expenditures</p> <p>Transferability: credits freely transferable; carry forward 10 years.</p> <p>Other: DOI standards apply. Pre-approval of proposed work required.</p> <p>Usage: Approximately 500 projects have been reviewed since September 2001 when the program began. During that time, approximately \$68 million dollars has been invested in rehabilitation of historic properties in Kansas.</p>
<p>Kentucky</p> <p>Kentucky Heritage Council 502-564-7005 http://www.heritage.ky.gov</p>	<p>20% rehabilitation credit for non-residential properties.</p>	<p>30% rehabilitation tax credit for owner-occupied residential properties.</p>	<p>Cap: \$3 million annual statewide cap for total program; for owner-occupied residential, total credit can not exceed \$60,000; \$400,000 per project cap for all other properties.</p> <p>Minimum investment: \$20,000 for owner-occupied; \$20,000 or the adjusted bias, whichever is greater, for all other properties.</p> <p>Transferability: credits freely transferable.</p> <p>Usage: 43 projects approved in first year of program represent 16 counties and demonstrates \$17,272,802.95 private investment in rehab.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Louisiana Louisiana Department of Culture, Recreation & Tourism 225-342-8160 http://www.crt.state.la.us/hp/taxincentives.htm</p>	<p>25% rehabilitation credit for income-producing properties in downtown development districts.</p>	<p>25% rehabilitation credit for owner-occupied residential and owner-occupied mixed-use qualified properties.</p>	<p>Cap: The commercial credit is capped at \$5 million per taxpayer (or entity) for any number of structures rehabilitated in a particular Downtown Development District.</p> <p>The residential credit is capped at \$25,000 per project for owner-occupied; \$1 million statewide annually.</p> <p>Minimum investment: For Commercial credit, minimum of \$10,000 in qualifying expenditures and for Residential Credit, a minimum of \$20,000 in qualifying expenditures.</p> <p>Transferability: the commercial credit may be carried forward for 5 years and is transferable.</p> <p>Other: The residential credit must be taken in five equal annual installments and is non-transferable.</p> <p>Usage: The State Residential Tax Credit Program became effective on January 1, 2006.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Maine Maine Historic Preservation Commission 207-287-2132 http://www.maine.gov/mhpc</p>	<p>20% rehabilitation credit for income producing properties that qualify for the federal tax credit. Must be on, or eligible for, the National Register.</p>		<p>Cap: \$100,000 per year, per taxpayer; no annual statewide cap. Minimum investment: investment in excess of the adjusted basis of the building or \$5,000 during taxable year, whichever is greatest. Transferability: usable by owner or lessee. Other: Compliance period is 5 years with pro rata recapture. DOI standards apply for rehabilitation and qualified costs. Useable by owner or lessee. Final project approval by Maine Historic Preservation Commission and the National Park Service.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Maryland Maryland Historical Trust 410-514-7628 http://www.marylandhistoricaltrust.net/taxcr.html</p>	<p>20% credit for commercial properties.</p>	<p>20% credit for owner-occupied properties.</p>	<p>Cap: commercial – \$3 million per project; Governor required to include in budget \$30 million for 2007, 2008, but legislature not required to appropriate funds for commercial projects; Not more than 50% of funds available in any year may go to Baltimore City or any one county. Owner-occupied – \$50,000 in credits per project; no annual statewide cap; legislative appropriation not required. Minimum investment: \$5,000 for homeowners and a rehab cost that exceeds the adjusted basis of the property for commercial applicants. Transferability: credits fully refundable. Other: competitive award process for commercial credits requires preference for geographic distribution; no competitive award process for owner occupied structures. Nonprofits are also eligible. Usage: Approximately 500 commercial and 2500 residential projects approved since the tax credit program began in 1997.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Massachusetts Massachusetts Historical Commission 617-727-8470 http://www.sec.state.ma.us/mhc/mhctax/taxidx.htm</p>	<p>20% rehabilitation credit for eligible income-producing properties older than 50 years.</p>		<p>Cap: \$50 million annual statewide; no per project cap Minimum investment: none Transferability: Carry forward 5 years. Other: DOI standards apply. December 2009 sunset for entire program. Usage: Program initiated in 2003. In 2006, cap rose and program extended till 2010.</p>
<p>Michigan Michigan Historical Center 517-373-1630 http://www.michigan.gov/hpccredit</p>	<p>25% rehabilitation tax credit for historic commercial buildings; reduces to 5% when federal 20% rehabilitation tax credit is claimed for commercial properties. Must be National, State, or local designated property.</p>	<p>25% rehabilitation tax credit for owner-occupied residential buildings. Must be National, State, or local designated property.</p>	<p>Cap: none. Minimum investment: 10% of the State Equalized Value (SEV) of the property. Transferability: carry forward 10 years. Other: 5 years recapture period. DOI standards apply. Usage: Approximately 600 projects approved since 1999; average 75 to 80 Part 3 certifications per year.</p>
<p>Minnesota Minnesota Historical Society 651-296-2747 http://www.mnhs.org/about/legis/legis.html</p>			<p>Minnesota does not offer a rehabilitation tax credit at this time.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Mississippi</p> <p>Division of Historic Preservation, Mississippi Department of Archives and History 601-576-6940 http://www.mdah.state.ms.us/hpres/prestaxincent.html</p>	<p>25% credit for commercial property.</p>	<p>25% credit for owner-occupied residences.</p>	<p>Caps: none.</p> <p>Minimum investment: 50% of total basis for commercial properties; \$5,000 for owner-occupied residences.</p> <p>Transferability: Credit may be carried forward 10 years.</p> <p>Usage: New program effective as of 2006.</p>
<p>Missouri</p> <p>Missouri Historic Preservation Program 573-751-7858 www.dnr.mo.gov/shpo http://www.dnr.mo.gov/shpo/TaxCredits.htm</p>	<p>25% rehabilitation tax credit for commercial properties listed on the National Register or in a certified historic district.</p>		<p>Caps: none.</p> <p>Minimum investment: costs must exceed 50% of the adjusted basis of structure.</p> <p>Transferability: carry back 3 years, carry forward 10 years.</p> <p>Other: DOI standards apply.</p> <p>Usage: Approximately 905 projects approved since the program began in 1998. During this period, \$485,318,415 in credits were issued for \$1,941,799,354 allowable rehab costs representing a total investment of \$2,357,650,759 in Missouri's older communities.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Montana</p> <p>Montana State Historic Office 406-444-7715 www.his.state.mt.us</p>	<p>Income-producing certified historic property receives automatic 5% state rehabilitation tax credit if property qualifies for the 20% federal rehabilitation tax credit.</p>		<p>Caps: none.</p> <p>Minimum investment: must meet the requirements for the 20% Federal Rehabilitation Tax Credit.</p> <p>Transferability: carry forward 7 years.</p>
<p>Nebraska</p> <p>Nebraska State Historical Society 402-471-4787 http://www.nebraskahistory.org/histpres/vip/index.htm</p>			<p>Nebraska does not offer a rehabilitation tax credit at this time.</p>
<p>Nevada</p> <p>Nevada Historic Preservation Office 775-684-3440 http://dmla.clan.lib.nv.us/docs/shpo/</p>			<p>Note: Nevada has no state income tax.</p>
<p>New Hampshire</p> <p>New Hampshire Division of Historical Resources 603-271-6435 http://www.nh.gov/hdhr/bartaxincentives.html</p>			<p>Note: New Hampshire only taxes dividends and interest income.</p> <p>New Hampshire has a tax incentive to preserve historic barns and agricultural structures (RSA79-D) Visit http://www.nh.gov/hdhr/bartaxincentives.html for more information.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>New Jersey</p> <p>New Jersey Historic Preservation Office 609-984-0176 www.state.nj.us/dep/hpo</p>			<p>New Jersey does not offer a rehabilitation tax credit at this time.</p>
<p>New Mexico</p> <p>New Mexico Historic Preservation Division: 505-827-6320 http://www.nmhistoricpreservation.org/PROGRAMS/creditsloans_taxcredits.html</p>	<p>50% of rehab costs for all properties listed in the State Register of Cultural Properties</p>	<p>50% of rehab costs for all properties listed in the State Register of Cultural Properties</p>	<p>Caps: \$25,000 per project for projects not located within an Arts and Cultural District; \$50,000 per project cap for projects located within an Arts and Cultural District; no annual statewide cap. Minimum investment: none.</p> <p>Transferability:</p> <p>Other: DOJ standards apply. Carry forward 4 years. Pre-approval required. Also applies to stabilization and protection of archaeological sites listed in the State Register of Cultural Properties.</p> <p>Usage: Approximately 580 projects approved since the program began in 1984.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>New York</p> <p>NYS Historic Preservation Office 518-237-8643 http://nysparks.state.ny.us/shpo/</p>	<p>A state rehabilitation credit equal to 30% of the federal credit value (approximately 6% of the rehabilitation cost) is available for commercial properties that receive the federal rehabilitation tax credit.</p>	<p>A 20% state rehabilitation credit is available for owner-occupied residences listed on the State or National Register and located in federally-recognized distressed census tracts</p>	<p>Cap: \$100,000 per commercial project; \$25,000 cap per homeowner project. No annual aggregate statewide caps.</p> <p>Minimum investment: commercial projects, same as federal requirements; \$5,000 for homeowner projects.</p> <p>Transferability: None. Unlimited carry-forward for commercial and homeowner credits.</p> <p>Other: For homeowner tax credit, municipal authorization required to identify areas of use at local level. Pre-approval and completed work certification required.</p> <p>Usage: New program effective as of January 1, 2007.</p> <p>New York State Historic Barns Tax Credit: To qualify for an income tax credit equal to 25% of the cost of rehabilitating historic barns: it must be a barn; it must meet the tax definition of income-producing; it must have been built or placed in agricultural service before 1936; the rehabilitation cannot "materially alter the historic appearance" of the barn; and only costs incurred after January 1, 2003 are eligible.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>North Carolina</p> <p>North Carolina State Historic Preservation Office 919-733-4763 http://www.hpo.dcr.state.nc.us/tchome.htm</p>	<p>20% rehabilitation tax credit for income-producing property owners, and a 30%-40% credit for income producing historic industrial properties.</p>	<p>30% rehabilitation tax credit for historic homeowners.</p>	<p>Cap: none. Minimum investment: \$25,000 for homeowners. Transferability: None. Unlimited carry-forward for commercial and homeowner credits. Other: state credit must be taken in equal annual installments over 5 years. The 20% commercial rehabilitation credit can be combined with federal rehabilitation tax credit of 20%. Usage: Approximately 412 commercial and 762 residential projects approved since the program began in 1998. New credit for historic industrial buildings effective in 2006.</p>
<p>North Dakota</p> <p>State Historical Society of North Dakota 701-328-2666 http://www.state.nd.us/hist/RehabCredits.htm</p>	<p>25% tax credit for preservation and renovation of eligible property that is part of a Renaissance Zone Project.</p>	<p>25% tax credit for preservation and renovation of eligible property that is part of a Renaissance Zone Project.</p>	<p>Cap: \$250,000 per project; no annual statewide. Minimum investment: none Transferability: carry forward 5 years.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Ohio Ohio Historic Preservation Office 614-298-2000 www.ohiohistory.org/resource/histpres</p>	<p>25% of qualified rehabilitation expenditures for approved projects can receive state credit. Credit is fully refundable.</p>	<p>25% of qualified rehabilitation expenditures for approved projects can receive state credit. Credit is fully refundable.</p>	<p>Cap: No aggregate annual cap, but program is limited to 100 projects per year for two years. Applications to be accepted in the order filed. The Ohio Department of Development (ODOD) must conduct a cost benefit analysis on each proposed project; only projects that will result in a net gain in state and local taxes will be approved. ODOD must determine that the tax credit is a major factor in applicant's decision to rehabilitate the building or increase the level of investment in the building.</p> <p>Minimum investment: No express requirement for minimum investment, but ODOD has authority to establish eligibility requirements.</p> <p>Transferability: This credit can not be transferred and must be taken by the owner.</p> <p>Other: Pre-approval of work required; DOI Standards for Rehabilitation apply.</p> <p>Usage: new program effective July 1, 2007 through June 30, 2009.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Oklahoma</p> <p>Oklahoma State Historic Preservation Office 405-521-6249 www.okhistory.org/shpo/shpom.htm</p>	<p>20% rehabilitation tax credit for any certified rehabilitation that meets the requirements for the federal rehabilitation credit.</p>	<p>20% rehabilitation tax credit for any certified rehabilitation that meets the requirements for the federal rehabilitation credit.</p>	<p>Cap: none.</p> <p>Minimum investment: same as federal credit (\$5,000).</p> <p>Transferability: freely transferable at any time for 5 years following the year of qualifications; credit may be carried forward for 10 years against subsequent income tax liability.</p> <p>Other: Does not apply to owner-occupied houses.</p> <p>Usage: Program created in 2005 and last amended in 2006.</p>
<p>Oregon</p> <p>Oregon State Parks & Recreation Department 503-378-4168 http://www.oregon.gov/OPRD/HCD/SHPO/tax_assessment.shtml</p>			<p>Oregon does not offer a rehab tax credit at this time.</p>
<p>Pennsylvania</p> <p>Pennsylvania Bureau for Historic Preservation 717-787-4363 www.phmc.state.pa.us/bhp/overview.asp?secid=25</p>			<p>Pennsylvania does not offer a rehab tax credit at this time.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Rhode Island</p> <p>Rhode Island Historical Preservation & Heritage Commission 401-222-2678 http://www.preservation.ri.gov/credits/</p>	<p>30% rehabilitation tax credit for income-producing projects; State Register properties qualify.</p>	<p>20% rehabilitation tax credit for owner-occupied residential. State Register properties qualify.</p>	<p>Cap: \$2,000 per year for owner-occupied; no per project for income-producing projects; no annual aggregate statewide cap.</p> <p>Minimum investment: must exceed 50% of adjusted basis of structure for income-producing projects; \$2,000 for owner-occupied residential.</p> <p>Transferability: credits for income-producing projects are freely transferable and can be carried forward 10 years; unused credits for owner-occupied residential can be carried forward as long as property is maintained.</p> <p>Other: interior and exterior rehab qualifies for income-producing properties; only exterior rehab qualifies for owner-occupied residential properties.</p>
<p>South Carolina</p> <p>South Carolina State Historic Preservation Office 803-896-6100 http://www.state.sc.us/scdah/hpfinancialinc.htm</p>	<p>10% state rehabilitation tax credit for income-producing properties that also receive federal rehabilitation tax credit.</p>	<p>25% rehabilitation tax credit for owner-occupied residential properties.</p>	<p>Cap: none.</p> <p>Minimum investment: \$15,000 rehab expenses within a 36 month period for owner-occupied.</p> <p>Transferability: banks are eligible for the credit and allow partnerships to allocate the credits among the partners as they choose.</p> <p>Other: Taxpayer allowed one credit per structure per 10 year period. Credit must be taken in five equal annual installments.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>South Dakota South Dakota State Historic Preservation Office 605-773-3458 http://www.sdhistory.org/HP/hp_txmor.html</p>			<p>Note: South Dakota has no state income tax.</p>
<p>Tennessee Tennessee Historical Commission 615-532-1550 www.state.tn.us/environment/hist</p>			<p>Note: Tennessee only taxes dividends and interest income.</p>
<p>Texas Texas Historical Commission 512-463-6100 www.thc.state.tx.us</p>			<p>Note: Texas has no state income tax.</p>
<p>Utah Utah State Historical Society 801-533-3500 http://history.utah.gov/historic_preservation/financial_assistance/index.html</p>		<p>20% rehabilitation tax credit for residential properties – both owner-occupied and non-owner-occupied.</p>	<p>Cap: none. Minimum investment: \$10,000 over 3 years. Transferability: n/a Other: DOI standards apply. No fees. Usage: Approximately 750 residential projects approved, \$65 million invested in rehabilitation and 1750 housing units rehabilitated, since the program began in 1993.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Vermont</p> <p>Vermont Division for Historic Preservation 802-828-3211 www.historicvermont.org or http://www.historicvermont.org/financial/credits.html</p>	<p>10% add on tax credit for projects approved for the federal 20% rehabilitation tax credit. Eligible projects must be located within a designated "downtown" or "village center."</p>		<p>Cap: \$50,000 per project for 10% credit projects; \$1.5 million annual statewide. No more than 30% of total annual allocations can go to projects in a single municipality.</p> <p>Minimum investment: \$5000.</p> <p>Transferability: carry forward 10 years; in lieu of a tax credit, the state will issue a bank credit certificate which may be sold to a bank to for cash or other terms.</p> <p>Other: Eligible projects must be located within a designated "downtown" or "village center"</p> <p>Usage: Program last expanded in 2006.</p> <p>25% façade tax credit for buildings built before 1983 that do not qualify for the federal rehabilitation credit</p> <p>Cap: \$25,000 per project for 25% façade credit projects</p> <p>50% Credit for Elevators, Lifts, Sprinklers and for Code Improvements that bring the building into code compliance.</p> <p>Cap: \$50,000 for elevator, \$12,000 for lifts, \$50,000 for sprinkler, and \$25,000 for code work.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>Virginia</p> <p>Virginia Department of Historic Resources 804-367-2323 http://www.dhr.virginia.gov/tax_credits/tax_credit.htm</p>	<p>25% rehabilitation tax credit for certified historic, income-producing buildings.</p>	<p>25% rehabilitation tax credit for certified historic, owner-occupied residential properties.</p>	<p>Cap: none.</p> <p>Minimum investment: rehabilitation expenses must amount to at least 25% of the assessed value for owner-occupied buildings and at least 50% of the assessed value for all other eligible structures, or \$5,000, which ever is greater.</p> <p>Transferability: carryover 10 years; state credit may be syndicated through partnership arrangement.</p> <p>Other: DOI standards apply.</p> <p>Usage: Approximately 1300 projects approved since the program began in 1997.</p>
<p>Washington</p> <p>Washington Department of Archeology & Historic Preservation 360-407-0753 http://www.dahp.wa.gov/</p>			<p>Note: Washington has no state income tax.</p>

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>West Virginia</p> <p>West Virginia Historic Preservation Office 304-558-0220 http://www.wvculture.org/shpo/tcresoverview.html</p>	<p>10% rehabilitation tax credit for income-producing structures eligible for federal rehabilitation tax credit.</p>	<p>20% rehabilitation tax credit for private residential structures listed on National Register.</p>	<p>Cap: none.</p> <p>Minimum investment: For homeowner's credit, 20% of the property's basis.</p> <p>Transferability: For homeowner's credit, can carry forward 5 years and/or may be transferred.</p> <p>Other: DOI standards apply. Properties must be listed on national, state, or local registers.</p> <p>Usage: Approximately 95 commercial projects approved since the program began in 1990. Approximately 29 residential projects approved since the program began in 2000.</p>
<p>Wisconsin</p> <p>Wisconsin Historical Society 608-264-6490 http://www.wisconsinhistory.org/hp/architecture/index.asp</p>	<p>5% rehabilitation credit that can be coupled with the federal 20% rehabilitation credit is available for commercial properties</p>	<p>25% rehabilitation tax credit for owner-occupied residential properties.</p>	<p>Cap: \$10,000 per project for owner-occupied, no per project for commercial properties; no annual statewide</p> <p>Minimum investment: \$10,000 over 2 years for owner-occupied; expenses equal to building's adjusted basis for commercial.</p> <p>Transferability: owner-occupied credit not transferable.</p> <p>Other: owner-occupied credit extendable to 5 years.</p> <p>Usage: Approximately 640 commercial projects approved since the program began in 1978. Approximately 2000 residential projects approved since the program began in 1992.</p> <p>Note: Wyoming has no state income tax.</p>
<p>Wyoming</p> <p>Wyoming State Historic Preservation Office 608-264-6500 wyshpo.state.wy.us/index.htm</p>			

STATE CONTACT	STATE INCOME COMMERCIAL TAX CREDIT	STATE INCOME TAX CREDIT FOR HOMEOWNERS	PROGRAM DETAILS
<p>District of Columbia District of Columbia Historic Preservation Division 202-741-5248 planning.dc.gov/planning/site/default.asp</p>			<p>A grant for historic housing rehabilitation expenses, valued at 35% of applicable D.C. income taxes, is available for homeowners living within specific districts. Must be a contributing structure in one of twelve historic districts, and there is an additional 15% bonus for homes within the Anacostia Historic District. Costs for purchase and new additions are excluded and grant is intended for structural repairs or exterior work only. Household income requirements apply. Must also be principal residence within 60 days after rehab is certified. Work must be approved prior to grant and consistent with DC preservation law. Penalty for failure to maintain property. Max grant is \$25,000 per homeowner and owner must spend more than \$5,000 within 24 month period or within 60 months in phased project. Est. effective date is Feb 27, 2007.</p>

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

NOTE: Status of each project in the application process is provided. The Historic Preservation Certification Application has three parts: Part 1/certification of significance, Part 2/certification of proposed rehabilitation work, and Part 3/final certification of the rehabilitation construction.

FY2005

ORE Total

Philtower
427 South Boston Avenue
Tulsa, OK, Tulsa County
James Hawkins, Philtower LLC
Part 3 Approved (Certified)

\$ 4,276,071.00
1,710,428 → state + feder. credit
\$ 2,565,643⁰⁰

Skirvin Hotel
1 Park Avenue
Oklahoma City, OK, Oklahoma County
Part 3 Approved (Certified)

\$34,988,424.00
13,995,369 → state + feder. credit
\$ 20,993,055⁰⁰

Union National Bank
400 SE Frank Phillips Boulevard
Bartlesville, OK, Washington County
Ron Swigart, Arvest Bank
Part 3 Approved (Certified)

\$ 1,231,146.00
492,458 → state + feder. credit
\$ 738,688⁰⁰

Greenlease Moore Cadillac Agency
914-920 North Broadway Avenue
Oklahoma City, OK, Oklahoma County
Thomas Russell, 914 N. Broadway Association, Inc.
Part 3 Received (under NPS review)

\$ 4,084,617.00
1,633,846 → state + feder. credit
\$ 2,450,771⁰⁰

Nothing prohibiting Venture Capital Credits!!!

Mayo Hotel	→	\$ 44,000,000 ⁰⁰
Mayo Office	→	\$ 31,771,553 ⁰⁰
		<u>\$ 75,771,553⁰⁰</u>
state credits	→	\$ 15,154,310 ⁰⁰
feder. credits	→	\$ 15,154,310 ⁰⁰
		<u>\$ 30,308,620</u>

July 15, 2011

Total cost to investor → \$ 45,462,933⁰⁰

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2006	ORE Total
Stanford Furniture 1 East Sheridan Oklahoma City, OK, Oklahoma County Charles Ainsworth, Ainsworth Co. Part 2 Approved and Phase 1 Construction Complete	\$ 7,577,539.00 (phase 1)
Kivlehen House 525 North Jackson Edmond, OK, Oklahoma County Marianna Lloyd Part 3 Approved (Certified)	\$ 300,000.00
Mayo Office Building 420 South Main Street Tulsa, OK, Tulsa County Wiggin Properties Part 3 In Review at SHPO	\$31,771,553.00
Park Harvey Building 200 North Harvey Avenue Oklahoma City, OK, Oklahoma County Part 3 Approved (Certified)	\$16,474,090.00
901 North Denver Tulsa, OK, Tulsa County Gary and Lisa Ziegler Part 3 Approved (Certified)	\$ 147,476.00

RECENT OKLAHOMA PROJECTS
 USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

FY2007

QRE Total

Masonic Lodge
 325 Seventh Street
 Perry, OK, Noble County
 Edwin Malzahn
 Part 2 Denied

N/A

Cordell Opera House
 225 E. Main Street
 Cordell, OK, Washita County
 Beryl Curley, Opera House Antique Mall
 Part 2 Approved

N/A

United Founders Tower
 5900 Mosteller Drive
 Oklahoma City, OK, Oklahoma County
 Jim Meyer, Founders Tower Condominium
 Part 2 Denied (now under appeal)

N/A

Benedictine Hospital
 2003 West Warner Avenue
 Guthrie, OK, Logan County
 A. Sam Coury
 Part 2 On Hold

N/A

Citizens Bank Tower
 2200 North Classen Blvd.
 Oklahoma City, OK, Oklahoma County
 Richard Tanenbaum, Gardner Tanenbaum
 Part 3 Approved (Certified)

\$16,002,310.00
 #6,409,924⁰⁰ STATE + federal credit
 #9,601,386⁰⁰

J.I. Case Plow Works
 2 East California Avenue
 Oklahoma City, OK, Oklahoma County
 John Shelton, Diversified Historic Properties
 Part 2 Approved

N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2007 continued	ORE Total
Mayo Hotel 115 West 5 th Street Tulsa, OK, Tulsa County Tori Snyder, Mayo Hotel & Lofts LP Part 3 Approved (Certified)	\$44,000,000.00
1007 North Broadway 1007 N. Broadway Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 3 Approved (Certified)	\$ 754,944.00
United Artists 624 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 188,269.00
Severs Block 101 W. Broadway Muskogee, OK, Muskogee County Judy McKie, Severs Block Holding Co. Part 2 Approved and Phase 1 Construction Complete	\$ 2,191,222.00 (phase 1)
Vickery Station 602 South Elgin Avenue Tulsa, OK, Tulsa County Michael Sager, Blue Dome LLC Part 3 Approved (Certified)	\$ 200,000.00
1015 North Broadway 1015 N. Broadway Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 3 Approved (Certified)	\$ 4,342,527.00
Mid-Continent Life 1400 Classen Drive Oklahoma City, OK, Oklahoma County Shannon Nance, MCLI LLC Part 3 Approved (Certified)	\$15,000,000.00

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2008	ORE Total
704-708 W. Sheridan 704-708 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row Part 3 Approved (Certified)	\$ 810,751.00
Atlas Life Insurance 415 N. Boston Ave. Tulsa, OK, Tulsa County Jeff Hartman, SJS Hospitality Part 3 Approved (Certified)	\$14,000,000.00
Clayton Wells 215 W. Dewey Sapulpa, OK, Tulsa County LaVerne Hanson, MetroPlains Realty Part 3 Approved (Certified)	\$ 4,765,193.00
Walter Edwards House 1621 N.E. Grand Blvd. Oklahoma City, OK, Oklahoma County James R. Johnson Part 1 Approved	N/A
Film Exchange 700-702 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 824,842.00
Oklahoma Theatre Supply 628 W. Sheridan Oklahoma City, OK, Oklahoma County John Fudge, Film Exchange Row LLC Part 3 Approved (Certified)	\$ 269,000.00
Plaza Court Shopping Center 1100 Classen Drive Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 3 Approved (Certified)	\$ 4,176,665.00

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2009	ORE Total
Chickasha Hotel 124 W. Chickasha Chickasha, OK, Grady County Cary DeHart, Chickasha Housing Partners Part 2 Approved	N/A
DeVaughan's Drug 103 W. Broadway Anadarko, OK, Caddo County Kathleen Lacey Part 2 Submitted	N/A
1910 Building 323 Seventh Street Perry, OK, Noble County Edwin Malzahn Part 3 Approved (Certified)	\$ 176,634.00
Hadden Hall 215 NW 10 th Street Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved	N/A
Buick Motor 1101 N. Broadway Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved	N/A
Guardian Garage 1117 N. Robinson Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 1 Approved	N/A
Manhattan Building 325 W. Broadway Muskogee, OK, Muskogee County G. Hassenflu, Muskogee Housing Partners Part 2 Approved	N/A
Chieftain Pontiac 1100 N. Broadway Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 2 Approved	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2010	ORE Total
Sand Springs Power 221 South Main Street Sand Springs, OK, Tulsa County Kenneth Alexander, Springloaded Brew. Part 2 Approved	N/A
Rawlins Furniture 120 West Main Ardmore, OK, Carter County Jose Romo, Romo Company Part 2 Approved	N/A
Bijou Royal Theatres 114 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Denied	N/A
Masonic Temple 110 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Approved	N/A
M. N. Wilson 106 N. Bickford El Reno, OK, Canadian County Paul & Linda Compton Part 1 Denied	N/A
612 NW 29th Street 612 N.W. 29 th Street Oklahoma City, OK, Oklahoma County James Varnum and Amy Young Part 2 Approved	N/A
Vesper Building 929 N. Broadway Oklahoma City, OK, Oklahoma County Tom Russell, BMI Systems Part 2 Approved	N/A
Cities Service Station 1648 Southwest Blvd. Tulsa, OK, Tulsa County James Frasier, Frasier Family LLP Part 2 Approved	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2010 continued	ORE Total
Jewel Theater 904 N.E. 4 th Street Oklahoma City, OK, Oklahoma County Arthur Hurst & Sherri Williams Part 1 Approved	N/A
Robinson Packer – Regal Hotel 210-220 N. Main Street Tulsa, OK, Tulsa County David P. Sharp, Sharp Development Part 2 Approved	N/A
Tulsa Paper Company 114-124 East Brady Street Tulsa, OK, Tulsa County David P. Sharp, Sharp Development Part 2 Approved	N/A
PPG Warehouse / Detroit Lofts 305 East Archer Tulsa, OK, Tulsa County John Snyder and Tori Meadows Snyder, Detroit Lofts Part 2 Approved and Construction Complete	N/A
2229 North Gatewood Avenue 2229 N. Gatewood Ave. Oklahoma City, OK, Oklahoma County Earl W. Bourne Part 2 Approved	N/A
Eisele Motor Company 201 NW 10 th Street Oklahoma City, OK, Oklahoma County Mickey Clagg, Midtown Renaissance Part 1 Approved	N/A
Reinauer Motors 25 NW 9 th Street Oklahoma City, OK, Oklahoma County Steve Mason, Mason Realty Investors Part 1 Approved	N/A
1302 East 6th Street 1302 East 6 th Street Tulsa, OK, Tulsa County Rachel Navarro, Next Big Thing Investments Part 2 Approved	N/A

**RECENT OKLAHOMA PROJECTS
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS**

FY2011

ORE Total

Bristow Firestone Station
321 North Main Street
Bristow, OK, Creek County
Jack Longacre, Bristow Body Shop
Part 2 Approved

N/A

1969 Tulsa City Hall
200 Civic Plaza
Tulsa, OK, Tulsa County
John Snyder, TOCH LLC
Part 1 Approved

N/A

Cline Hotel
228-230 NW 10th
Oklahoma City, OK, Oklahoma County
Mickey Clagg, Midtown Renaissance
Part 1 Denied

N/A

Ward Building
107 North Boulder
Tulsa, OK, Tulsa County
reg Oliphant, Interak Corp.
Part 2 In Review at SHPO

N/A

Metropolitan Library
131 Dean A. McGee Ave.
Oklahoma City, OK, Oklahoma County
Judy Hatfield
Part 2 Approved

N/A

Ford Assembly Plant
900 West Main Street
Oklahoma City, OK, Oklahoma County
Hall Capital LLC
Part 1 Approved

N/A

POTENTIAL FUTURE PROJECT

Braniff Building
324 North Robinson
Oklahoma City, OK, Oklahoma County
Sandridge Energy
Application Pending

N/A

44 states provide a loan.
 28 states do NOT!
 6 states given option! → raise premiums or credit or assess policyholders...

Exhibit 3

Availability of a State Offered Tax Offset for Property and Casualty Insurance Guaranty Association Assessment Fees

State, District, or Territory	Availability of State Offered Tax Offset	Application of Tax Offset to Recoup Assessment Fee	Other Means Used to Recoup Fees Lost to Assessment
Alabama	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Alaska	(N)		Policyholder surcharge on premiums received.
Arizona	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Arkansas	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
California	(N)		Policyholder surcharge on premiums received.
Colorado	(N)		Recoupment through rates and premiums.
Connecticut	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Delaware	Y ✓	(Insurer has the option of offsetting against its premium tax by 20% of assessment fee taken for five years or recoup fees through rates and premiums received.)	
* District of Columbia	(N)		Recoupment through rates and premiums.
Florida	(N)		Recoupment through rates and premiums.
Georgia	(N)		Policyholder surcharge on premiums received.
Hawaii	(N)		Policyholder surcharge on premiums received.
Idaho	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	

OKlahoma - \$37,893,010⁰⁰ → 4 years → P+C Guaranty
 \$46,807,086⁰⁰ → 4 years → Home Office (2)
 \$3,274,406⁰⁰ → 4 years → Life Guaranty

**Oklahoma Insurance Department
Premium Tax Collections
(THIS DOES NOT INCLUDE ANY OTHER TAXES OR FEES)**

	FY 2007	FY 2008	FY 2009	FY 2010
Premium Tax Collected	172,349,040	151,539,043	165,318,940	165,127,333
Refunds	8,357,137	8,855,838	9,077,465	6,336,170
Net Premium Tax Collected	163,991,904	142,683,205	156,241,475	158,791,163
Total Premium Tax Collections	163,991,904	142,683,205	156,241,475	158,791,163

Credits Taken				
PSA	1,522,654	3,520,182	3,031,518	3,618,849
Flood	1,925,553	2,323,769	3,230,587	3,911,387
Life Guaranty	2,287,862	3,409,383	1,184,799	1,392,362
P&C Guaranty	8,863,304	9,328,385	10,164,977	9,536,344
Coal	9,745,663	11,681,078	6,956,681	5,615,232
Home Office	8,209,096	11,387,572	12,536,620	14,673,798
Rural Business	6,287,995	7,214,413	4,930,869	8,773,386
Small Business		407,644	8,250,721	6,472,318
Historical Building Rehab	784,022	8,160,335	5,636,367	9,176,099
Venture Capital	118,526	240,170	1,045,904	414,300
Franchise Tax			262	931
Total Credits Against Premium Tax	39,744,674	57,672,931	56,969,305	63,585,006

Handwritten notes:
 → 48,274,406⁰⁰
 → 37,892,010⁰⁰

FY 2010 credits source: I series query oides/crdty2010 & AS400 PSA/Flood Crd
 Collections are based on AS400 report

** PSA and Flood Premiums are taken directly from Direct Written Premium prior to premium tax being assessed. Therefore, they are shown as the amount that premium tax collections are reduced by their use.

PSA Premiums

CY 2006 \$87,673,511 * 2.25% = \$1,522,654
 CY 2007 \$156,452,528 * 2.25% = \$3,520,182
 CY 2008 \$134,734,138 * 2.25% = \$3,031,518
 CY 2009 \$160,837,712 * 2.25% = \$3,618,849

Flood Premiums

CY 2006 \$85,580,133 * 2.25% = \$1,925,553
 CY 2007 \$103,278,633 * 2.25% = \$2,323,769
 CY 2008 \$143,581,665 * 2.25% = \$3,230,587
 CY 2009 \$173,839,420 * 2.25% = \$3,911,387

Exhibit 3 (Continued)

State, District, or Territory	Availability of State Offered Tax Offset	Application of Tax Offset to Recoup Assessment Fee	Other Means Used to Recoup Fees Lost to Assessment
Illinois	(N)		Recoupment through rates and premiums.
Indiana	Y ✓	Insurer has the option of offsetting against its premium tax by 20% of assessment fee taken for five years or recoup fees through rates and premiums received.	
Iowa	(N)		Recoupment through rates and premiums.
Kansas	Y ✓	Insurer has the option of offsetting against its premium tax by 20% of assessment fee taken for five years or recoup fees through rates and premiums received.	
Kentucky	(N)		Recoupment through rates and premiums.
Louisiana	Y ✓	Premium Tax Offset of 10% of assessment fee taken for ten years.	
Maine	(N)		Recoupment through rates and premiums.
Maryland	(N)		Recoupment through rates and premiums.
Massachusetts	(N)		Recoupment through rates and premiums.
Michigan	(N)		Recoupment through rates and premiums.
Minnesota	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Mississippi	(N)		Recoupment through rates and premiums.
Missouri	Y ✓	Premium Tax Offset taken in equal amounts for three consecutive years.	
Montana	(N)		Recoupment through rates and premiums.

Exhibit 3 (Continued)

State, District, or Territory	Availability of State Offered Tax Offset	Application of Tax Offset to Recoup Assessment Fee	Other Means Used to Recoup Fees Lost to Assessment
Nebraska	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Nevada	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
New Hampshire	(N)		Recoupment through rates and premiums or policyholder surcharge.
New Jersey	(N)		Policyholder surcharge on premiums received.
New Mexico	(N)		Recoupment through rates and premiums received.
New York	(N)		Recoupment through rates and premiums received.
North Carolina	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
North Dakota	(N)		Recoupment through rates and premiums.
Ohio	Y ✓		Recoupment through rates and premiums.
Oklahoma	Y ✓	Insurer has the option of offsetting against its premium tax by 20% of assessment fee taken for five years or recoup fees through rates and premiums received.	
Oregon	(N)		Policyholder surcharge on premiums received.
Pennsylvania	Y ✓	Premium Tax Offset on amounts exceeding 1% of member insurers assessment base. The excess is applied in equal 20% amounts over five years.	
* Puerto Rico	(N)		Recoupment through rates and premiums.
Rhode Island	(N)		Recoupment through rates and premiums.

Exhibit 3 (Continued)

State, District, or Territory	Availability of State Offered Tax Offset	Application of Tax Offset to Recoup Assessment Fee	Other Means Used to Recoup Fees Lost to Assessment
South Carolina	(N)		Recoupment through rates and premiums.
South Dakota	(N)		Recoupment through rates and premiums.
Tennessee	Y ✓	Premium Tax Offset of 25% of assessment until all assessment fees have been recouped.	
Texas	Y ✓	Premium Tax Offset of 10% of assessment fee taken for ten years.	
Utah	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years.	
Vermont	(N)		Recoupment through rates and premiums.
Virginia	Y ✓	Premium Tax Offset of 10% of assessment fee taken for ten years.	
Washington	Y ✓	Premium Tax Offset of 20% of assessment fee taken for five years. If allowable credit is less than \$1,000, the entire amount may be offset in one year.	
West Virginia	(N)		Recoupment through rates and premiums.
Wisconsin	(N)		Recoupment through rates and premiums.
Wyoming	(N)		Recoupment through rates and premiums.

Source: National Conference of Insurance Guaranty Fund's online database of Guaranty Fund Laws and Summaries by State, accessible via the Internet at <http://nciof.org/GF-laws-and-summaries-by-state>

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(5)

Tax Credit Expenditure by Fiscal Year

Table 27 illustrates actual tax credit expenditures that have been received by life and health insurers in Pennsylvania for fiscal years 2003-04 to 2008-09. Although the expenditures were significant in FY 2003-04, at \$3.1 million, the expenditures have been only nominal since that time.

Table 27

Life and Health Insurance Guaranty Association						
Tax Credit Expenditure by Fiscal Year						
(\$ Thousands)						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Expenditure Amount	\$3,078.6	\$55.0	\$3.6	\$3.5	\$3.2	\$2.4

Source: Pennsylvania Department of Revenue.

The Legislature recently passed Act 2009-48, which reduced the amount of tax credit available in several of the Commonwealth's tax credit programs. The tax credit made available to member insurers of the Life and Health Insurance Guaranty Association has not, however, been impacted by Act 48.

Other States

A tax offset similar to that made available to member insurers of the Pennsylvania Life and Health Insurance Guaranty Association is available in all other states except Alaska, California, Illinois, Maryland, New Mexico, and West Virginia and the territory of Puerto Rico.¹²

B. Pennsylvania Property and Casualty Insurance Guaranty Association Tax Credit

Act 1970-232¹³ amended the Insurance Company Law of 1921, 40 P.S. §341 *et seq.*, and created what is known as the Pennsylvania Property and Casualty Insurance Guaranty Association (Guaranty Association). This was done to provide benefits coverage for property and casualty insurance policyholders in the event that an insurer became insolvent. As a condition of an insurer's authority to write property and casualty insurance policies within Pennsylvania, insurers are required to participate as member insurers in the Guaranty Association.¹⁴ Through this required participation, it can then monitor the viability of its members in an effort to detect and prevent an insurer's insolvency. Pennsylvania residents are protected from an insurer's insolvency through the association's issuance and collection of assessment

¹² Source: The Pennsylvania Department of Insurance.

¹³ Act 1970-232 was later repealed by Act 1994-137.

¹⁴ 40 P.S. §991.1803.

Oklahoma Insurance Department
Premium Tax Collections
(THIS DOES NOT INCLUDE ANY OTHER TAXES OR FEES)

	FY 2007	FY 2008	FY 2009	FY 2010
Premium Tax Collected	172,349,040	151,539,043	165,318,940	165,127,333
Refunds	8,357,137	8,855,838	9,077,465	6,336,170
Net Premium Tax Collected	163,991,904	142,683,205	156,241,475	158,791,163
Total Premium Tax Collections	163,991,904	142,683,205	156,241,475	158,791,163

Credits Taken				
PSA	1,522,654	3,520,182	3,031,518	3,618,849
Flood	1,925,553	2,323,769	3,230,587	3,911,387
Life Guaranty	2,287,862	3,409,383	1,184,799	1,392,362
P&C Guaranty	8,863,304	9,328,385	10,164,977	9,536,344
Coal	9,745,663	11,681,078	6,956,681	5,615,232
Home Office	8,209,096	11,387,572	12,536,620	14,673,798
Rural Business	6,287,995	7,214,413	4,930,869	8,773,386
Small Business		407,644	8,250,721	6,472,318
Historical Building Rehab	784,022	8,160,335	5,636,367	9,176,099
Venture Capital	118,526	240,170	1,045,904	414,300
Franchise Tax			262	931
Total Credits Against Premium Tax	39,744,674	57,672,931	56,969,305	63,585,006

FY 2010 credits source: I series query oidtest/crdtly2010 & AS400 PSA/Flood Qry
Collections are based on AS400 report

** PSA and Flood Premiums are taken directly from Direct Written Premium prior to premium tax being assessed. Therefore, they are shown as the amount that premium tax collections are reduced by their use.

PSA Premiums

CY 2006 \$67,673,511 * 2.25% = \$1,522,654
CY 2007 \$156,452,528 * 2.25% = \$3,520,182
CY 2008 \$134,734,138 * 2.25% = \$3,031,518
CY 2009 \$160,837,712 * 2.25% = \$3,618,849

Flood Premiums

CY 2006 \$85,580,133 * 2.25% = \$1,925,553
CY 2007 \$103,278,633 * 2.25% = \$2,323,769
CY 2008 \$143,581,665 * 2.25% = \$3,230,587
CY 2009 \$173,839,420 * 2.25% = \$3,911,387

AUGUST 24, 2011



House of Representatives

State of Oklahoma

August 11, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

DATE: Wednesday, August 24, 2011

TIME: 10:00 a.m. - 4:00 p.m. (break for lunch)

PLACE: House Chamber, State Capitol Building

- AGENDA:**
1. Welcome and Introductions
 2. Oklahoma Capital Investment Board Tax Credits
74 O.S. Section 5085.1 et seq.
74 O.S. Section 5085.7 (Tax Credits)
 3. Small Business Venture Capital Formation Incentive Act
68 O.S. Section 2357.60 et seq.
 4. Rural Venture Capital Formation Incentive Act
68 O.S. Section 2357.71 et seq.
 5. Other business and adjournment.

Members:

Rep. David Dank, Co-Chair

Sen. Mike Mazzei, Co-Chair

Rep. Earl Sears

Sen. David Myers

Rep. Scott Inman

Sen. Andrew Rice

Ken Miller, State Treasurer

Gary Jones, State Auditor/Inspector

Glenn Coffee, Secretary of State

Preston Doerflinger, Director, Office of State Finance

Credit Summary

Oklahoma Capital Investment Board (OCIB)	
Citation	74 O.S. Section 5085.7
First Enacted	1987
First Tax Year	7/1/1990
Last Tax Year	7/1/2015
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	No
Job Creation Data Available?	From OCIB or Oklahoma Capital Formation Corporation
Payroll Requirement?	No
Payroll Data Source(s)?	From OCIB or OCFC
Capital Asset Purchase?	OCFC acquires limited partnership interests
Equity Investment?	Yes through Oklahoma Capital Formation Corporation
% or Dollar Amount	Credits transferred by OCIB are not based on a percentage or a fixed dollar amount
Transferable for Value?	Restricted transferability from OCIB to certain tax credit purchasers
Applicable Tax Types	Income and Insurance Premium
Cap	\$20,000,000.00 per fiscal year

Credit Summary

Small Business Capital Investment	
Citation	68 - 2357.60 et seq
First Enacted	1997
First Tax Year	1998
Last Tax Year	2011
Carryover Period	3 years
Moratorium Effect	None
Job Creation Requirement?	No
Job Creation Data Available?	Yes
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	Yes
% or Dollar Amount	20% of the investment or co-investment
Transferable for Value?	No
Applicable Tax Types	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax
Cap	None

Credit Summary

Rural Venture Capital	
Citation	68 - 2357.71 et seq
First Enacted	2000
First Tax Year	2001
Last Tax Year	2011
Carryover Period	3 years
Moratorium Effect	None
Job Creation Requirement?	No
Job Creation Data Available?	Yes
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	Yes
% or Dollar Amount	30% of the investment or co-investment
Transferable for Value?	No
Applicable Tax Types	Income tax, insurance premium tax and insurance retaliation tax
Cap	None

List of Speakers
Tax Credit Tax Force Meeting
August 24, 2011

OCIB:

Devon Sauzek, President of the Oklahoma Capital Investment Board
Jonathan Small, Oklahoma Council of Public Affairs
Rep. Mike Reynolds
Sen. Tom Adelson

Capco Credits:

Lyle Roggow, Southwest Capital Investment Group
Scott Meacham, Crowe and Dunlevy Law Firm (speaking on behalf of The State Chamber)
Rep. Mike Reynolds

Opening statement by Rep. David Dank...

I want to welcome the task force back to work, and also to welcome those who may be joining us today for the first time – and that includes those who are watching our streaming video on the internet.

I have said from the beginning that transparency is essential to all we do. Let me thank Speaker Steele for making this historic House chamber available for us today and for future sessions. We're doing the public's business in the most public place possible.

I want to begin by reminding everyone that two of the tax credits we will take up today were among those that were specifically cited in the Attorney General's opinion as constitutionally infirm.

Now "infirm" means sick to me, so I hope we can agree that we ought to go in search of a cure today.

I think we have seen a pattern emerge from our first meetings and in the response to them.

First we discuss a specific tax credit, and objections are raised to it, sometimes by me and sometimes by other members of the task force.

Immediately we hear that, well, there may be some tax credits that are not very effective or even wasteful, but not this one . . . this is MY tax credit and it's a good one!

And I know some of those who would resist our efforts are whispering to some in business and some in the media that THEIR tax credits are just fine.

I want to caution everyone: Just because someone pays dues to your business or trade association; or buys advertising in your paper; or goes to the same church; or plays golf in your foursome; that doesn't mean they are always right.

The one fundamental question we have to ask about all of the issues that come before us is; Does common sense tell us that this is a good deal for the taxpayers of Oklahoma?

The question is not whether it is a good deal for one industry or one individual business.

Is it a good deal for the taxpayers?

And to be a good deal it has to return more benefits to the people and the state than it costs. To put it in terms the business community can understand, will we make a profit in the long term? Will this tax credit lead to real growth in the out years?

I have cited tax credits for hiring engineers as a good deal. It's obvious why. Hire a 25 year old engineer at a good salary and the chances are very good that for the next 40 years-plus that engineer will be paying sales and income and property taxes and helping build our economy.

We'll get back far more than we invested at the outset. That's good business.

We know what tax credits work – programs like our Quality Jobs Act and the new closing fund for the Governor to bring permanent jobs in real numbers to our state.

But we also know some others have a pretty flimsy justification.

I am afraid some business leaders may be thinking that there's no such thing as a bad tax credit. I would hope they are taking a closer look at their own businesses. A business practice that caused several hundred million dollars to flow out the door every year with little or no real returns would not keep their businesses healthy for long.

They ought to know that you cannot give away the store and expect to remain in business. That is the same challenge we are facing here on behalf of the taxpayers of Oklahoma.

Let's remind ourselves of that basic truth:

Every dollar given in a tax credit either has to be made up by the taxpayers of Oklahoma, or permanently trimmed from the state budget, which results in fewer services.

That is why I say that a workable tax credit has to bring an equal or greater return . . . mostly in the form of long term job growth.

We recently saw a new candidate for President from our neighboring state to the south. Overnight he went into first place for a very good reason.

He reminded Americans in a continuing recession that Texas has created 40 percent of all the jobs in the country in the past couple of years.

Why? They have the ultimate job-building tax credit . . . no personal income tax. There is a very good reason that hundreds of thousands of people flee places like California and New York for Texas every year. Their focus in all they do is job creation.

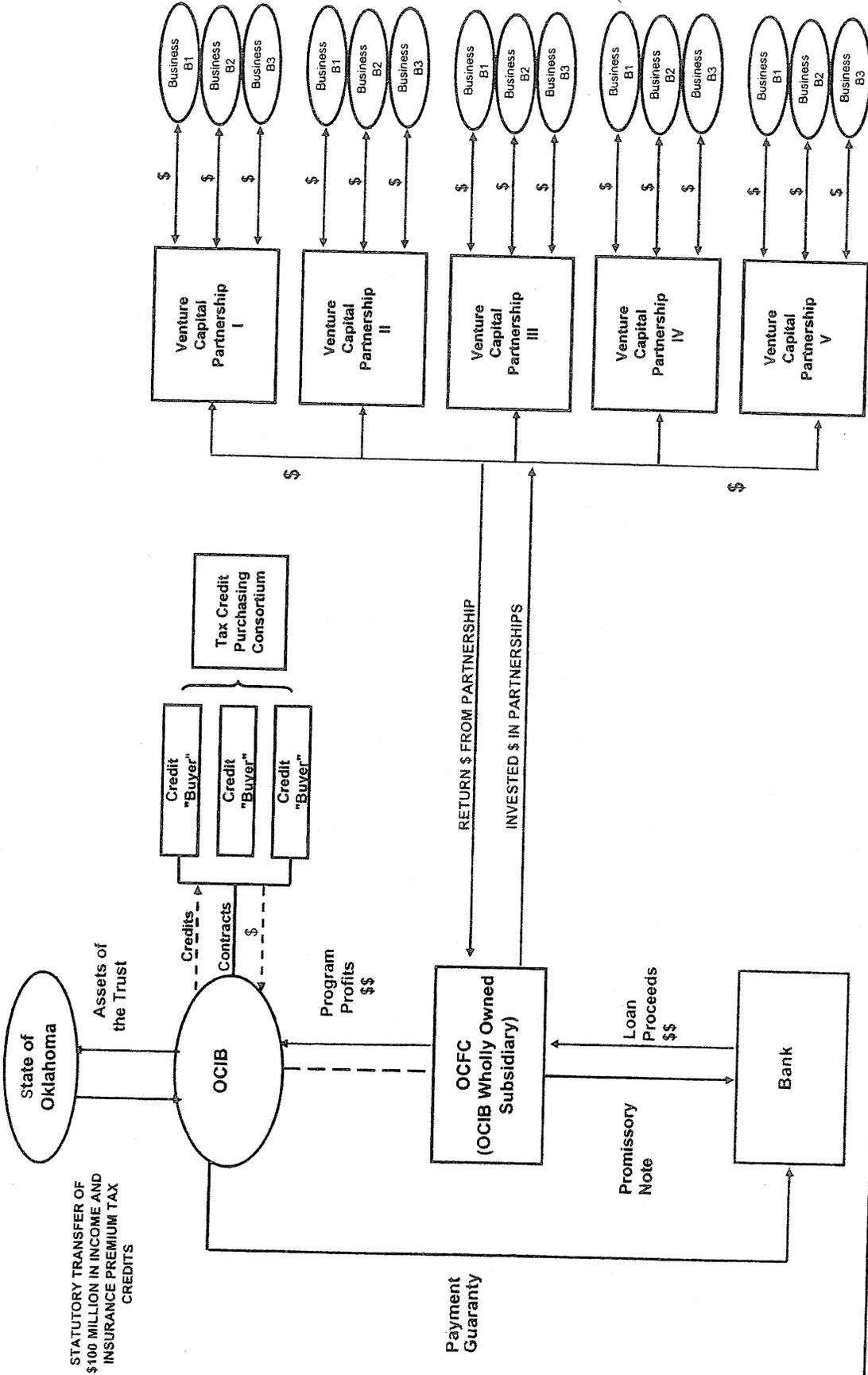
That has to be our focus too. For that reason, I am going to make a request of every speaker today and in our future meetings.

If you want to come to the microphone to defend your tax credit, I would ask you to begin by presenting documentation of exactly how many long term jobs your favorite tax credit has created.

That is the best way to judge the effectiveness of these tax credits, and it needs to be the first thing you tell us.

#####

OKLAHOMA CAPITAL INVESTMENT BOARD VENTURE CAPITAL PROGRAM



Oklahoma Capital Investment Board

❖ Who We Are

❖ What We Have Accomplished

❖ Plans for the Future

August 24, 2011

HB 1285 – Task Force Study of State Tax Credits
and Economic Incentives



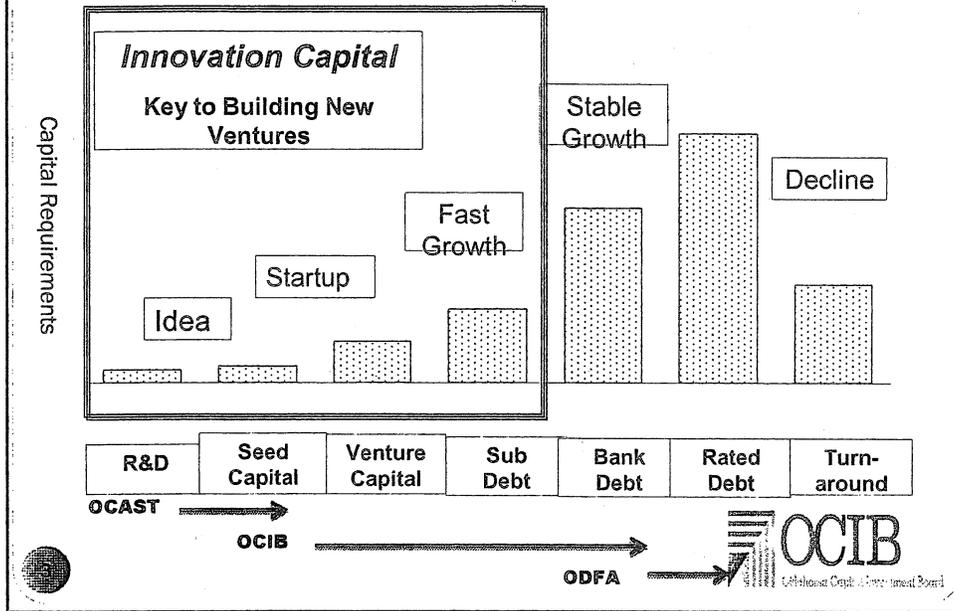
Growing a New Generation of Entrepreneurs

In the late 80's the State Legislature, with input from the Academy for State Goals, created four agencies to support the growth of local entrepreneurs.

- **OCAST** - to advance science and technology
- **OCIB** - to cultivate the risk capital industry
- **ODFA** - to provide low-cost bond financing
- **ODOC** - to lead economic development



Capital Continuum



OCIB Structure

- **OCIB uses contingent NOT incentive based credits**
 - OCIB credits are never given away to encourage future performance
 - OCIB credits have never been sold at a discount
 - State has received a dollar for every credit issued
- **Public oversight and accountability**
 - 5 member board appointed by Governor – confirmed by Senate
 - Approve every transaction entered into or check written by OCIB
 - Outside annual audits reviewing virtually 100% of transactions
 - Trustees meet annually with auditor to discuss operations and staff
- **State beneficiary public trust**
 - State retains ownership of all trust assets



OCIB Trustees - Current

- Bill Andrew, Edward Jones, Enid
- Jerry Austin, Fleming (Ret.), OKC
- John A. Brock, Rockford Exploration, Tulsa
- Jean McGill, Noble Investments, Tulsa
- Michael Mitchelson, OCU Law School, OKC



OCIB Trustees - Past

- Bill Cameron, American Fidelity, OKC
- Bill Comfort, CitiGroup Venture Capital, NYC
- Bob Craine, TSF Capital, Tulsa
- Cy Elmburg, Relco, Miami
- Dick Gaugler, Macklanburg-Duncan, OKC
- Gib Gibson, Citizens Bank, Lawton
- David Johnson, Boesche McDermott & Eskridge, Tulsa
- Dewey Lyon, OKC
- Ray Patton, Tulsa
- Mary Polfer, PSO, Tulsa
- John Rex, American Fidelity, OKC
- Peggy Shreve, Frontier Engineering, Stillwater
- Marshall Weissman, Warner Jewelry Case, Lawton
- Will Stratton, Central and South West Energy, Tulsa



OCIB - Key Programs

OCIB has historically operated two programs to achieve its legislative mandate of supporting Oklahoma's risk capital industry. These programs are enhanced by other OCIB efforts to support entrepreneurs.

Venture Investment Program

Through its Venture Investment Program (VIP) the Board supports investments in private, professionally managed venture capital firms that commit to serving entrepreneurs within the state and that have a history of producing solid returns for their investors. This strategy allows the Board to attract both investment talent and capital to Oklahoma companies.

Oklahoma Capital Access Program

Through its Capital Access Program (OCAP) the Board provides credit enhancement to banks and other lending institutions. OCAP allows these lending institutions to stretch their loan capabilities and offer more opportunities to Oklahoma small business borrowers.



OCIB Program Results

More than \$1.5 billion in total economic impact *

Venture Investment Program

- \$65 million invested in 19 funds that have significant Oklahoma presence
- **\$138 million** equity capital invested in 31 Oklahoma companies
- \$275 million in estimated debt finance obtained due to equity investments
- More than **10,685 direct and 16,570 total jobs** providing more than **\$250 million direct and \$409 million in total payroll**

Oklahoma Capital Access Program

- More than 1,500 loans made through Oklahoma banks
- **\$47.5 million** in loans to Oklahoma companies
- More than 80% of loans are to rural Oklahoma businesses
- More than **1,460 direct and 2,545 total jobs** providing more than **\$43.7 million direct and \$77.6 million in total payroll**

Approximately \$55 in benefit for \$1 of direct costs

Other Efforts

- Lead role in bringing NBA Hornets to Oklahoma
- Host Technology Ventures Summit – business building training for entrepreneurs and investors

* Impact Analysis prepared by Applied Economics, Phoenix Arizona based economic consulting firm



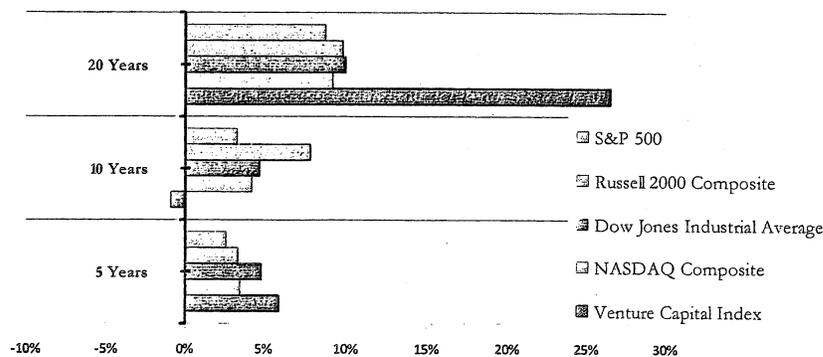
OCIB Program Results – All Programs

Oklahoma's Investment	Capital for Oklahoma Companies	Companies Supported	Job Impact	Economic Impact
\$27.5M Cash	\$138M Venture Capital Direct Investment	31 Oklahoma Companies (VIP)	\$300M Direct Payroll	More Than \$1.5 Billion
\$5M Contingent Liability	\$47M OCAP Loans	9 Oklahoma Based Firms (VIP)	\$512M Total Payroll	
	\$10M Hornets	908 Oklahoma Companies (OCAP)	12,155 Direct Job Years	
		1 NBA Team	19,344 Total Job Years	

OCIB's Performance – Market Influence

Venture Capital has outperformed US public market indices across most time horizons. 2000-2010 being the exception with venture capital industry producing dismal returns.

Average Annual Returns over Different Time Horizons



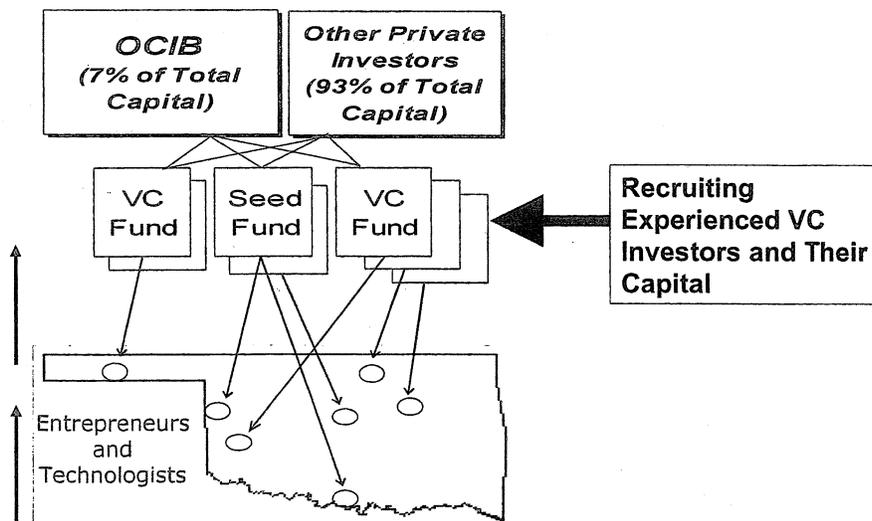
Source: Cambridge Associates, Dow Jones & Company, Frank Russell Company, Standard and Poor's, and Thomson Datastream, Returns ending March 31, 2011.

OCIB's Core Investment Values

- Competition drives every process
- Select with care
- Rely on professional investors to make investment decisions
- Focus on the best entrepreneurs
- Pursue market returns
- Diversification is important
- Demonstrate Oklahoma's commitment



Building a Local Venture Industry



Access to Skilled Investors and Their Capital
Helps Drive Entrepreneurial Development



OCIB - Plans for the Future

- No appropriations or additional credits needed
- Gain extension of OCIB tax credit sunset from 2015 to 2030
- Support local entrepreneurs through the continued development of Oklahoma's risk capital industry
- Attract capital and business building talent to Oklahoma by building Venture Portfolio IV
 - \$370 million in risk capital to 50 Oklahoma companies
- Continue support of rural business owners through OCAP



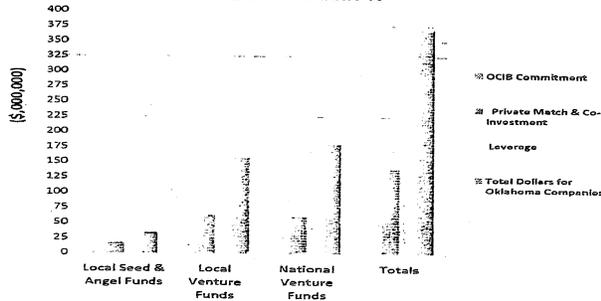
Future Plans - continued

DRAFT FOR DISCUSSION

Portfolio IV - to launch in 2012
 Targets for Investment in Oklahoma Companies
 Oklahoma Capital Investment Board

Portfolio Plan	OCIB Commitment	Private Match & Co-Investment	Leverage	Total Dollars for Oklahoma Companies	Total Number of Companies Supported
5 Local Seed & Angel Funds	5	16.7	16.7	38.4	25
5 Local Venture Funds	15	62.5	93.8	156.3	15
5 National Venture Funds	30	60.0	120.0	180.0	10
15 Totals	50	139.2	230.4	369.6	50

Total Dollars for Oklahoma Companies
 OCIB - Portfolio IV



Entrepreneurial Ecosystem

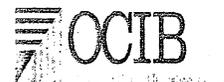
- Entrepreneurship helps regions prosper
- Oklahoma is creating the building blocks
 - Great Universities
 - First Rate R&D
 - Vigorous Tech Transfer Programs
 - Pioneering Capital Formation Programs
 - A History of Entrepreneurship
 - Openness to the World



Today's Economy

- Capitalism has won
- Competition is EVERYWHERE
- The pace is *FAST*
- **Oklahoma Companies must compete in a global market**

❖ These factors drive the need for equity capital



Supplementary Information

- Slides 18, 19 & 20
 - Venture Funds supported by OCIB
- Slide 21 & 22
 - Sample list of Oklahoma companies supported by venture funds
- Slide 23
 - OCAP information
- Slides 24 & 25
 - OCIB structural and cash flow diagrams



19 Venture Funds

Portfolio I (4 Funds)

Ventures Medical II	Seed and early-stage bio-medical
Intersouth Partners III	Seed and early-stage biotech and information technology
Chisholm Private Capital II	Early-stage technology
Richland Ventures I	Later-stage service industry



19 Venture Funds

Portfolio II (4 Funds)

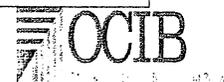
Rocky Mountain Mezzanine Fund II	Growth capital to established firms
Richland Ventures II	Service industry focus
Pacesetter Growth Fund	Later-stage minority entrepreneurs
Davis, Tuttle Venture Partners	High-growth basic industries



19 Venture Funds

Portfolio III (11 Funds)

Acorn Growth Capital Fund III	Aerospace and defense composites manufacturing
Oklahoma Seed Capital Fund	Seed stage, tech based
Oklahoma Life Sciences Fund II	Seed and early-stage life science
Mesa Oklahoma Growth Fund I	Small companies with high growth potential
Prolog Capital II	Early-stage biotech
Blue Sage Capital	Small to middle market growth
Oklahoma Equity Partners	Oklahoma-only fund with wide focus
SSM Venture Associates III	Balanced early to later-stage technology and non-technology
Emergent Technologies - Oklahoma	Pre seed-stage fund focused on advanced biotechnologies at OU
Tullis-Dickerson Health Partners III	Early-stage healthcare
Dolphin Communications Fund II	Seed to expansion telecom



VIP - Oklahoma Projects sample list

- **Altheus** - Oklahoma City company formed from research at the University of Oklahoma designed to find a treatment for irritable bowel syndrome.
- **Hyalose** - Oklahoma City company with a new technology for producing hyaluronic acid (HA) devised by University of Oklahoma professors.
- **Inoveon** - Oklahoma City startup whose mission is to eliminate avoidable vision loss due to diabetic retinopathy and macular edema.
- **Pure Protein** - Oklahoma City company with a unique method to clone pure proteins used to discover pharmacological targets for treating or preventing infectious disease and cancer.
- **Excel Energy** - Tulsa company that provides wireless facility monitoring and energy management services for restaurant and retail customers.
- **Premier Parks (renamed Six Flags)** - Oklahoma City company that grew to become the nation's largest theme park company.
- **LifeGuard America** - Tulsa company whose mission is to provide software and services to significantly enhance the efficiency of the transplant logistics process.



VIP - Oklahoma Projects sample list continued

- **eMotion Media** - Tulsa company that specializes in providing custom media services.
- **Selexys Pharmaceuticals** - Oklahoma City based company focused on developing products to treat inflammatory diseases.
- **Innovalarm** - Oklahoma City company that developed an innovative, patented alarming technology designed to improve fire safety for those who are most at risk.
- **NetCom Solutions International** - Oklahoma City company that provides network and supply chain management solutions to telecommunications, aviation and automotive manufacturing enterprises.
- **Dominion Management Inc.** - Edmond company that builds and manages private prison facilities.
- **Torch Health Care (renamed Stonegate)** - Lawton company that provides senior housing and long-term care.
- **exerbotics** - Tulsa company that designs and manufactures advanced technology equipment and devices for commercial fitness applications.



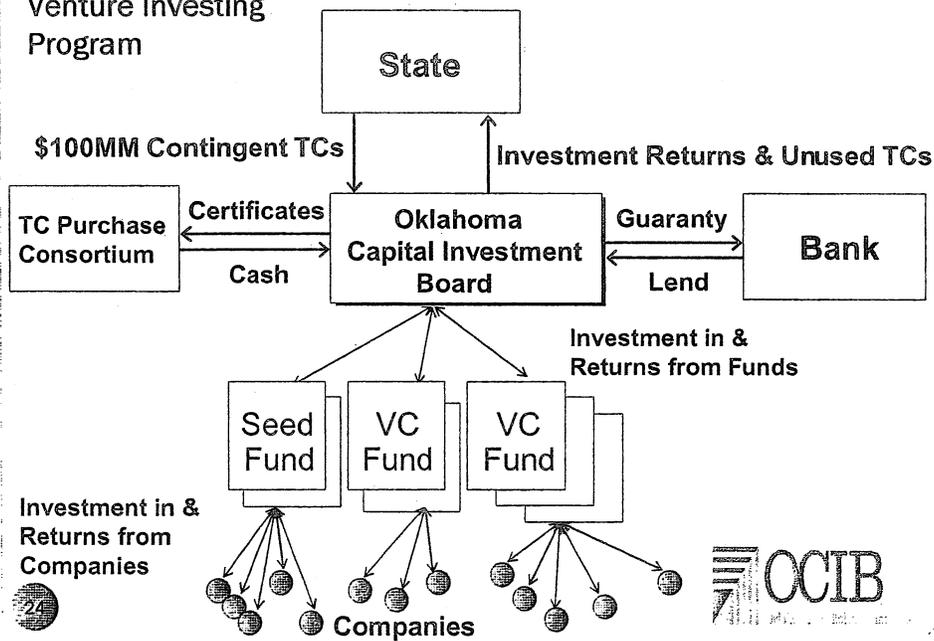
OCAP

Bank Loans for Rural Small Businesses

- Delivered through Oklahoma banks to Oklahoma companies
- Program provides credit enhancement to encourage lenders to make business loans
- Loans vary in size from \$1,000 to \$700,000
- Funding everything from farmers and ranchers to foundries and day care operators
- Simple, non-bureaucratic



OCIB Venture Investing Program



OCIB Cash Flows

- ↑ Lending & Investing Cash
- ↑ Cash Distributions
- ↑ Tax Credit Activity

State

Oklahoma
Capital Investment
Board

Bank

Seed
Fund

VC
Fund

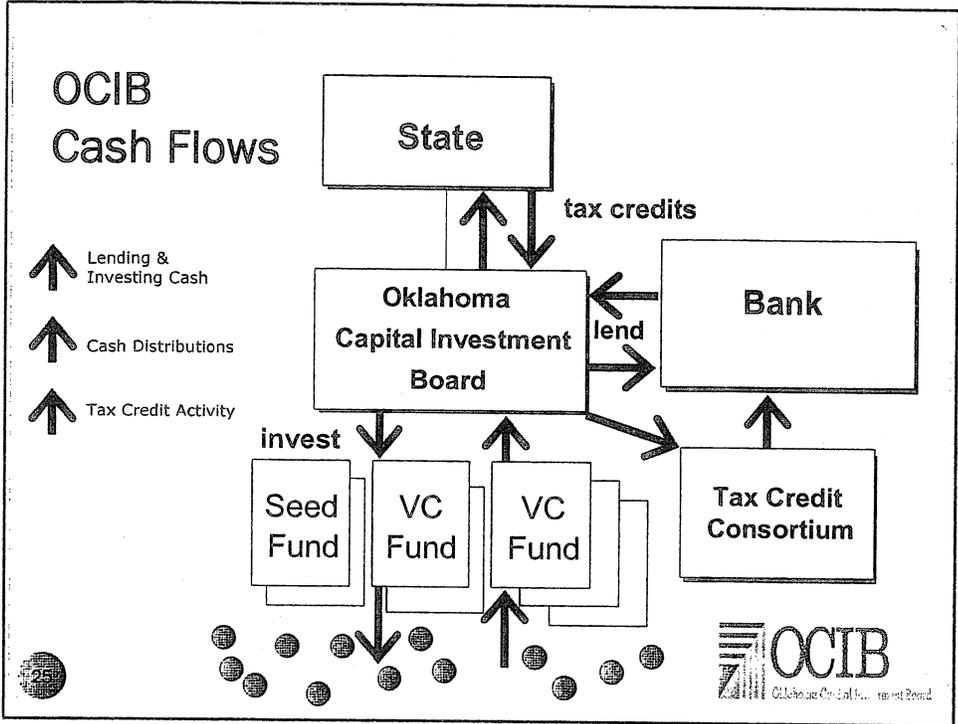
VC
Fund

Tax Credit
Consortium

tax credits

lend

invest





**ECONOMIC IMPACTS OF THE
OKLAHOMA CAPITAL INVESTMENT BOARD'S
VENTURE INVESTMENT PROGRAM AND
OKLAHOMA CAPITAL ACCESS PROGRAM**

PREPARED BY:

**APPLIED ECONOMICS
11209 N. TATUM BLVD, SUITE 225
PHOENIX, AZ 85028**

AUGUST 2011

1.0 INTRODUCTION

Applied Economics has been retained on behalf of the Oklahoma Capital Investment Board (OCIB or Board) to prepare an updated economic impact statement of their venture investment and capital access programs on the State of Oklahoma from 1992 through June 2011. Applied Economics is an economic consulting firm, based in Phoenix, Arizona, specializing in economic development, economic and fiscal impact assessment, socioeconomic modeling, urban planning and custom software applications. Applied Economics conducts studies and develops models to measure the impacts of a wide variety of activities. These activities can include development land use and policy changes, business-driven economic impacts, and program-driven economic and fiscal impacts.

This analysis is intended to quantify the contributions of the companies assisted by OCIB to the Oklahoma economy. The impacts stem from two programs – the Venture Investment Program and the Capital Access Program. In addition the analysis includes a summary of the impacts of the NBA Hornets who played in Oklahoma City following Hurricane Katrina and received a \$10 million revenue guarantee through an investment syndicate which included OCIB, the City of Oklahoma City and a group of private investors.

Through its Venture Investment Program, OCIB supports investments in private, professionally managed venture capital firms that have committed to building a significant presence within Oklahoma and have a history of producing solid returns for their investors. In addition to supporting local businesses through venture capital, the impacts of supported local jobs at the Oklahoma-based investment management firms are also included in the impact analysis.

The OCIB Capital Access Program provides banks a form of portfolio guarantee, allowing them to stretch their loan capabilities and offer more loans to small businesses in Oklahoma. Both businesses and financial institutions in Oklahoma benefit from the higher volume of small business loans created through the capital access program. Loans generally range in size from \$1,000 to \$700,000 and are used by a wide variety of businesses.

Since 1992, OCIB has assisted 31 Oklahoma companies and 9 Oklahoma based investment firms through its venture investment program and 908 companies through its capital access program. These companies range in size from 1 or 2 employees to over 400 employees, although the vast majority are smaller firms. They also represent a broad spectrum of different industries.

The impact represented here shows a year-by-year snapshot of the companies assisted in each year. In the case of the venture investment program, most companies reported Oklahoma payroll and employment numbers for multiple years and are therefore included in totals for each of the reported years. However, once a company was no longer active in Oklahoma, they were no longer included in the impacts.

The venture investment program includes venture fund investments in 31 Oklahoma based companies between 1993 and 2011 as well as 9 locally-based venture firms. In total, they account for \$271.6 million in payroll and over 1,540 employees over this time period.¹ These 31 companies as a group received more than \$138.0 million in venture capital funding through OCIB over the nineteen year period.

The capital access program includes data on 438 of the 908 companies that participated between 1992 and 2011. This includes companies that were willing to provide information on their industry type and the number of new jobs they created. For this program, the impact analysis is based on new jobs created

¹ Employee count based on peak employment of each firm during the time period they reported employment and payroll.

during their initial year of participation in the program, rather than total jobs. The 908 companies as a group received approximately \$46.9 million in loans between 1992 and 2011. In this respect, the analysis provides a very conservative estimate of the cumulative impacts given that only 438 of the 908 Oklahoma companies were considered in the analysis. In addition, their impact was only considered for a one-year period even though most of the companies likely operated for multiple years in Oklahoma.

In addition to their regular programs, this analysis also includes information about a revenue guarantee provided by OCIB to the NBA Hornets. Due to the devastation caused by Hurricane Katrina in New Orleans in September 2005, Oklahoma City was approached by the New Orleans Hornets and the National Basketball Association (NBA) to play their 2005-06 season at the Ford Center in Oklahoma City. To assist in this effort, OCIB participated in a \$10 million revenue guarantee put in place to recruit the team to Oklahoma.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. All company-specific data was provided by OCIB. Estimates made in this analysis are based on hypothetical assumptions and the current economic structure of the region. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid the Oklahoma Capital Investment Board in demonstrating its impact to the state. In no way will Applied Economics be held responsible or have any liability or be subject to damages as a result of this analysis. This report may be used only for the purposes that it was intended.

2.0 SUMMARY OF RESULTS

The Oklahoma Capital Investment Board provides access to a unique set of financial resources for companies looking to develop or expand in Oklahoma. These companies in turn provide on-going economic benefits to the state. These positive impacts include the following:

Economic Impacts

- OCIB has had a total economic impact of \$1.5 billion on the Oklahoma economy over the past 19 years as a result of the venture capital and capital access programs, supported local venture investment firms and the NBA Hornets revenue guarantee. These programs assisted close to 940 companies during this time period. Data for the past 10 years only is included in the Appendix.
- The largest component of the impact is from the venture investment program. The 31 Oklahoma companies that received capital from Board-supported funds provided over 10,400 job-years over the multi-year period, (or an average of 550 jobs per year) and a total of \$234.8 million in payroll. In addition, the venture investment program supported 9 venture firms that were headquartered in Oklahoma.
- As a result of the multiplier effect, the total impact of the companies in the venture investment program on the State of Oklahoma is estimated at \$1.2 billion in increased economic activity, 16,000 jobs, (or an average of 844 jobs per year) and \$382.7 million in payroll. This includes jobs and payroll at participating companies, as well as jobs and payroll at other local businesses.
- The nine Oklahoma-based venture firms supported by the venture investment program employed an average of 15 people per year since 1993. They have created an economic impact of \$68.1 million over the past 19 years, directly and indirectly supporting \$26.5 million in total payroll and 530 total jobs (or an average of 28 jobs per year).
- The capital access program has assisted 908 small and medium sized companies since its inception in 1992. Of these 908 companies, 438 provided enough information to calculate impacts. These 438 companies created about 1,460 new jobs and \$43.7 million in payroll.
- The total economic impact of the capital access program, including additional supported jobs and payroll at other local businesses, was \$232.8 million in increased economic activity, over 2,500 jobs and \$77.7 million in payroll.
- Along with these impacts from developing and expanding Oklahoma companies, OCIB also provided 1/3 of a \$10 million revenue guarantee put in place to recruit the NBA Hornets to Oklahoma for their 2005/06 season. The Hornets organization employed about 100 people (players and front office) with a total payroll of \$60 million, of which an estimated 10 percent was spent in Oklahoma. In addition, they supported \$45.6 million in direct game spending by patrons. The payroll and game spending combined resulted in an annual economic impact of \$71.0 million.²

² City of Oklahoma City.

Revenue Impacts

- In addition to supporting jobs and economic activity, the companies in the capital access and venture investment programs also generated significant state tax revenues over the past 19 years. The participating companies themselves generate sales taxes and corporate income taxes in Oklahoma that are not quantified in this analysis. In addition, they generate revenues through their employees. Household spending by employees of participating companies and other supported local businesses has generated an estimated \$7.1 million in state sales tax revenues since 1992. Directly and indirectly supported employees also generated an estimated \$17.0 million in state personal income taxes over the life of the program.

Performance Metrics

- Since its inception, the OCIB program has supported approximately 3,005 new jobs through the Venture Investment and Capital Access Programs combined. The cost of the program to the state to date is estimated at \$27.5 million. Therefore, the average cost per direct job is \$9,156. If the indirect jobs created through local multiplier effects are included, the average cost per job drops to \$6,233. It should be noted that the average cost per job would be significantly reduced if retained jobs were included within the analysis. Electing to be conservative, only new job creation has been included.

PERFORMANCE METRICS FOR OCIB PROGRAM 1992 to 2011

New Jobs Created	<u>Direct Jobs</u>	<u>Avg Wage</u>	<u>Total Jobs</u>	<u>Avg Wage</u>
Venture Investment Program ¹	1,544	\$24,055	1,868	\$24,695
Capital Access Program	1,461	\$29,945	2,547	\$30,496
Total Cost of OCIB Program to State	\$27,515,000			
Average Cost per Job Created	\$9,156		\$6,233	
Value of New Revenue to State per Job ²	\$4,779		\$5,454	

¹Includes jobs at venture firms and peak employment at all participating companies over the life of the program.

²Includes state personal income and sales tax generated by employees at participating companies.

SUMMARY OF RESULTS

VENTURE INVESTMENT PROGRAM

Venture Fund Investments

Total Investment	\$138,025,974
Number of Participating Companies	31
Payroll (1993 - 2011)	\$234,779,076
Total Employment*	10,408
Average Annual Employment	578
Average Wage per Job	\$22,558

Economic Impacts (1993 - 2011)

Total Output	\$1,161,407,405
Total Payroll	\$382,727,777
Total Jobs (in Job-Years)*	16,039

Venture Investment Firms

Local Firms	9
Average Employment	15

Economic Impacts (1993 - 2011)

Total Output	\$68,098,626
Total Payroll	\$26,454,718
Average Total Jobs	28

CAPITAL ACCESS PROGRAM

Total Loans	\$46,858,781
Number of Participating Companies**	908
Estimated Payroll (1992 - 2011)	\$43,749,040
New Employment**	1,461
Average Wage per Job	\$29,945

Economic Impacts (1992 - 2011)

Total Output	\$232,836,519
Total Payroll	\$77,663,796
Total Jobs	2,547

NBA HORNETS

Total Loan Guarantee	\$10,000,000
Estimated Payroll Spent in Oklahoma (2005-2006)***	\$6,000,000
Average Wage per Job	\$600,000
Direct Game Spending (38 games)	\$45,568,384

Economic Impacts (2005-2006)

Total Output	\$71,011,462
Total Payroll	\$25,443,000
Total Jobs	229

*Represents total employment in job-years, an average of 774 per year over the multi-year period. Jobs at individual firms may be included multiple times if the company maintained operations in Oklahoma for

**Only 438 of the 908 companies submitted sufficient information to be included in the impact. Employment number shown here is estimated total for those 438 companies.

***Assumes 10 percent of total payroll spent in Oklahoma.

3.0 ECONOMIC IMPACTS

The economic benefits resulting from OCIB's programs include combined impacts of all companies assisted by OCIB since 1992. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. These impacts include direct and indirect jobs, personal income, and economic activity or output that are generated by these companies. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in Oklahoma that benefit from local purchases made by these companies and their employees.

Venture Investment Program

Venture Fund Investments

The venture investment program was initiated in 1993. Since that time, 31 companies have received funding. All total, OCIB has provided these companies with access to over \$138.0 million in venture capital funding over the past 18 years. The companies range in size from 1 employee to over 400 employees. A list of the types of industries and associated employment and payroll for participating companies is shown in Figure 1.

Venture Investment Firms

The program also supported 9 venture firms that were headquartered in Oklahoma. These firms were employed an average of 15 investment professionals and support staff. Employment and payroll numbers for these firms are in addition to the venture investment program impact totals.

FIGURE 1
COMPANIES PARTICIPATING IN VENTURE FUND INVESTMENTS
AND VENTURE FIRMS BY INDUSTRY TYPE

Industry Type	Employment	Payroll
Advertising	130	\$3,486,000
Construction & management services	212	\$12,794,000
Communication services	73	\$12,018,000
Transformers	56	\$9,461,000
Custom programming/software/CAD/design	274	\$52,165,188
Service company	403	\$85,060,000
Health care	159	\$30,044,389
Costume jewelry	93	\$3,391,000
Photo laboratories	60	\$6,800,000
Instruments	17	\$2,472,000
Electronic equipment	25	\$6,854,500
Financial services*	15	\$15,935,761
Biological products/research/medical devices	27	\$10,474,000

Note: Payroll include totals for all years for all companies in that industry type.

Employment includes peak levels during the participation period.

* Payroll for venture firms estimated based on average occupational wages for Oklahoma from the Oklahoma Employment Security Commission.

On average, companies receiving OCIB support through its venture investment program have been active in Oklahoma for about six years. The data represented here shows a snapshot of the combined economic impact of all companies participating in any given year. For reasons described above, most companies are represented in the impact totals for an average of six years.

Capital Access Program

The capital access program was initiated in 1992. Since that time, 908 companies have received loans, many more than one loan. The impact from each company is only included for a one-year period even though the participants were likely active in Oklahoma for multiple years. Multi-year data was not included because this information is not available to the Board. An additional factor that adds to the conservative nature of our analysis of the capital access program is that only 438 of the total 908 companies reported employment numbers. Therefore, only 438 of these companies are considered in the study. The total amount of loans funded since 1992 is approximately \$46.9 million. In this analysis, each borrower is counted only one time, even if they received more than one loan. The participants in this program span almost every industry sector (Figure 2). They range in size from 1 to 200 total employees with annual sales ranging from \$2,000 to \$4.9 million. Over the 19 year period, these companies created approximately 1,600 new jobs in Oklahoma.³

³ Estimate of new jobs includes companies that did not provide sufficient information to be included in the analysis. The companies included in the analysis account for 1,461 of the approximately 1,600 new jobs.

FIGURE 2
COMPANIES PARTICIPATING IN CAPITAL ACCESS PROGRAM
BY INDUSTRY TYPE

Industry	Borrower Sales	New Jobs Created
Agriculture- Livestock Production	\$1,698,632	18
Agricultural Services	\$612,372	15
Mining	\$3,258,825	42
Construction	\$20,298,387	183
Utilities	\$175,000	1
Food Processing	\$2,478,480	14
Apparel	\$475,154	9
Lumber and Wood Products	\$231,531	10
Furniture & Fixtures	\$2,337,515	29
Printing	\$517,340	4
Chemicals	\$223,000	5
Leather Products	\$70,000	1
Stone, Clay & Glass	\$559,905	10
Primary Metals	\$527,800	1
Fabricated Metals	\$5,723,348	82
Industrial Machinery	\$1,961,069	12
Electronics	na	1
Transportation Equipment	\$1,747,349	9
Instruments	\$100,000	5
Misc Manufacturing	\$622,158	4
Interurban Transportation	\$114,000	1
Motor Freight Transportation	\$8,422,822	39
Water Transportation	\$702,000	2
Air Transportation	na	2
Transportation Services	\$1,171,021	29
Communication Services	\$607,000	2
Refuse Services	\$93,600	51
Wholesale Trade	\$6,731,611	45
Building Materials and Garden Stores	\$409,843	7
General Merchandise Stores	\$146,969	14
Food Stores	\$3,469,074	48
Auto Dealers	\$4,232,000	19
Apparel Stores	\$4,213,252	25
Home Furnishing Stores	\$802,713	13
Eating & Drinking Places	\$7,056,844	259
Misc Retail	\$5,830,012	57
Banking and Credit	\$95,000	1
Real Estate	\$111,039	13
Personal Services	\$798,193	61
Business Services	\$5,107,110	91
Auto Repair and Services	\$1,550,287	38
Misc Repair Services	\$1,523,114	5
Motion Pictures and Video Production	\$194,410	6
Amusement and Recreation	\$294,748	12
Health Care	\$1,989,843	43
Legal Services	\$442,225	16
Educational Services	\$14,450	3
Social Services	\$786,790	40
Membership Organizations	\$5,593,403	14
Professional Services	\$1,824,723	19
Other Services	\$2,155,198	31

Note: Figure includes only the 438 companies out of 908 total with sufficient information to be included in the analysis.

The impacts of these companies stem from two sources. First, companies purchase a variety of goods and services from vendors within the state creating additional demand, jobs and payroll. The amount and type of local purchases depends on the industry type of the participating company. Second, company employees, as well as supported vendor employees, make local purchases of consumer goods. This creates additional demand and supports additional employment and payroll, primarily at retail and personal services establishments.

NBA Hornets Revenue Guarantee

Due to the devastation caused by Hurricane Katrina in New Orleans in September 2005, Oklahoma City was approached by the New Orleans Hornets and the National Basketball Association (NBA) to play their 2005-06 season at the Ford Center in Oklahoma City. This temporary relocation created significant economic benefits for the city and the state. To assist in this effort, OCIB participated in a \$10 million revenue guarantee put in place to recruit the team to Oklahoma.

The team played 38 home games in Oklahoma City that year with average attendance of 18,737 per game. This resulted in \$45.6 million of direct game spending by both residents and out of town attendees. In addition, the 100 players and staff of the NBA Hornets spent an estimated 10 percent of their \$60 million payroll in Oklahoma during the season. Both of these types of spending support local businesses and create economic impacts. *Although the Hornets stayed in Oklahoma for a second season, the impact results were only included for the initial year. It is likely that the Hornets would not have been in Oklahoma for the second season without OCIB's support during the initial season, but we have again elected to be conservative with our analysis*

Economic Impact Results

The economic impact results presented here are grouped into direct impacts and total impacts (Figures 3, 4 and 5). Direct output represents the value of production at participating companies. Direct jobs and payroll were provided by OCIB and represent the number of jobs and amount of payroll at the companies participating in the program in a given year. These companies and their employees in turn make additional local purchases that are captured in the total impact estimates. The total impact includes both the direct impacts and the secondary, or indirect and induced impacts created at other local businesses and their employees.

The magnitude of the impact is proportional to the number of companies participating in any given year, the size of those companies, and the types of industries. Some industries generate a much greater multiplier effect than others, depending on the amount of local purchases they are able to make.

FIGURE 3
ECONOMIC IMPACTS OF OCIB VENTURE INVESTMENT PROGRAM
ON THE STATE OF OKLAHOMA

VENTURE FUND INVESTMENTS
Current Dollars

Year	New Investment	Number of Participating Companies	Direct Impacts			Total Impacts		
			Output	Jobs*	Payroll	Output	Jobs	Payroll
1993	\$250,000	1	\$202,519	3	\$108,000	\$379,100	4	\$165,972
1994	\$0	1	\$247,523	4	\$132,000	\$463,345	5	\$202,855
1995	\$9,380,000	2	\$11,464,572	311	\$3,932,000	\$18,596,561	442	\$6,213,700
1996	\$13,232,000	5	\$14,678,245	391	\$5,570,000	\$24,513,137	582	\$8,707,574
1997	\$12,445,000	9	\$23,922,810	604	\$9,193,000	\$40,735,787	921	\$14,667,222
1998	\$22,369,248	12	\$67,446,900	1,093	\$26,161,000	\$116,481,101	1,735	\$42,093,773
1999	\$21,383,026	13	\$83,250,105	1,056	\$28,822,000	\$141,849,851	1,695	\$47,613,227
2000	\$9,134,000	10	\$74,994,985	788	\$22,208,000	\$125,393,629	1,295	\$38,092,263
2001	\$1,066,000	8	\$46,741,689	694	\$17,388,000	\$78,988,681	1,066	\$27,768,626
2002	\$4,000,000	8	\$33,468,742	594	\$12,453,000	\$56,173,296	903	\$19,987,501
2003	\$464,000	8	\$27,497,436	507	\$9,370,000	\$45,356,603	754	\$15,158,433
2004	\$5,080,000	8	\$33,434,836	532	\$10,899,000	\$54,341,257	773	\$17,658,880
2005	\$489,000	8	\$34,691,742	532	\$11,408,000	\$56,443,819	777	\$18,438,121
2006	\$8,922,000	10	\$38,791,947	629	\$12,918,000	\$64,408,684	958	\$21,149,223
2007	\$4,866,000	11	\$35,848,268	543	\$12,077,667	\$59,626,903	808	\$19,756,473
2008	\$10,031,000	14	\$59,314,050	556	\$14,622,667	\$95,331,797	1,019	\$27,071,157
2009	\$9,117,000	11	\$45,967,072	555	\$15,731,333	\$77,495,321	826	\$24,740,554
2010	\$2,709,000	14	\$44,558,384	513	\$14,684,606	\$74,331,614	745	\$23,261,312
2011	\$3,088,700	14	\$18,617,585	503	\$7,100,803	\$30,496,921	730	\$9,980,912
Total	\$138,025,974	na	\$695,139,412	10,408	\$234,779,076	\$1,161,407,405	16,039	\$382,727,777

*Represents the sum of jobs at participating companies over 18 years. Jobs at individual firms may be included multiple times if they participated in multiple years and maintained the same level of employment.

All total, the venture investment program created an economic impact of \$1.2 billion in Oklahoma from 1993 to 2011. The companies assisted through this program created an increase in demand of \$466.3 million that supported \$147.9 million in payroll and over 5,600 jobs-years *at other local businesses* through their supplier purchases and purchases made by employees. These economic impacts are in addition to the cumulative impacts of 10,400 jobs-years and \$234.8 million in payroll that were supported by the companies directly.⁴

The venture capital program has supported nine locally Oklahoma based venture firms. Annual employment related to these firms has ranged from 4 to 21 over the past 18 years. Over the life of the program, these companies have created a total economic impact of \$68.1 million on the Oklahoma economy, supporting \$26.5 million in total payroll at the venture firms and other supported local businesses.

⁴ Note that jobs are counted in job-years and include total employment in each year a company participated in the program.

FIGURE 4
ECONOMIC IMPACTS OF OCIB VENTURE INVESTMENT PROGRAM
ON THE STATE OF OKLAHOMA

VENTURE FIRMS
Current Dollars

Year	Direct Impacts			Total Impacts		
	Output	Jobs	Payroll	Output	Jobs	Payroll
1993	\$351,427	4	\$152,935	\$660,574	6	\$258,765
1994	\$360,677	4	\$156,961	\$677,962	6	\$265,576
1995	\$369,928	4	\$160,986	\$695,350	6	\$272,387
1996	\$879,597	9	\$382,786	\$1,653,371	15	\$647,670
1997	\$1,752,193	16	\$762,525	\$3,293,584	27	\$1,290,186
1998	\$1,794,222	16	\$780,815	\$3,372,584	28	\$1,321,132
1999	\$1,836,250	16	\$799,105	\$3,451,584	28	\$1,352,078
2000	\$2,020,651	17	\$879,353	\$3,798,201	30	\$1,487,858
2001	\$1,950,866	16	\$848,984	\$3,667,027	29	\$1,436,473
2002	\$2,291,481	18	\$997,214	\$4,307,278	34	\$1,687,277
2003	\$2,334,243	18	\$1,015,823	\$4,387,658	34	\$1,718,764
2004	\$2,224,048	17	\$967,868	\$4,180,525	32	\$1,637,624
2005	\$2,574,664	19	\$1,120,450	\$4,839,576	37	\$1,895,792
2006	\$2,385,815	17	\$1,038,266	\$4,484,598	33	\$1,756,738
2007	\$2,663,066	21	\$1,158,921	\$4,861,879	39	\$1,849,238
2008	\$2,659,111	19	\$1,157,200	\$4,854,660	37	\$1,846,492
2009	\$2,694,349	19	\$1,172,535	\$4,917,661	37	\$1,889,825
2010	\$2,781,982	19	\$1,210,671	\$5,077,606	37	\$1,951,291
2011	\$2,693,957	18	\$1,172,365	\$4,916,946	36	\$1,889,550
Total	\$36,618,527	na	\$15,935,761	\$68,098,626	na	\$26,454,718

Note: Direct payroll estimated based on average occupational wages for Oklahoma from the Oklahoma Employment Security Commission, "Oklahoma Wage Report", 2002-2011.

FIGURE 5
ECONOMIC IMPACTS OF OCIB CAPITAL ACCESS PROGRAM
ON THE STATE OF OKLAHOMA

Current Dollars

Year	Number of Participating Companies	Direct Impacts			Total Impacts		
		Output	Jobs	Payroll	Output	Jobs	Payroll
1992	7	\$5,773,427	33	\$1,456,153	\$9,645,003	74	\$2,847,216
1993	49	\$28,149,166	252	\$8,918,609	\$49,418,972	488	\$16,263,636
1994	33	\$11,991,272	172	\$3,479,294	\$22,108,418	280	\$6,812,613
1995	32	\$16,670,689	163	\$4,536,727	\$31,958,524	325	\$9,585,705
1996	32	\$6,785,043	99	\$2,614,332	\$12,298,954	162	\$4,530,894
1997	33	\$6,697,841	104	\$2,596,747	\$11,949,080	166	\$4,501,759
1998	39	\$6,053,596	90	\$1,979,654	\$10,505,961	140	\$3,515,468
1999	17	\$3,061,350	48	\$1,191,809	\$5,380,843	75	\$2,045,005
2000	36	\$8,899,885	124	\$3,361,710	\$15,657,184	202	\$5,808,408
2001	15	\$2,015,252	23	\$659,246	\$3,525,733	40	\$1,196,876
2002	7	\$975,902	8	\$279,661	\$1,686,029	15	\$527,325
2003	10	\$3,818,957	26	\$887,851	\$6,488,022	53	\$1,785,932
2004	12	\$1,911,947	21	\$763,385	\$3,351,334	38	\$1,295,092
2005	14	\$1,406,307	20	\$533,292	\$2,477,893	32	\$899,655
2006	15	\$10,091,970	71	\$4,023,115	\$15,474,960	141	\$5,762,101
2007	13	\$1,805,218	22	\$564,124	\$3,018,995	34	\$940,950
2008	20	\$3,782,472	49	\$1,497,252	\$6,120,617	69	\$2,204,179
2009	23	\$4,869,070	51	\$1,498,068	\$8,334,492	80	\$2,599,668
2010	23	\$5,006,312	66	\$1,970,681	\$8,493,791	98	\$3,093,316
2011	9	\$3,161,156	19	\$937,329	\$4,941,716	32	\$1,447,999
Total	407	\$132,926,832	1,461	\$43,749,040	\$232,836,519	2,547	\$77,663,796

All total, the capital access program created an economic impact of \$232.8 million in Oklahoma from 1992 to 2011. The companies assisted through this program created an increase in demand of \$99.9 million that supported \$33.9 million in payroll and about 1,090 jobs *at other local businesses* through their supplier purchases and purchases made by employees. These economic impacts are in addition to the 1,500 employees and \$43.7 million in payroll that were created by these companies directly.

Along with the on-going impacts of the venture capital and capital access programs, OCIB was also able to support the significant impacts created by the NBA Hornets during the 2005-06 season in Oklahoma City. Note that these impacts are not included in the figures above. Although this represents a non-recurring impact, it was significant in the 2005-06 fiscal year. The total economic impact of the NBA Hornets is estimated at \$71.0 million. This includes direct game spending generating increased demand of \$45.6 million. There was also an estimated \$6 million in direct payroll spending that created an economic impact of \$25.4 million and supported 229 jobs (100 direct, 129 indirect and induced).⁵

The secondary impacts described above are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an

⁵ Note that impacts results for NBA Hornets are based on analysis by City of Oklahoma City, not Applied Economics.

increase in output (loosely defined for service industries as sales, less profits) into a corresponding increase in jobs and personal income or payroll. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to Oklahoma. Industry specific multipliers were used for each type of participating company. The variation in multipliers between the specific industry types is due to the different mix of secondary industries that are affected since multipliers are industry-specific.

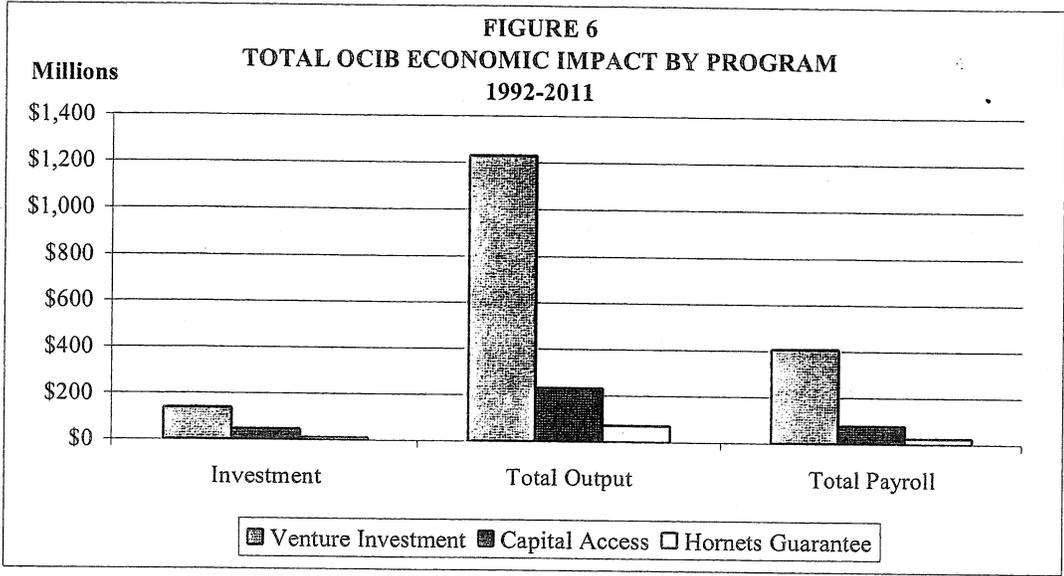
On average, the output multiplier for the venture investment program is 1.67. This means that for every \$1 million of production by the participating companies, an additional \$670,000 in additional economic activity is generated in the local economy, along with 8 jobs at related businesses. On average, the income from these jobs is about \$26,300 per employee.

On average, the output multiplier for the capital access program is 1.75. This means that for every \$1 million of production by the participating companies, an additional \$750,000 in additional economic activity is generated in the local economy, along with 8 jobs at related businesses. On average, the income from these jobs is about \$31,300 per employee.

A summary of the impacts of the two on-going OCIB programs and the NBA Hornets guarantee are shown in Figure 6. The impact of the venture capital firms themselves is included within the venture investment program results. The venture investment program has the larger impact of the two programs due to several factors:

- The venture investment program includes all employment, not just new employment. However, most of these are start up or young companies, and thus the bulk of the jobs created are new. As a result, the average number of direct jobs attributed to companies in the venture investment program is larger. In general, the capital access program includes many very small companies.
- Companies in the venture investment program may be counted multiple times, once for each year they were an active Oklahoma company, whereas companies in the capital access program are only counted in the single year in which they receive a loan. It is very likely that many of the companies that participated in the capital access program over the past 19 years are still in operation in Oklahoma, but their information has not been provided to OCIB on an on-going basis. As a result, the cumulative impacts of the companies in the capital access program are understated.
- Despite the overall difference in magnitude of impacts between the two programs, the capital access program actually has a higher average multiplier due to the larger share of manufacturing companies versus services. Manufacturers typically make more supply purchases than service providers due to their material-intensive nature.
- Figure 6 also includes the economic impact of the NBA Hornets loan guarantee, which produced a significant economic impact during the 2005/2006 season. The impacts of the Hornets include both the impacts of the Hornets organization and their employees, as well as the impacts of tourism spending by game attendees.

FIGURE 6
TOTAL OCIB ECONOMIC IMPACT BY PROGRAM
1992-2011



4.0 REVENUE IMPACTS

In addition to creating a substantial economic impact in Oklahoma, the new jobs generated by OCIB programs also result in additional tax revenues to the state. This analysis quantifies the revenue impacts created by employees through state sales and personal income taxes. The results shown here include the Capital Access Program, the Venture Fund Investments and Venture Firms and the NBA Hornets.

Employees at participating companies, and other local employees that are supported by the additional economic activity, pay state personal income taxes on their earnings, as well as state sales taxes on a portion of their local purchases. Using the program data and the results from the economic impact analysis, it is possible to estimate the revenue impacts. All total, direct and indirect employees supported by OCIB companies have generated an estimated \$24.1 million in state revenues since 1992 (Figure 7). *This impact does not include additional sales and corporate income taxes paid by the companies directly to the state of Oklahoma. This information was not reported to OCIB by the participating firms.*

FIGURE 7
REVENUE IMPACTS OF OCIB PROGRAM

Year	Direct Impacts						Total Impacts				
	Capital Access		Venture Investment		NBA Hornets	Capital Access		Venture Investment		NBA Hornets	
	Sales Tax	Personal Income Tax	Sales Tax	Personal Income Tax	Sales Tax	Sales Tax	Personal Income Tax	Sales Tax	Personal Income Tax	Sales Tax	
1992	\$20,313	\$64,265	\$0	\$0	\$0	\$39,719	\$120,989	\$0	\$0	\$0	
1993	\$124,415	\$369,690	\$3,640	\$11,235	\$0	\$226,878	\$660,282	\$5,925	\$18,391	\$0	
1994	\$48,536	\$108,887	\$4,031	\$12,297	\$0	\$95,036	\$240,250	\$6,535	\$20,288	\$0	
1995	\$63,287	\$171,361	\$57,097	\$74,604	\$0	\$133,721	\$371,217	\$90,481	\$142,038	\$0	
1996	\$36,470	\$96,318	\$83,041	\$135,843	\$0	\$63,206	\$171,497	\$130,506	\$228,511	\$0	
1997	\$36,225	\$92,953	\$138,880	\$250,504	\$0	\$62,800	\$168,110	\$222,606	\$422,886	\$0	
1998	\$27,616	\$65,726	\$375,838	\$950,274	\$0	\$49,041	\$126,407	\$605,638	\$1,542,806	\$0	
1999	\$16,626	\$42,533	\$413,214	\$1,115,377	\$0	\$28,528	\$76,310	\$683,066	\$1,866,769	\$0	
2000	\$46,896	\$122,026	\$322,069	\$861,923	\$0	\$81,027	\$216,925	\$552,143	\$1,505,073	\$0	
2001	\$9,196	\$24,598	\$254,406	\$643,064	\$0	\$16,696	\$45,472	\$407,411	\$1,050,747	\$0	
2002	\$3,901	\$11,325	\$187,630	\$429,478	\$0	\$7,356	\$21,171	\$302,363	\$717,290	\$0	
2003	\$12,386	\$35,650	\$144,882	\$305,045	\$0	\$24,914	\$71,510	\$235,437	\$528,528	\$0	
2004	\$10,649	\$31,339	\$165,543	\$374,335	\$0	\$18,067	\$51,917	\$269,186	\$653,189	\$0	
2005	\$7,439	\$19,191	\$174,772	\$409,708	\$0	\$12,550	\$33,197	\$283,658	\$706,048	\$0	
2006	\$56,122	\$183,322	\$194,690	\$422,308	\$270,000	\$80,381	\$241,363	\$319,538	\$729,956	\$270,000	
2007	\$7,870	\$19,268	\$184,650	\$426,822	\$0	\$13,126	\$33,741	\$301,400	\$735,933	\$0	
2008	\$20,887	\$56,158	\$220,129	\$560,822	\$0	\$30,748	\$84,203	\$403,401	\$1,026,458	\$0	
2009	\$20,898	\$55,134	\$235,809	\$623,177	\$0	\$36,265	\$100,114	\$371,494	\$1,003,397	\$0	
2010	\$27,491	\$68,754	\$221,739	\$555,195	\$0	\$43,152	\$111,476	\$351,716	\$916,686	\$0	
2011	\$13,076	\$40,144	\$115,411	\$142,584	\$0	\$20,200	\$60,137	\$165,593	\$193,707	\$0	
Total	\$610,299	\$1,678,643	\$3,497,472	\$8,304,592	\$270,000	\$1,083,410	\$3,006,286	\$5,708,096	\$14,008,700	\$270,000	

Note: Total revenue impacts include direct revenues.

Supported direct and indirect employees associated with OCIB programs generated about \$6.8 million in state sales tax revenues, or an average of \$340,000 per year. This includes sales taxes generated by direct employees at participating companies and employees at supported local businesses. Taxable employee expenditures are calculated by multiplying total personal income times 31 percent, times the state sales tax rate of 4.5 percent.⁶ An additional \$270,000 in state sales tax revenues accrued during the 2005-06 Hornets season from NBA Hornets players and other employees who spent an estimated 10 percent of their income in Oklahoma.

⁶ According to the Census Bureau Consumer Expenditure Survey, persons in the average income range of supported employees spend about 31 percent of their income on taxable goods.

Employees at participating companies and at supported local businesses also pay personal income taxes in Oklahoma estimated at \$17.0 million since 1992, or an average of \$851,000 per year. State income tax revenues are calculated using the average personal income per employee for direct and indirect employees, adjusted for a standard deduction and personal exemption, times the graduated state tax rate schedule times the number of employees.

Both the venture capital and capital access program create significant annual impacts on the Oklahoma economy. The Oklahoma Capital Investment Board not only helps to start and expand local companies, but also supports job growth at other local supplier companies. In addition, these new jobs generate increased payroll, spending and tax revenues that support the state's economy.

APPENDIX
IMPACT RESULTS FOR 2001 TO 2011

**ECONOMIC IMPACTS OF OCIB PROGRAM
ON THE STATE OF OKLAHOMA
JAN 2001 TO JUN 2011**

Capital Access Program						
Year	Direct Impacts			Total Impacts		
	Output	Jobs	Payroll	Output	Jobs	Payroll
2001	\$2,015,252	23	\$659,246	\$3,525,733	40	\$1,196,876
2002	\$975,902	8	\$279,661	\$1,686,029	15	\$527,325
2003	\$3,818,957	26	\$887,851	\$6,488,022	53	\$1,785,932
2004	\$1,911,947	21	\$763,385	\$3,351,334	38	\$1,295,092
2005	\$1,406,307	20	\$533,292	\$2,477,893	32	\$899,655
2006	\$10,091,970	71	\$4,023,115	\$15,474,960	141	\$5,762,101
2007	\$1,805,218	22	\$564,124	\$3,018,995	34	\$940,950
2008	\$3,782,472	49	\$1,497,252	\$6,120,617	69	\$2,204,179
2009	\$4,869,070	51	\$1,498,068	\$8,334,492	80	\$2,599,668
2010	\$5,006,312	66	\$1,970,681	\$8,493,791	98	\$3,093,316
2011	\$3,161,156	19	\$937,329	\$4,941,716	32	\$1,447,999
Total	\$38,844,563	376	\$13,614,005	\$63,913,582	633	\$21,753,092

Venture Investment Program						
Venture Fund Investments and Venture Firms						
Year	Direct Impacts			Total Impacts		
	Output	Jobs*	Payroll	Output	Jobs	Payroll
2001	\$48,692,555	710	\$18,236,984	\$82,655,708	1,096	\$29,205,099
2002	\$35,760,223	612	\$13,450,214	\$60,480,574	937	\$21,674,778
2003	\$29,831,679	525	\$10,385,823	\$49,744,261	788	\$16,877,196
2004	\$35,658,884	549	\$11,866,868	\$58,521,782	805	\$19,296,504
2005	\$37,266,407	551	\$12,528,450	\$61,283,396	813	\$20,333,913
2006	\$41,177,763	646	\$13,956,266	\$68,893,282	991	\$22,905,960
2007	\$38,511,333	564	\$13,236,588	\$64,488,782	846	\$21,605,712
2008	\$61,973,162	575	\$15,779,867	\$100,186,456	1,055	\$28,917,650
2009	\$48,661,422	574	\$16,903,868	\$82,412,982	863	\$26,630,379
2010	\$47,340,366	531	\$15,895,278	\$79,409,220	783	\$25,212,603
2011	\$21,311,542	520	\$8,273,168	\$35,413,867	766	\$11,870,462
Total	\$446,185,335	6,356	\$150,513,373	\$743,490,310	9,744	\$244,530,257

Combined Programs						
Year	Total Impacts			Total Impacts		
	Output	Jobs	Payroll	Output	Jobs	Payroll
2001	\$50,707,807	733	\$18,896,230	\$86,181,440	1,136	\$30,401,975
2002	\$36,736,124	620	\$13,729,875	\$62,166,603	952	\$22,202,103
2003	\$33,650,636	551	\$11,273,674	\$56,232,283	841	\$18,663,128
2004	\$37,570,831	570	\$12,630,253	\$61,873,116	843	\$20,591,596
2005	\$38,672,714	571	\$13,061,742	\$63,761,289	845	\$21,233,568
2006	\$51,269,733	717	\$17,979,381	\$84,368,242	1,133	\$28,668,061
2007	\$40,316,551	586	\$13,800,712	\$67,507,777	880	\$22,546,661
2008	\$65,755,633	624	\$17,277,119	\$106,307,073	1,124	\$31,121,829
2009	\$53,530,492	625	\$18,401,936	\$90,747,474	943	\$29,230,047
2010	\$52,346,678	597	\$17,865,959	\$87,903,012	880	\$28,305,919
2011	\$24,472,698	539	\$9,210,497	\$40,355,584	799	\$13,318,461
Total	\$485,029,897	6,732	\$164,127,378	\$807,403,892	10,377	\$266,283,349

*Represents the sum of jobs at participating companies over 18 years. Jobs at individual firms may be included multiple times if they participated in multiple years and maintained the same level of employment.



August 18, 2011

Rep David Dank
Oklahoma Legislature
6705 Reed Drive
Oklahoma City, OK 73116

Dear Representative Dank:

OCIB is responding to your email request for information dated, August 11, 2011. Below, we have inserted OCIB's response within your list of questions. We have also provided three additional documents that contain more detail. These documents are "Applied Economics 2011 final", "OCIB data8-15-11 and IEAservices. We hope that the information provided adequately answers all your questions. Please let us know if you have additional questions.

Regards,

Devon Sauzek

Enclosures:

UNLESS OTHERWISE INDICATED ALL QUESTIONS RELATE TO ENTITIES IN EXISTENCE ON JUNE 30, 2011, DOCUMENTS EXECUTED PRIOR TO OR ON JUNE 30, 2011, OR TRANSACTIONS COMPLETED AS OF JUNE 30, 2011

ALL REFERENCES TO "OCIB" ARE TO THE OKLAHOMA CAPITAL INVESTMENT BOARD

ALL REFERENCES TO "OCFC" ARE TO THE OKLAHOMA CAPITAL FORMATION CORPORATION

ALL REFERENCES TO "BANK" ARE TO ONE OR MORE FINANCIAL INSTITUTIONS (IF A FEDERALLY OR STATE CHARTERED BANK) TO WHICH MONIES ARE OWED PURSUANT TO THE PROMISSORY NOTE(S)

"PROMISSORY NOTE" MEANS ANY WRITTEN PROMISE PURSUANT TO WHICH EITHER OCIB OR OCFC MAY RECEIVE FUNDS FROM BANK WHICH ARE REQUIRED TO BE REPAYED TO BANK UNDER THE TERMS OF THE PROMISSORY NOTE

OKLAHOMA CAPITAL INVESTMENT BOARD

301 N.W. 63rd Street, Suite 520 ■ Oklahoma City, Oklahoma 73116 ■ Telephone (405)848-9456 ■ Fax (405)842-6389

“VENTURE CAPITAL PARTNERSHIPS” MEANS ANY LAWFULLY RECOGNIZED BUSINESS ENTITY TO WHICH EITHER OCIB OR OCFC TRANSFERRED PROCEEDS FROM A PROMISSORY NOTE IN EXCHANGE FOR A PARTNERSHIP INTEREST, LIMITED PARTNERSHIP INTEREST, MEMBER INTEREST IN A LIMITED LIABILITY COMPANY, SHARES IN A CORPORATION OR ANY OTHER EVIDENCE OF A RIGHT TO RECEIVE PAYMENT FROM THE VENTURE CAPITAL PARTNERSHIP

“VENTURE INVESTING PROGRAM” MEANS THE PROCESS BY WHICH EITHER OCIB OR OCFC OR BOTH ENTITIES CAUSE PROCEEDS FROM ANY PROMISSORY NOTE TO BE INVESTED IN OR PLACED WITH A VENTURE CAPITAL PARTNERSHIP WITH THE EXPECTATION THAT INVESTMENT RETURNS TO THE VENTURE CAPITAL PARTNERSHIP ARE PAID BACK TO OCIB OR OCFC AS A RESULT OF EQUITY INVESTMENTS OR OTHER ARRANGEMENTS PURSUANT TO WHICH FOR PROFIT BUSINESS ENTITIES RECEIVE MONEY FROM ONE OR MORE VENTURE CAPITAL PARTNERSHIPS.

1. Is there a guaranty agreement in effect between the Oklahoma Capital Investment Board and a financial institution doing business in Oklahoma? If so, what is the name of that financial institution?

Yes

OCIB has one outstanding guaranty agreement with a financial institution. That institution is Bank of Oklahoma.

2. Is there more than one financial institution in whose favor a guaranty agreement has been executed by OCIB? If so, what is the name of each such financial institution?

Historically OCIB has executed guaranty agreements with several financial institutions. These institutions include:

Stillwater National Bank
Bank of America
Arvest Bank
BancFirst
Bank of Oklahoma

3. Is there a Promissory Note executed by OCFC? If so, what is the total amount owed by OCFC under the terms of the Promissory Note as of June 30, 2011?

Yes

The note balance as of June 30, 2011 was \$25,922,591.

4. Is there more than one Promissory Note executed by OCFC? If so, what is the total amount owed with respect to each such Promissory Note as of June 30, 2011?

No

5. Is there a Promissory Note executed by OCIB? If so, what is the total amount owed by OCIB as of June 30, 2011?

Indirectly Yes. See question 3 for balance.

OCFC is a wholly owned subsidiary of OCIB. OCIB is a guarantor for the Promissory Note executed by OCFC. There are no other Promissory Notes entered into by OCIB. For balance information see answer to question 3.

6. Is there more than one Promissory Note executed by OCIB? If so, what is the total amount owed with respect to each such Promissory Note as of June 30, 2011?

No

7. During the period of time from July 1, 2009, through June 30, 2011, how much money has been invested by OCIB or OCFC (total investment by both entities) in venture capital partnerships?

\$2,599,526 dollars have been invested in venture capital partnerships during this time frame.

8. During the period of time from July 1, 2009, through June 30, 2011, how many for profit business enterprises have received any form of equity investment (including near equity or debt convertible to equity) from the venture capital partnership entities?

Six Oklahoma companies received funding during this period. In addition, one company received funding in June of 2009 and another company received funding in August of 2011. This would bring the total to eight companies. Many of these companies received multiple rounds of financing.

9. During the period of time from July 1, 2001, through June 30, 2011, what is the total amount of economic benefit received by the State of Oklahoma as a result of the dollars invested as described in the answer to Question No. 7?

OCIB is unable to calculate the specific benefit of the dollars invested in Question No. 7. We can however provide an estimate of the economic benefit OCIB's venture investment program provided Oklahoma during this period. At the recommendation of the Oklahoma City Chamber of Commerce, OCIB has retained Applied Economics to prepare an economic impact analysis of OCIB's programs. Applied Economics is an economic consulting firm specializing in economic development, economic and fiscal impact assessment, socioeconomic modeling, urban planning and custom software applications. Applied Economics, within the Appendix of its August 2011 OCIB impact report, calculates that OCIB's Venture Investment Program has provided \$446 million in direct economic impact and \$743 million in total economic impact to the state during this period. Their report estimates a total of 9,744 job years and \$245 million in payroll. The revenue impact from the jobs created is also estimated to be \$11.7 million for this same period of time (figure 7). Revenue impacts do not include

corporate tax impact projections because these numbers were not reported to OCIB by the companies. Applied Economics' report is attached.

10. From the inception of the Venture Investing Program through June 30, 2011, what is the total amount of money invested by either OCIB or OCFC (total investment by both entities) in one or more venture capital partnerships?

OCFC is the investor of record in all 19 venture funds in which OCIB has participated. The largest investment in any one fund has been \$7.5 million. As of 6-30-2011 OCFC has invested \$64.6 million in total to 19 venture funds.

11. From the inception of the Venture Investing Program through June 30, 2011, how many for profit business enterprises have received any form of equity investment (including near equity or debt convertible to equity) from the venture capital partnership entities?

31 Oklahoma companies. See question 15 for further details.

12. From the inception of the Venture Investing Program through June 30, 2011, what is the total amount of economic benefit received by the State of Oklahoma as a result of the dollars invested as described in the answer to Question No. 10?

For more details, please see OCIB program summary results presented starting on page 4 of Applied Economics August 2011 impact report.

The Venture Program has had the following impacts:

Economic impact of \$1.2 billion

Revenue impact \$19.7 million * (does not include corporate tax impact)

13. From the inception of the Venture Investing Program through June 30, 2011, what is the total amount of principal and interest paid by OCFC or OCIB to any and all Banks pursuant to the terms of one or more Promissory Notes?

Principal Payments: \$48.5 million

Interest Payments: \$16.6 million

14. From the inception of the Venture Investing Program through June 30, 2011, what is the total amount of expense incurred by OCIB and OCFC in administering the Venture Investing Program exclusive of principal and interest on Promissory Notes?

Since inception, OCIB has drawn down \$9.8 million to pay for the operational costs of all its programs. See the attached file "OCIB Data 8-15-11". The worksheet titled "Cash Flow Activity" provides the timing of the \$9.8 million in draws within the column title "OCIB Operational Draws". For additional detail the worksheet titled "IEA Fees", contains a complete list of payments made by OCIB to IEA for its management services. IEA was hired to manage OCIB in January of 2001.

OCIB has funded all its costs (\$9.8 million), whether they are related to program design, trust management, Oklahoma Capital Access Program, Venture Capital Program, sponsorships, etc by borrowing on a line of credit. Operational items, which would include interest expense and other costs, would require a subjective allocation of 19 years of activity to allocate overhead items between initiatives. OCIB has not allocated management fees, interest and other overhead between different OCIB initiatives. OCIB has historically focused upon its broad mission, that being the support of Oklahoma's risk capital industry and its entrepreneurs. This broader focus was demonstrated by the Board's search for a manager that could satisfy a wide range of needs for OCIB. Please see the attached document titled "IEAservices" for some insight into those needs. The contract for management services does not provide for an allocation of time or costs, simply that the manager perform all of the requested services.

15. Is it possible to determine the total number of for profit business entities that have received any form of equity investment from the venture capital partnerships that have received proceeds from the Promissory Notes? If so, what is that number?

213 companies have received equity investments from OCIB's 19 venture funds. Of these 213 companies 31 are Oklahoma companies. The 31 represent approximately 15% of the entire portfolio of companies. This compares favorably to the fact that OCIB's investment of \$64.6 million only represents approximately 7% of the total capital of the 19 funds.

16. Of the for profit entities described in Question No. 15, how many of those entities are organized under Oklahoma law or authorized to do business within the State of Oklahoma if organized pursuant to the law of some other state?

OCIB is certain that at a minimum 31 of the companies are or were at the time of investment qualified as an Oklahoma company. To qualify as an Oklahoma investment more than 50% of the employees or 50% of the business assets must be located in Oklahoma. Of the other 182 companies, we are uncertain how many of those do or have done business in Oklahoma. We expect that many do, however OCIB does not track or take credit for that activity. One example of this would be Symbion Surgical Centers. They have locations in Oklahoma City and received an investment from an OCIB supported fund. We haven't included their performance numbers in any of OCIB's impact analysis reports because at the time of the investment by the fund, Symbion already had its facilities in Oklahoma. The proceeds were used to develop other locations. In 2006, the manager of the investing fund provided OCIB with the following, "Here are the combined numbers for Symbion's surgery centers in Oklahoma City and Edmond: 100 total employees, \$4.5 million total annual payroll, \$14 million total annual revenue." We believe this to be a significant impact.

OCIB would also add that it has supported 9 Oklahoma based investment firms through its venture investment program. This impact is not considered when looking solely at the Oklahoma companies in which these funds invest. The Oklahoma based firms in which OCIB has invested have provided 281 **job years** (213 professional and 68

support staff) to the state. An example of how this number would be calculated for a firm is as follows.

Firm A is in business for three years.

Year 1 – Firm A hires 5 professionals and 1 support staff

Year 2 – Firm A hires 7 professionals and 2 support staff

Year 3 – Firm A hires 4 professionals and 1 support staff

Firm A would contribute 16 professional and 4 support staff job years or 20 job years in total.

17. Of the for profit entities described in Question No. 15, how many full time employees were paid by all of those for profit business entities?

Approximately 10,700 in FTE's (in terms of job years) were employed and more than \$251 million in payroll paid by the Oklahoma based companies and investment firms that were invested in by OCIB's venture investment program.

OCIB does not track employment related numbers for the 182 companies that are not considered "Oklahoma" investments. The only numbers OCIB has tracked are for companies that have 50% of their assets or 50% of their employees located in Oklahoma.

18. Of the for profit entities described in Question No. 15, is it possible to determine the total amount of expenditures for capital assets incurred by all of those for profit business entities?

In the future this is a number that OCIB may be able to track and report on an aggregate basis. However, OCIB does not have and would be unable to gather that past data.

19. Of the for profit entities identified in Question No. 15, is it possible to determine the total number of such entities that do business in states other than Oklahoma (and which do not conduct any business within the State of Oklahoma?) If so, what is that number?

Please see response to question 16.

20. Does OCIB receive any money directly from any of the venture capital partnerships? If so, for the period July 1, 2009, through June 30, 2011, how much money did OCIB receive?

OCIB has not received payments from the venture funds.

21. Does OCFC receive any money from any of the venture capital partnerships? If so, for the period July 1, 2009, through June 30, 2011, how much money did OCFC receive?

Yes

OCFC has received \$3,852,548 in distributions from its venture fund investments since July 1, 2009.

22. Is OCIB the investor of record (owner of the equity or similar interest) in any of the venture capital partnerships?

No

23. Is OCFC the investor of record (owner of the equity or similar interest) in any of the venture capital partnerships?

OCFC is the investor of record in all 19 funds which OCIB has supported.

24. Does OCIB own all of the issued and outstanding shares of OCFC which have any form of voting rights (with respect to the election of the board of directors of OCFC)?

Yes

25. As of what date did OCIB acquire the issued and outstanding shares of OCFC described in Question No. 24?

April 4, 2006.

26. Does OCFC have a board of directors? If so, please provide the names of the members of the Board of Directors?

OCFC's board of directors has the same members as OCIB's board. They are as follows:

Jean McGill, John Brock, Bill Andrew, Gerald Austin and Michael Mitchelson.

27. Does OCFC have a financial officer? If so, please provide the name of the financial officer.

OCFC has the following officers:

Devon Sauzek – President
Robert Heard – Vice President
Diana Mooney – Secretary

28. Does OCFC have an operating officer, If so, please provide the name of the operating officer.

OCFC is a wholly owned subsidiary of OCIB. For transparency reasons and as a cost savings measure the operations of OCFC were brought in house. OCIB and its management team perform all duties associated with OCFC.

29. Has any Bank communicated anything to either OCIB or OCFC, formally or informally, verbally or in writing, regarding an event of default under the terms of a Promissory Note?

No.

30. If the answer to Question No. 29, is "yes", what is the first date upon which the communication was made? Was the communication verbal or written? Are there any documents that evidence the communication?

N/A

31. How many agreements are currently in effect between OCIB or OCFC and venture capital partnerships?

Fifteen agreements are still active.

32. What is the shortest duration of the remaining period of time with respect to any such agreement identified in Question No. 31?

A typical partnership agreement is scheduled for 10 years plus 2 to 3 one year extensions. Some agreements are further extended if market conditions or other factors haven't allowed the fund manager to exit the companies in which the fund has invested.

Two of OCIB's fifteen active funds will likely be closed within the next 12 months. They are still waiting on one or more companies to be exited and proceeds distributed.

33. What is the longest duration of the remaining period of time with respect to any such agreement identified in Question No. 31?

The longest remaining duration is 5.5 years plus potentially two, one year extensions. It is also possible that circumstances might require the agreement to be further extended in order to maximize value to investors.

34. How is the amount of money owed by a venture capital partnership to OCIB or OCFC determined under the agreement or agreements?

Specific details related to income and profit participation are negotiated and then agreed to in the partnership agreement. Typical agreements allocate profits 80/20. 80 percent of profits go to the limited partners (one of which would be OCFC) according to their partnership percentage. 20% of profits, after limited partner investors have received their capital back, is allocated to the general partner (fund manager).

The actual amount due OCFC is not truly determined until the last portfolio company of the fund has been sold or taken public and the fund has made its final liquidating distribution. As portfolio companies are exited the proceeds from the exits are distributed to the investors.

Managers provide quarterly capital account reconciliations throughout the life of a fund. Capital account reconciliations estimate the value of limited partner interests in the fund. Capital account reconciliations are typically based upon GAAP and FASB 157 which requires the managers to value their portfolio companies, through a conservative process, at fair market value. By valuing their portfolio of companies, they can estimate the value of each investor's interest.

35. From the inception of the Venture Investing Program through June 30, 2011, has any venture capital partnership breached its agreement regarding the payment of money owed to either OCIB or OCFC?

No

36. If there was a breach of an agreement, did OCIB or OCFC pursue the claim or how was the issue regarding the breach resolved?

N/A

37. From the inception of the Venture Investing Program through June 30, 2011, how many of the tax credits authorized pursuant to 74 O.S. Supp. 2010, Section 5085.7 have been sold by OCIB?

\$27,515,000 in tax credits have been sold. OCIB has received \$27,515,000 in return for the credits issued.

38. At any time prior to the sale of any tax credits described by Question No. 37, did a Bank make a formal demand for payment pursuant to the terms of a guaranty agreement?

Yes

39. After the sale of any tax credits referred to in Question No. 37, what did OCIB do with the proceeds from the sale of the credits?

All \$27,515,000 was immediately applied to the outstanding balance on OCFC's line of credit.

40. With respect to the period from July 1, 2009, through June 30, 2011, if the Task Force were to ask the question of how OCIB measures the rate of return on money invested by OCIB or OCFC in venture capital partnerships during that period in relation to the amount of contingent liability of the State of Oklahoma represented by the potential or actual sale of tax credits pursuant to 74 O.S. Section 5085.7, how would OCIB analyze and report the return to the State of Oklahoma as compared to the contingent liability?

OCIB can give the task force an accurate amount for OCIB's contingent liability as of June, 30, 2011. We would, however, add that this contingent liability is the result of OCIB's entire history of program operations and not specific to venture program activity during the period in question. See response to question 14 for detail related to how OCIB has funded its costs

OCIB could provide a list of cash flow activity specific to the venture program for this period of time. However, within the industry returns for venture capital investments are tracked from the inception of the fund (the date of the initial contribution by limiteds) through the end date being referenced or the close of the fund, whichever occurs first. Tracking returns by using any other time frame results in meaningless performance numbers. An example will hopefully help demonstrate the issue in reporting under any other timeframe.

Assume that OCIB commits to invest \$5 million in Fund A. The initial closing data and first draw of 20% of capital occurred on January 1, 2003. For simplicity, we will also assume that the fund manager calls 20% of the capital on January 1 of the next four years (2004, 2005, 2006 & 2007). Let's also assume that Fund A used the \$5 million to invest in 12 portfolio companies. By January 1, 2007 OCIB's full \$5 million has been contributed and invested in 12 companies. Further assume that in 2010 the fund sold 3 of these companies which resulted in \$2.5 million being distributed to OCIB. Also assume that in 2011 the fund sold 3 more companies resulting in an additional \$1.5 million being distributed to OCIB, leaving 6 companies remaining within the fund at June, 2011. Let's assume the estimated fair market value of OCIB's interest in the remaining 6 companies is \$3 million. The cash flow timing and remaining residual value would be as follows:

January 1, 2003	(\$1,000,000)	Contribution
January 1, 2004	(\$1,000,000)	Contribution
January 1, 2005	(\$1,000,000)	Contribution
January 1, 2006	(\$1,000,000)	Contribution
January 1, 2007	(\$1,000,000)	Contribution
January 1, 2010	\$2,500,000	Distribution
January 1, 2011	\$1,500,000	Distribution
June 30, 2011	\$3,000,000	Residual Value

Under the above example, if OCIB were to look solely at this fund's activity from July 1, 2009, through June 30, 2011, it would report \$4 million in cash received and \$3 million in remaining value. Reporting \$7 million in value received without the corresponding \$5 million in contributions does not provide a clear performance picture. OCIB did not make any new commitments in 2009. Therefore, reporting performance numbers for this limited period of time would show an incomplete picture.

Within the private equity industry performance presentation standards have been agreed to and established as the Global Investment Performance Standards (GIPS). These standards have been established to help the industry provide performance numbers that are comparable from fund to fund. These standards would require that performance for the above fund be tracked and reported from January 1, 2003 through June 30, 2011.

41. With respect to the period beginning with the inception of the Venture Investing Program through June 30, 2011, if the Task Force were to ask the question of how OCIB measures the rate of return on money invested by OCIB or OCFC in venture

capital partnerships during that period in relation to the amount of contingent liability of the State of Oklahoma represented by the potential or actual sale of tax credits pursuant to 74 O.S. Section 5085.7, how would OCIB analyze and report the return to the State of Oklahoma as compared to the contingent liability?

OCIB would be able to provide accurate, meaningful numbers related to the time period requested. OCIB would also be able to provide meaningful performance numbers for OCIB's three Portfolios. These performance numbers are as follows:

	<u>Invested Capital</u>	<u>Returned Capital</u>	<u>Residual Value</u>
Port I	\$13,065,700	\$21,155,038	\$ 247,413
Port II	\$12,474,040	\$ 5,422,159	\$ 1,031,041
Port III	<u>\$39,024,559</u>	<u>\$10,777,341</u>	<u>\$20,433,164</u>
Totals	\$64,564,299	\$37,354,538	\$21,711,618
IRR's	16.53%	-8.57%	-5.66%
Invested Capital		(\$64,564,299)	
Returned Capital		\$37,354,538	
Residual Value		<u>\$21,711,618</u>	
Net Reduction in Value		<u>(\$ 5,498,143)</u>	

OCIB understands the need for it to provide details in terms of its historical cost to the state. This number is \$32,864,440 and is comprised of tax credits issued to date plus OCIB's net contingent liability. This would include all program costs (not just the venture investment program), both recognized and realized, since inception. The following summarizes those items as of 5-31-2010 (June 30, 2011 numbers are not yet available)

Balance on Line of Credit	(\$25,892,591)
Residual Portfolio Values	\$21,711,618
OCAP Reserves (outstanding guarantee)	(\$ 1,269,456)
Cash	<u>\$ 100,989</u>
Net Contingent Liability	(\$ 5,349,440) recognized cost
Issue Tax Credits	<u>(\$27,515,000) realized cost</u>
Gross Costs to the State	<u>(\$32,864,440) ** recognized plus realized</u>

In determining the net overall benefit or cost to the state, OCIB compares this Gross Cost ** to the economic impact its programs have provided to the state. We believe the net benefit has been large. Again, please see the impact analysis of OCIB's program which has been prepared by Applied Economics. This report details that OCIB has drawn \$27,515,000 from the state to generate more than \$1.5 billion in economic impact and more than \$17 million in terms of a revenue impact. This represents more than \$55 dollars of benefit for every dollar contributed by the state.

Institutional Equity Associates (IEA)

IEA has historically performed the following services for and on behalf of OCIB:

- (A) **VENTURE INVESTMENT PROGRAM (VIP)**
VIP related services, including without limitation the following:
 - (i) Funds which have received OCIB support:
 - (a) Participate on advisory board of each fund
 - (b) Attend annual meetings of each fund
 - (c) Review fund financials
 - (d) Calculate current and projected IRRs
 - (e) Meet capital calls on a timely basis
 - (f) Manage distributions and liquidations
 - (g) Monitor the funds' efforts in meeting Oklahoma-specific strategic objectives
 - (ii) New funds:
 - (a) Recruit and market to new funds
 - (b) Introduce venture fund managers wanting to establish a presence within Oklahoma to the appropriate contacts within the state so that they can coordinate their efforts
 - (c) Review fund offerings that are received by OCIB
 - (d) Interview fund managers that have fund offerings which could contribute to OCIB's strategic objectives
 - (e) Perform due diligence work that includes background checks, site visits, etc.
 - (f) Prepare and present investment recommendation memoranda to OCIB for funds that the management team feels should receive OCIB backing
 - (g) Negotiate the terms of the investments
- (B) **OKLAHOMA CAPITAL ACCESS PROGRAM (OCAP)**
OCAP related services, including without limitation the following:
 - (i) Maintain relationships with existing OCAP lenders
 - (ii) Service the OCAP loan portfolio:
 - (a) Process and maintain loan enrollment forms
 - (b) Process claims on a timely basis
 - (c) Maintain the OCAP database
 - (d) Provide lenders with quarterly OCAP reports showing outstanding loans, current quarter activity and reserve account balances

- (iii) Market program to potential OCAP lenders, as directed by OCIB
- (C) PROGRAM DEVELOPMENT INITIATIVES (PDI)
PDI related services, including without limitation the following:
- (i) Identify market needs for capital for Oklahoma businesses
 - (ii) Design investment funds to serve identified markets
 - (iii) Recruit fund managers
 - (iv) Prepare and present investment recommendation memoranda to OCIB for funds that the management team feels should receive OCIB backing
 - (v) Negotiate the terms of the investments
- (D) Administration of the trust, including without limitation the following:
- (i) OCIB's annual business plan:
 - (a) Prepare the business plan
 - (b) Obtain approval of business plan by the trustees of OCIB
 - (ii) Maintain, review and adjust the funding mechanism that OCIB utilizes to finance its investment programs and operations:
 - (a) Perform steps necessary to maintain current tax credit commitments as well as negotiate additional commitments as appropriate
 - (b) Manage and maintain an arm's length contractual relationship with OCFC to adhere to Oklahoma State constitutional requirements
 - (c) Maintain relationships with banks that provide OCIB and OCFC their current lines of credit
 - (d) Monitor and negotiate the rates charged on these lines as conditions merit
 - (e) Renew or replace these lines as appropriate
 - (f) Evaluate other options available to OCIB to finance its programs
 - (iii) Provide support for the effective functioning of OCIB:
 - (a) Assist in the recruitment and education of new OCIB trustees about OCIB programs as existing OCIB trustee terms expire
 - (b) Arrange quarterly and special meetings of OCIB's five member Board of Trustees
 - (c) Present investment recommendations
 - (d) Present progress reports on OCIB programs
 - (e) Prepare other items requested by the trustees of OCIB
 - (iv) Meet all requisite reporting and purchasing procedure requirements:
 - (a) Maintain and prepare monthly financials for OCIB
 - (b) Review monthly financials and annual audits of OCFC

- (c) Coordinate the annual audit of OCIB
- (d) Prepare OCIB's annual report
- (e) Prepare and file reports as required by the various offices of state government

(E) Maintenance and further development of strategic and organizational relationships of OCIB:

- (i) Strategic relationships with Oklahoma governmental bodies and agencies.
- (ii) Organizational relationships require both support and participation in regional and national organizations contributing to the growth and expertise in related finance areas.

In addition to the above, the following services have been performed.

- (a) Technology Ventures Summit
- (b) Public Relations Effort
- (c) Manage OEP
- (d) Manage OCFC
- (e) General Oklahoma Industry Support and Sponsorships
 - (1) Governor's Cup judge, participant and sponsor
 - (2) Bricktown Capital Conference participant and sponsor
 - (3) NASVF participant and sponsor
 - (4) Bio Conference participant and sponsor

Management Services Performed by Institutional Equity Services

Major Categories

Venture Investment Program

Oklahoma Capital Access Program

Program Development Initiatives

Trust Administration

Produce Technology Ventures Summit

Maintain Funding Mechanism and Tax Credit Consortium

Manage Oklahoma Equity Partners

Manage Oklahoma Capital Formation Corporation

Oklahoma Industry Support and Sponsorship Activity

* each task requires a significant amount of staff time. Historically time requirements have varied from year to year.

** A word document titled IEAservices provides additional detail related services being performed by IEA.

OKLAHOMA CAPITAL INVESTMENT BOARD
HISTORICAL CASH LOW ACTIVITY

DATE	Port I		Port II		Port III		Port III		OCIB		Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds	Operational	Draws					
09/03/99	\$0.00		\$300,000.00		\$0.00		\$0.00		\$0.00			\$300,000.00		\$0.00	
09/10/99	\$0.00		\$0.00	\$114,627.25	\$0.00		\$0.00		\$0.00			\$0.00		\$114,627.25	
09/30/99	\$0.00		\$0.00		\$0.00		\$38,000.53		\$0.00		\$314,876.66	\$352,877.19		\$0.00	
10/15/99	\$0.00		\$496,070.00		\$0.00		\$0.00		\$0.00			\$496,070.00		\$0.00	
10/18/99	\$0.00		\$331,125.83		\$0.00		\$0.00		\$0.00			\$331,125.83		\$0.00	
10/29/99	\$0.00		\$0.00		\$0.00		\$22,000.00		\$0.00			\$22,000.00		\$0.00	
11/30/99	\$0.00		\$0.00		\$0.00		\$33,000.00		\$0.00			\$33,000.00		\$0.00	
11/30/99	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$229,951.79	\$229,951.79		\$0.00	
12/30/99	\$0.00		\$0.00		\$0.00		\$31,999.07		\$123,182.31			\$155,181.38		\$0.00	
12/31/99	\$0.00	\$163,200.00	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$163,200.00	
01/04/00	\$0.00		\$40,000.00		\$0.00		\$0.00		\$0.00			\$40,000.00		\$0.00	
01/12/00	\$0.00		\$220,750.56		\$0.00		\$0.00		\$0.00			\$220,750.56		\$0.00	
01/19/00	\$200,000.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
01/25/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
01/27/00	\$0.00		\$172,873.00		\$0.00		\$0.00		\$0.00			\$172,873.00		\$0.00	
01/28/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
01/31/00	\$0.00		\$300,000.00		\$0.00		\$0.00		\$0.00			\$300,000.00		\$0.00	
01/31/00	\$0.00		\$0.00		\$0.00		\$24,000.00		\$0.00			\$24,000.00		\$0.00	
01/31/00	\$0.00		\$0.00	\$79,739.00	\$0.00		\$0.00		\$0.00			\$0.00		\$79,739.00	
02/07/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
02/09/00	\$0.00		\$50,000.00		\$0.00		\$0.00		\$0.00			\$50,000.00		\$0.00	
02/29/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
02/29/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
02/29/00	\$200,000.00		\$0.00		\$0.00		\$19,000.00		\$276,249.03			\$19,000.00		\$276,249.03	
03/29/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
03/29/00	\$0.00		\$50,000.00		\$0.00		\$0.00		\$0.00			\$50,000.00		\$0.00	
03/30/00	\$0.00		\$0.00		\$0.00		\$19,000.00		\$0.00			\$19,000.00		\$0.00	
03/31/00	\$0.00		\$0.00		\$0.00		\$25,050.97		\$0.00			\$301,300.00		\$0.00	
04/04/00	\$0.00		\$220,750.56		\$0.00		\$0.00		\$0.00			\$220,750.56		\$0.00	
04/14/00	\$203,142.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
04/28/00	\$0.00		\$245,459.00		\$0.00		\$0.00		\$0.00			\$203,142.00		\$0.00	
04/28/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$245,459.00		\$0.00	
05/21/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$30,000.00		\$0.00	
06/15/00	\$0.00		\$0.00		\$0.00		\$21,000.00		\$0.00			\$21,000.00		\$0.00	
06/30/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
06/30/00	\$0.00		\$0.00		\$0.00		\$24,128.03		\$262,120.20			\$286,248.23		\$781.32	
07/31/00	\$0.00		\$0.00	\$163,188.00	\$0.00		\$0.00		\$0.00			\$0.00		\$163,188.00	
08/09/00	\$0.00		\$220,750.56		\$0.00		\$0.00		\$0.00			\$37,000.00		\$0.00	
08/16/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$220,750.56		\$0.00	
08/31/00	\$0.00		\$0.00		\$0.00		\$31,000.00		\$0.00			\$31,000.00		\$0.00	
09/06/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
09/29/00	\$0.00		\$0.00		\$0.00		\$25,000.00		\$280,556.06			\$305,556.06		\$0.00	
10/02/00	\$0.00		\$0.00		\$0.00		\$17,000.00		\$0.00			\$17,000.00		\$0.00	
10/31/00	\$0.00		\$0.00		\$0.00		\$30,000.00		\$0.00			\$30,000.00		\$0.00	
11/30/00	\$0.00		\$0.00		\$0.00		\$20,000.00		\$0.00			\$20,000.00		\$0.00	
12/18/00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
12/28/00	\$0.00		\$600,000.00		\$0.00		\$0.00		\$0.00			\$600,000.00		\$107,112.65	
12/29/00	\$169,285.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00		\$0.00	
01/03/01	\$0.00		\$220,750.56		\$0.00		\$0.00		\$0.00			\$169,285.00		\$0.00	
01/08/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$220,750.56		\$0.00	
01/31/01	\$0.00		\$0.00		\$0.00		\$0.00		\$259,927.91			\$259,927.91		\$0.00	
02/16/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$15,702.18			\$36,958.33		\$0.00	
02/16/01	\$0.00		\$220,750.56		\$0.00		\$0.00		\$0.00			\$220,750.56		\$0.00	
02/20/01	\$0.00		\$0.00		\$0.00		\$6,029.51		\$0.00			\$6,029.51		\$0.00	
02/28/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$0.00			\$36,958.33		\$0.00	

OKLAHOMA C. L. INVESTMENT BOARD
HISTORICAL C.A. - LOW ACTIVITY

DATE	Port I		Port II		Port III		Port III		OCIB		Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds	Operational Draws	Operational Proceeds							
03/30/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$0.00	\$36,958.33		\$0.00	
04/02/01	\$0.00		\$0.00		\$0.00		\$10,000.00		\$10,000.00		\$0.00	\$10,000.00		\$0.00	
04/04/01	\$0.00		\$0.00	\$136,659.08	\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$136,659.08	
04/13/01	\$0.00		\$441,501.11		\$0.00		\$0.00		\$0.00		\$261,448.34	\$441,501.11		\$0.00	
04/18/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$261,448.34		\$0.00	
04/30/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$0.00	\$36,958.33		\$42,373.85	
05/09/01	\$0.00	\$132,025.57	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$132,025.57	
05/31/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$0.00	\$36,958.33		\$0.00	
06/05/01	\$120,000.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$120,000.00		\$0.00	
06/19/01	\$0.00	\$241,662.03	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$290,067.59	
06/29/01	\$0.00		\$0.00		\$0.00		\$9,141.97		\$9,141.97		\$9,141.97	\$9,141.97		\$0.00	
06/29/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$36,958.33	\$36,958.33		\$0.00	
06/29/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$220,493.11	\$220,493.11		\$0.00	
07/06/01	\$0.00	\$601,210.41	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$601,210.41	
07/25/01	\$0.00	\$317,156.15	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$317,156.15	
07/31/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$0.00	
08/31/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$36,958.33	\$36,958.33		\$0.00	
09/14/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$36,958.33	\$36,958.33		\$0.00	
09/26/01	\$0.00		\$0.00		\$0.00		\$17,658.00		\$17,658.00		\$17,658.00	\$17,658.00		\$0.00	
09/28/01	\$0.00		\$0.00		\$0.00		\$46,138.99		\$46,138.99		\$46,138.99	\$46,138.99		\$0.00	
09/28/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$191,364.22	\$191,364.22		\$0.00	
10/09/01	\$60,000.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$0.00	
10/31/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$0.00		\$0.00	
11/14/01	\$0.00		\$220,750.56		\$0.00		\$36,958.33		\$36,958.33		\$36,958.33	\$36,958.33		\$0.00	
11/15/01	\$0.00		\$0.00		\$1,006,372.00		\$0.00		\$0.00		\$0.00	\$1,006,372.00		\$0.00	
11/20/01	\$0.00		\$0.00		\$0.00		\$5,000.00		\$5,000.00		\$5,000.00	\$5,000.00		\$0.00	
11/28/01	\$0.00		\$0.00		\$0.00		\$15,000.00		\$15,000.00		\$15,000.00	\$15,000.00		\$0.00	
11/28/01	\$0.00		\$0.00		\$0.00		\$36,958.33		\$36,958.33		\$36,958.33	\$36,958.33		\$0.00	
11/28/01	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$55,720.69	\$55,720.69		\$0.00	
12/07/01	\$0.00		\$0.00		\$0.00		\$5,036.13		\$5,036.13		\$5,036.13	\$5,036.13		\$0.00	
12/13/01	\$0.00		\$0.00		\$0.00		\$2,187.50		\$2,187.50		\$2,187.50	\$2,187.50		\$0.00	
12/17/01	\$0.00		\$0.00		\$73,461.00		\$0.00		\$0.00		\$73,461.00	\$73,461.00		\$0.00	
12/26/01	\$0.00		\$0.00		\$0.00		\$19,000.00		\$19,000.00		\$19,000.00	\$19,000.00		\$0.00	
12/28/01	\$0.00		\$0.00		\$0.00		\$13,462.79		\$13,462.79		\$13,462.79	\$13,462.79		\$0.00	
12/28/01	\$0.00		\$0.00		\$0.00		\$4,027.92		\$4,027.92		\$4,027.92	\$4,027.92		\$0.00	
12/28/01	\$0.00		\$0.00		\$0.00		\$39,145.83		\$39,145.83		\$39,145.83	\$39,145.83		\$0.00	
12/28/01	\$0.00		\$0.00		\$0.00		\$5,800.00		\$5,800.00		\$5,800.00	\$5,800.00		\$0.00	
01/22/02	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$80,537.14	\$80,537.14		\$0.00	
01/29/02	\$0.00		\$0.00		\$276,537.00		\$0.00		\$0.00		\$276,537.00	\$276,537.00		\$0.00	
01/31/02	\$0.00		\$0.00		\$368,715.00		\$0.00		\$0.00		\$368,715.00	\$368,715.00		\$0.00	
02/28/02	\$0.00		\$0.00		\$0.00		\$39,145.83		\$39,145.83		\$39,145.83	\$39,145.83		\$0.00	
03/07/02	\$0.00		\$0.00		\$0.00		\$39,145.83		\$39,145.83		\$39,145.83	\$39,145.83		\$0.00	
03/14/02	\$0.00		\$900,000.00		\$0.00		\$0.00		\$0.00		\$900,000.00	\$900,000.00		\$0.00	
03/29/02	\$0.00		\$0.00		\$161,134.00		\$0.00		\$0.00		\$161,134.00	\$161,134.00		\$0.00	
03/29/02	\$0.00		\$0.00		\$0.00		\$39,145.83		\$39,145.83		\$39,145.83	\$39,145.83		\$0.00	
03/29/02	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$750,000.00	\$750,000.00		\$0.00	
03/29/02	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$12,000.00	\$12,000.00		\$0.00	
04/02/02	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$108,792.68	\$108,792.68		\$0.00	
04/10/02	\$0.00		\$110,375.28		\$0.00		\$0.00		\$0.00		\$110,375.28	\$110,375.28		\$0.00	
04/11/02	\$0.00		\$0.00		\$0.00		\$14,000.00		\$14,000.00		\$14,000.00	\$14,000.00		\$0.00	
04/30/02	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$41,333.33	\$41,333.33		\$0.00	
05/21/02	\$0.00		\$0.00		\$368,478.00		\$0.00		\$0.00		\$368,478.00	\$368,478.00		\$0.00	
05/31/02	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$41,333.33	\$41,333.33		\$0.00	
05/31/02	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$41,333.33	\$41,333.33		\$0.00	

OKLAHOMA CAPITAL INVESTMENT BOARD
 HISTORICAL CASH FLOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	OCIB Operational Draws	Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
06/28/02	\$0.00		\$0.00		\$0.00		\$7,988.60	\$124,496.49	\$132,485.09		\$0.00	
06/28/02	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
07/11/02	\$0.00		\$0.00		\$0.00		\$4,000.00		\$4,000.00		\$0.00	
7/31/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
8/26/2002	\$0.00		\$76,815.00		\$0.00		\$0.00		\$76,815.00		\$0.00	
8/29/2002	\$0.00		\$110,375.28		\$0.00		\$0.00		\$110,375.28		\$0.00	
8/31/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
9/4/2002	\$0.00		\$0.00		\$0.00		\$20,000.00		\$20,000.00		\$0.00	
9/10/2002	\$0.00		\$0.00		\$0.00		\$0.00		\$10,870.00		\$0.00	
9/30/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
10/1/2002	\$0.00		\$0.00		\$0.00		\$0.00	\$128,197.54	\$128,197.54		\$0.00	
10/10/2002	\$0.00		\$0.00		\$108,695.00		\$0.00		\$108,695.00		\$0.00	
10/15/2002	\$0.00		\$0.00		\$242,967.00		\$0.00		\$242,967.00		\$0.00	
10/15/2002	\$0.00		\$0.00		\$0.00		\$0.00		\$165,562.92		\$0.00	
10/25/2002	\$0.00		\$165,562.92		\$0.00		\$0.00		\$375,000.00		\$0.00	
10/31/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
10/31/2002	\$0.00		\$0.00		\$0.00		\$0.00	\$0.00	\$0.00		\$0.00	
11/30/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
12/9/2002	\$0.00		\$0.00		\$0.00		\$14,600.00		\$14,600.00		\$0.00	
12/16/2002	\$0.00		\$0.00		\$0.00		\$0.00		\$183,370.00		\$0.00	
12/20/2002	\$0.00		\$183,370.00		\$0.00		\$0.00		\$275,938.20		\$0.00	
12/20/2002	\$0.00		\$0.00		\$0.00		\$0.00	\$127,221.90	\$127,221.90		\$0.00	
12/30/2002	\$0.00		\$0.00		\$0.00		\$0.00		\$41,333.33		\$0.00	
12/31/2002	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
1/13/2003	\$0.00		\$0.00		\$76,087.00		\$0.00		\$76,087.00		\$0.00	
1/24/2003	\$0.00		\$0.00		\$82,517.00		\$0.00		\$82,517.00		\$0.00	
1/31/2003	\$0.00		\$275,938.20		\$0.00		\$0.00		\$275,938.20		\$0.00	
1/31/2003	\$0.00		\$0.00		\$0.00		\$0.00		\$41,333.33		\$0.00	
2/28/2003	\$0.00		\$0.00		\$0.00		\$0.00		\$41,333.33		\$0.00	
3/24/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
3/31/2003	\$0.00		\$0.00		\$165,034.00		\$0.00		\$165,034.00		\$0.00	
3/31/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
3/31/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
3/31/2003	\$0.00		\$0.00		\$0.00		\$11,000.00		\$11,000.00		\$0.00	
4/18/2003	\$0.00		\$0.00		\$0.00		\$0.00	\$115,705.59	\$115,705.59		\$0.00	
4/30/2003	\$0.00		\$0.00		\$370,652.00		\$0.00		\$370,652.00		\$0.00	
5/12/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
5/16/2003	\$0.00		\$0.00		\$0.00		\$1,000.00		\$1,000.00		\$0.00	
5/27/2003	\$0.00		\$0.00		\$0.00		\$7,500.00		\$7,500.00		\$0.00	
5/31/2003	\$0.00		\$0.00		\$0.00		\$7,500.00		\$7,500.00		\$0.00	
6/2/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
6/24/2003	\$0.00		\$562,500.00		\$0.00		\$0.00		\$562,500.00		\$0.00	
6/30/2003	\$0.00		\$302,389.00		\$0.00		\$0.00		\$302,389.00		\$0.00	
6/30/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
7/1/2003	\$0.00		\$0.00		\$0.00		\$0.00	\$120,296.62	\$120,296.62		\$0.00	
7/8/2003	\$0.00		\$0.00		\$0.00		\$13,650.23		\$13,650.23		\$0.00	
7/9/2003	\$0.00		\$0.00		\$0.00		\$5,000.00		\$5,000.00		\$0.00	
7/17/2003	\$0.00		\$43,478.00		\$0.00		\$0.00		\$43,478.00		\$0.00	
7/22/2003	\$0.00		\$611,030.14		\$0.00		\$0.00		\$611,030.14		\$0.00	
7/29/2003	\$0.00		\$198,784.00		\$0.00		\$0.00		\$198,784.00		\$0.00	
7/31/2003	\$0.00		\$0.00		\$0.00		\$15,000.00		\$15,000.00		\$0.00	
7/31/2003	\$0.00		\$0.00		\$0.00		\$41,333.33		\$41,333.33		\$0.00	
7/31/2003	\$0.00		\$0.00		\$0.00		\$500.00		\$500.00		\$0.00	
8/12/2003	\$0.00		\$0.00		\$0.00		\$2,035.33	\$5,811.94	\$2,035.33		\$0.00	
8/20/2003	\$0.00		\$0.00		\$0.00		\$0.00		\$5,811.94		\$0.00	
8/29/2003	\$0.00		\$0.00		\$0.00		\$7,500.00		\$7,500.00		\$0.00	
			\$0.00		\$0.00		\$43,368.66		\$43,368.66		\$0.00	

OKLAHOMA CAPITAL INVESTMENT BOARD
HISTORICAL CASH FLOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	Operational Draws	Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
9/19/2003	\$0.00		\$0.00		\$0.00		\$12,000.00		\$12,000.00		\$0.00	
9/30/2003	\$0.00		\$0.00		\$0.00		\$43,368.66		\$43,368.66		\$0.00	
9/30/2003	\$0.00		\$0.00		\$0.00		\$21,000.00	\$119,042.60	\$140,042.60		\$0.00	
10/7/2003	\$0.00		\$114,607.00		\$114,607.00		\$0.00		\$114,607.00		\$0.00	
10/29/2003	\$0.00		\$0.00		\$0.00		\$21,000.00		\$21,000.00		\$0.00	
10/31/2003	\$0.00		\$0.00		\$0.00		\$43,368.66		\$43,368.66		\$0.00	
11/20/2003	\$0.00		\$0.00		\$0.00		\$1,000.00		\$1,000.00		\$0.00	
11/24/2003	\$0.00		\$228,261.00		\$228,261.00		\$0.00		\$228,261.00		\$0.00	
11/30/2003	\$0.00		\$0.00		\$0.00		\$43,368.66		\$43,368.66		\$0.00	
12/1/2003	\$0.00		\$0.00		\$0.00		\$0.00		\$60,000.00		\$0.00	
12/5/2003	\$0.00		\$0.00		\$227,380.00	\$12,210.00	\$0.00		\$227,380.00		\$12,210.00	
12/9/2003	\$0.00		\$0.00		\$0.00		\$0.00	\$78,342.72	\$78,342.72		\$0.00	
12/11/2003	\$0.00		\$0.00		\$0.00		\$5,000.00		\$5,000.00		\$0.00	
12/23/2003	\$0.00		\$0.00		\$0.00		\$10,000.00		\$10,000.00		\$0.00	
12/26/2003	\$0.00		\$0.00		\$0.00		\$0.00		\$375,000.00		\$0.00	
12/30/2003	\$0.00		\$0.00		\$17,000.00		\$0.00		\$17,000.00		\$0.00	
12/30/2003	\$0.00		\$0.00		\$0.00		\$28,000.00		\$28,000.00		\$0.00	
12/30/2003	\$0.00		\$0.00		\$0.00		\$0.00	\$44,834.18	\$44,834.18		\$0.00	
12/30/2003	\$0.00		\$0.00		\$0.00		\$45,622.73		\$45,622.73		\$0.00	
1/5/2004	\$0.00	\$149,999.56	\$0.00		\$0.00		\$0.00		\$0.00		\$149,999.56	
1/21/2004	\$0.00		\$0.00		\$0.00		\$5,800.00		\$5,800.00		\$0.00	
1/26/2004	\$0.00		\$0.00		\$0.00		(\$362.00)		(\$362.00)		\$0.00	
1/27/2004	\$0.00		\$0.00		\$487,500.00		\$0.00		\$487,500.00		\$0.00	
1/30/2004	\$0.00		\$0.00		\$0.00		\$45,622.73		\$45,622.73		\$0.00	
1/30/2004	\$0.00		\$0.00		\$20,000.00		\$0.00		\$20,000.00		\$0.00	
1/30/2004	\$0.00		\$0.00		\$89,393.00	\$20,049.00	\$0.00	\$41,657.96	\$89,393.00		\$20,049.00	
2/6/2004	\$0.00		\$0.00		\$0.00		\$0.00	\$5,744.03	\$5,744.03		\$0.00	
2/20/2004	\$0.00		\$0.00		\$0.00		\$45,622.73		\$45,622.73		\$0.00	
2/27/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$19,500.00		\$0.00	
3/4/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$110,375.28		\$0.00	
3/25/2004	\$0.00		\$110,375.28		\$0.00		\$0.00		\$110,375.28		\$0.00	
3/31/2004	\$0.00		\$0.00		\$17,000.00		\$0.00		\$17,000.00		\$0.00	
3/31/2004	\$0.00		\$0.00		\$0.00		\$45,622.73		\$45,622.73		\$0.00	
3/31/2004	\$0.00		\$0.00		\$0.00		\$0.00	\$85,847.23	\$85,847.23		\$0.00	
4/1/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$150,391.19		\$0.00	
4/12/2004	\$0.00		\$0.00		\$186,122.00		\$0.00		\$186,122.00		\$0.00	
4/12/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
4/30/2004	\$0.00		\$0.00		\$16,000.00	\$288,703.00	\$0.00		\$16,000.00		\$288,703.00	
4/30/2004	\$0.00		\$0.00		\$31,719.53		\$0.00		\$31,719.53		\$0.00	
4/30/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00	
4/30/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
5/6/2004	\$0.00	\$644,372.00	\$0.00		\$0.00		\$0.00		\$0.00		\$644,372.00	
5/21/2004	\$0.00		\$0.00		\$662,500.00		\$0.00		\$662,500.00		\$0.00	
5/28/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00	
6/4/2004	\$0.00		\$0.00		\$16,000.00		\$0.00		\$16,000.00		\$0.00	
6/9/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
6/18/2004	\$0.00		\$0.00		\$440,526.00		\$0.00		\$440,526.00		\$0.00	
6/29/2004	\$0.00		\$0.00		\$0.00		\$10,561.97		\$10,561.97		\$0.00	
6/30/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00	
6/30/2004	\$0.00		\$0.00		\$16,000.00		\$0.00		\$16,000.00		\$0.00	
6/30/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
7/15/2004	\$0.00		\$0.00	\$792,188.63	\$0.00		\$0.00	\$129,491.69	\$129,491.69		\$792,188.63	
7/15/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
8/2/2004	\$0.00		\$0.00		\$0.00		\$0.00	\$48,373.20	\$48,373.20		\$0.00	
8/2/2004	\$0.00		\$0.00		\$0.00		\$0.00	\$4,759.56	\$4,759.56		\$0.00	
8/30/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00	

OKLAHOMA C L INVESTMENT BOARD
 HISTORICAL C. :LOW ACTIVITY

DATE	Port I		Port II		Port III		Port III		OCIB		Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds	Draws	Proceeds					
8/12/2004	\$0.00		\$0.00		\$0.00		\$15,000.00		\$15,000.00		\$0.00			\$0.00	
8/23/2004	\$0.00		\$0.00		\$43,930.00		\$0.00		\$0.00		\$0.00			\$0.00	
8/31/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00			\$0.00	
9/1/2004	\$0.00	\$16,272.56	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$16,272.56	
9/1/2004	\$0.00		\$0.00		\$0.00		\$57,000.00		\$57,000.00		\$0.00			\$0.00	
9/3/2004	\$0.00		\$0.00		\$17,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
9/13/2004	\$0.00		\$0.00		\$45,817.10		\$0.00		\$0.00		\$0.00			\$0.00	
9/27/2004	\$0.00		\$0.00		\$675,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
9/27/2004	\$0.00		\$0.00		\$229,214.00		\$0.00		\$0.00		\$0.00			\$0.00	
9/30/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00			\$0.00	
9/30/2004	\$0.00		\$0.00		\$17,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
10/5/2004	\$0.00		\$0.00		\$176,219.63		\$0.00		\$176,219.63		\$0.00			\$0.00	
10/15/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	
10/29/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00			\$0.00	
11/1/2004	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$196,118.92			\$0.00	
11/2/2004	\$0.00		\$0.00		\$17,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
11/19/2004	\$0.00		\$0.00		\$375,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
11/30/2004	\$0.00		\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$0.00			\$0.00	
12/9/2004	\$0.00		\$0.00		\$417,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
12/21/2004	\$0.00		\$0.00		\$88,662.00		\$0.00		\$0.00		\$0.00			\$0.00	
12/30/2004	\$0.00		\$0.00		\$0.00		\$22,000.00		\$22,000.00		\$0.00			\$0.00	
12/31/2004	\$0.00		\$0.00		\$46,206.07		\$46,206.07		\$46,206.07		\$0.00			\$0.00	
1/3/2005	\$0.00		\$0.00		\$21,146.36		\$0.00		\$0.00		\$0.00			\$0.00	
1/3/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$62,260.38	
1/4/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$3,530.40	\$3,530.40	
1/19/2005	\$0.00		\$0.00		\$250,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
1/24/2005	\$0.00		\$0.00		\$75,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
1/27/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$173,292.00	
1/31/2005	\$0.00	\$173,292.00	\$0.00		\$0.00		\$47,489.40		\$47,489.40		\$0.00			\$0.00	
2/2/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	
2/7/2005	\$0.00		\$0.00		\$6,000.00		\$0.00		\$0.00		\$222,493.06			\$0.00	
2/8/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$31,597.58			\$0.00	
2/28/2005	\$0.00		\$0.00		\$209,089.00		\$0.00		\$0.00		\$31,597.58			\$0.00	
2/28/2005	\$0.00		\$0.00		\$0.00		\$47,489.40		\$47,489.40		\$0.00			\$0.00	
3/1/2005	\$0.00		\$0.00		\$17,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
3/18/2005	\$0.00		\$0.00		\$525,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
3/30/2005	\$0.00		\$55,187.64		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	
3/30/2005	\$0.00		\$0.00		\$0.00		\$11,000.00		\$11,000.00		\$0.00			\$0.00	
3/31/2005	\$0.00		\$0.00		\$225,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
3/31/2005	\$0.00		\$0.00		\$150,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
3/31/2005	\$0.00		\$0.00		\$0.00		\$47,489.40		\$47,489.40		\$0.00			\$0.00	
4/11/2005	\$0.00		\$0.00		\$16,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
4/27/2005	\$0.00		\$0.00		\$54,095.00		\$0.00		\$0.00		\$0.00			\$0.00	
4/29/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$245,884.55			\$0.00	
4/29/2005	\$0.00		\$0.00		\$0.00		\$47,270.65		\$47,270.65		\$0.00			\$0.00	
5/2/2005	\$0.00		\$0.00		\$19,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
5/6/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$48,346.73			\$0.00	
5/31/2005	\$0.00		\$0.00		\$0.00		\$47,270.65		\$47,270.65		\$0.00			\$0.00	
6/1/2005	\$0.00		\$0.00		\$0.00		\$8,000.00		\$8,000.00		\$0.00			\$0.00	
6/3/2005	\$0.00		\$0.00		\$17,000.00		\$0.00		\$0.00		\$0.00			\$0.00	
6/9/2005	\$0.00		\$0.00		\$0.00		\$3,000.00		\$3,000.00		\$0.00			\$0.00	
6/17/2005	\$0.00		\$0.00		\$111,261.00		\$0.00		\$0.00		\$0.00			\$0.00	
payment	\$0.00	\$110,092.00	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$110,092.00	
bank refund	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$175.00	\$175.00	

OKLAHOMA CAPITAL INVESTMENT BOARD
HISTORICAL CASH LOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	OCIB Operational Draws	Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
6/29/2005	\$0.00		\$0.00		\$0.00		\$7,000.00		\$7,000.00		\$0.00	
6/30/2005	\$0.00		\$4,405.00		\$4,405.00		\$0.00		\$4,405.00		\$0.00	
6/30/2005	\$0.00		\$0.00		\$0.00		\$47,259.90		\$47,259.90		\$0.00	
7/12/2005	\$0.00	\$10,499.97	\$0.00		\$0.00		\$0.00		\$0.00		\$10,499.97	
7/11/2005	\$0.00		\$0.00		\$0.00		\$11,000.00		\$11,000.00		\$0.00	
7/11/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$17,000.00		\$0.00	
7/29/2005	\$0.00		\$173,913.00		\$173,913.00		\$0.00		\$173,913.00		\$0.00	
7/30/2005	\$0.00		\$0.00		\$0.00		\$47,259.00		\$47,259.00		\$0.00	
8/8/2005	\$0.00		\$0.00		\$0.00		\$0.00	\$69,119.77	\$69,119.77		\$0.00	
8/8/2005	\$0.00		\$0.00		\$0.00		\$0.00	\$283,466.14	\$283,466.14		\$0.00	
8/9/2005	\$0.00	\$59,340.00	\$0.00		\$0.00		\$0.00		\$59,340.00		\$0.00	
8/15/2005	\$0.00		\$0.00		\$0.00		\$8,000.00		\$8,000.00		\$0.00	
8/17/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$21,000.00		\$0.00	
8/19/2005	\$0.00		\$0.00		\$21,000.00		\$0.00		\$21,000.00		\$0.00	
8/19/2005	\$0.00		\$0.00		\$525,000.00		\$0.00		\$525,000.00		\$0.00	
8/25/2005	\$0.00		\$0.00		\$117,480.00		\$0.00		\$117,480.00		\$0.00	
8/31/2005	\$0.00		\$0.00		\$0.00		\$47,310.63		\$47,310.63		\$0.00	
9/9/2005	\$0.00		\$0.00		\$0.00		\$12,000.00		\$12,000.00		\$0.00	
9/14/2005	\$0.00		\$0.00		\$16,000.00		\$0.00		\$16,000.00		\$0.00	
9/16/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
9/29/2005	\$0.00	\$104,099.67	\$0.00		\$0.00		\$17,000.00		\$17,000.00		\$104,099.67	
9/30/2005	\$0.00		\$0.00		\$0.00		\$47,310.63		\$47,310.63		\$0.00	
10/1/2005	\$0.00		\$0.00		\$15,859.77		\$0.00		\$15,859.77		\$0.00	
10/11/2005	\$0.00		\$0.00		\$115,936.00	\$90,271.00	\$0.00		\$115,936.00		\$90,271.00	
10/12/2005	\$0.00		\$55,187.64		\$0.00		\$0.00		\$55,187.64		\$0.00	
10/13/2005	\$0.00		\$0.00		\$17,000.00		\$0.00		\$17,000.00		\$0.00	
10/25/2005	\$0.00		\$0.00		\$562,500.00		\$0.00		\$562,500.00		\$0.00	
10/27/2005	\$0.00		\$0.00		\$0.00		\$12,000.00		\$12,000.00		\$0.00	
10/31/2005	\$0.00		\$0.00		\$0.00		\$47,310.63		\$47,310.63		\$0.00	
11/3/2005	\$0.00		\$0.00		\$130,000.00		\$0.00		\$130,000.00		\$0.00	
11/7/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$315,873.27		\$0.00	
11/7/2005	\$0.00		\$0.00		\$0.00		\$0.00	\$315,873.27	\$315,873.27		\$0.00	
11/7/2005	\$0.00		\$0.00		\$0.00		\$0.00	\$91,840.10	\$91,840.10		\$0.00	
11/10/2005	\$0.00		\$0.00		\$450,000.00		\$0.00		\$450,000.00		\$0.00	
11/15/2005	\$0.00		\$0.00		\$0.00		\$17,000.00		\$17,000.00		\$0.00	
11/28/2005	\$0.00		\$0.00		\$0.00		\$0.00		\$17,000.00		\$0.00	
11/30/2005	\$0.00		\$0.00		\$0.00	\$117,561.22	\$0.00		\$0.00		\$117,561.22	
12/6/2005	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
12/14/2005	\$0.00		\$0.00		\$16,000.00		\$0.00		\$16,000.00		\$0.00	
12/19/2005	\$0.00		\$0.00		\$0.00		\$10,000.00		\$10,000.00		\$0.00	
12/20/2005	\$0.00		\$0.00		\$216,159.00		\$0.00		\$216,159.00		\$0.00	
12/30/2005	\$0.00		\$0.00		\$0.00		\$55,000.00		\$55,000.00		\$0.00	
1/4/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
1/6/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$394,967.24	
1/6/2006	\$0.00		\$0.00		\$16,000.00		\$0.00		\$16,000.00		\$0.00	
1/6/2006	\$0.00		\$0.00		\$0.00		\$11,000.00		\$11,000.00		\$0.00	
1/12/2006	\$0.00		\$88,300.10		\$0.00		\$0.00		\$88,300.10		\$0.00	
1/18/2006	\$0.00		\$0.00		\$0.00		\$16,000.00		\$16,000.00		\$0.00	
1/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
2/2/2006	\$0.00		\$0.00		\$0.00		\$15,000.00		\$15,000.00		\$0.00	
2/6/2006	\$0.00		\$0.00		\$12,000.00		\$0.00		\$12,000.00		\$0.00	
2/7/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
2/7/2006	\$0.00		\$0.00		\$0.00		\$0.00	\$128,591.57	\$128,591.57		\$0.00	
2/8/2006	\$0.00		\$0.00		\$0.00		\$0.00	\$352,011.08	\$352,011.08		\$0.00	
2/8/2006	\$0.00		\$0.00		\$0.00	\$24,134.41	\$0.00		\$0.00		\$24,134.41	
2/22/2006	\$0.00		\$0.00		\$0.00		\$10,000.00		\$10,000.00		\$0.00	
2/22/2006	\$0.00		\$252,450.98		\$0.00		\$0.00		\$252,450.98		\$0.00	

OKLAHOMA CAPITAL INVESTMENT BOARD
 HISTORICAL CAPITAL LOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	OCIB Operational Draws	Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
2/28/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
3/3/2006	\$0.00		\$0.00		\$600,000.00		\$0.00		\$600,000.00		\$0.00	
3/14/2006	\$0.00		\$0.00		\$17,000.00		\$0.00		\$17,000.00		\$0.00	
3/22/2006	\$0.00		\$0.00		\$50,000.00		\$0.00		\$50,000.00		\$0.00	
3/31/2006	\$0.00		\$0.00		\$17,000.00		\$0.00		\$17,000.00		\$0.00	
3/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
4/10/2006	\$0.00		\$0.00		\$225,000.00		\$0.00		\$225,000.00		\$0.00	
4/11/2006	\$0.00		\$0.00		\$450,000.00		\$0.00		\$450,000.00		\$0.00	
4/28/2006	\$0.00		\$0.00		\$16,000.00		\$0.00	\$517,073.84	\$517,073.84		\$0.00	
4/28/2006	\$0.00		\$0.00		\$0.00		\$17,000.00		\$17,000.00		\$0.00	
4/28/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
5/1/2006	\$0.00		\$0.00		\$4,000.00		\$0.00		\$4,000.00		\$0.00	
5/3/2006	\$0.00		\$0.00		\$140,000.00		\$0.00		\$140,000.00		\$0.00	
5/18/2006	\$0.00		\$0.00		\$35,243.93		\$0.00		\$35,243.93		\$0.00	
5/25/2006	\$0.00		\$0.00		\$257,928.00	\$236,022.00	\$0.00		\$257,928.00		\$236,022.00	
5/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
6/2/2006	\$0.00		\$0.00		\$75,000.00		\$0.00		\$75,000.00		\$0.00	
6/6/2006	\$0.00		\$0.00		\$23,000.00		\$0.00		\$23,000.00		\$0.00	
6/9/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
6/12/2006	\$0.00		\$0.00		\$11,565.00		\$14,743.00		\$11,565.00		\$0.00	
6/14/2006	\$0.00		\$0.00		\$53,850.00		\$0.00		\$53,850.00		\$0.00	
6/19/2006	\$0.00		\$0.00		\$117,538.49		\$0.00		\$117,538.49		\$0.00	
6/20/2006	\$0.00		\$0.00		\$0.00	\$886,038.78	\$0.00		\$0.00		\$886,038.78	
6/23/2006	\$0.00		\$0.00		\$372,979.00		\$0.00		\$372,979.00		\$0.00	
6/30/2006	\$0.00		\$0.00		\$23,500.00		\$0.00		\$23,500.00		\$0.00	
6/30/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
7/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
7/31/2006	\$0.00		\$0.00		\$29,000.00		\$0.00		\$29,000.00		\$0.00	
7/31/2006	\$0.00		\$0.00		\$0.00		\$0.00	\$604,341.16	\$604,341.16		\$0.00	
8/1/2006	\$0.00	\$886,373.00	\$0.00		\$0.00		\$0.00		\$0.00		\$886,373.00	
8/8/2006	\$0.00		\$0.00	\$225,098.00	\$0.00		\$0.00		\$0.00		\$225,098.00	
8/17/2006	\$0.00		\$0.00		\$600,000.00		\$0.00		\$600,000.00		\$0.00	
8/31/2006	\$0.00		\$0.00		\$24,000.00		\$0.00		\$24,000.00		\$0.00	
8/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
9/20/2006	\$0.00		\$0.00		\$0.00	\$368,312.16	\$0.00		\$0.00		\$368,312.16	
9/20/2006	\$0.00		\$0.00		\$750,000.00		\$0.00		\$750,000.00		\$0.00	
9/25/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
9/27/2006	\$0.00		\$0.00		\$70,840.29		\$0.00		\$70,840.29		\$0.00	
9/29/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
9/29/2006	\$0.00		\$0.00		\$24,000.00		\$0.00		\$24,000.00		\$0.00	
9/29/2006	\$0.00		\$0.00		\$0.00		\$7,500.00		\$7,500.00		\$0.00	
10/5/2006	\$0.00		\$0.00		\$0.00		\$10,000.00		\$10,000.00		\$0.00	
10/6/2006	\$0.00		\$0.00		\$250,000.00		\$0.00		\$250,000.00		\$0.00	
10/10/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
10/11/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
10/16/2006	\$0.00	\$2,720.59	\$0.00		\$0.00		\$0.00		\$0.00		\$2,720.59	\$250,000.00
10/16/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
10/31/2006	\$0.00		\$0.00		\$27,000.00		\$0.00		\$27,000.00		\$0.00	
10/31/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
11/3/2006	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	
11/17/2006	\$0.00		\$0.00		\$500,000.00		\$0.00	\$613,191.03	\$613,191.03		\$0.00	
11/30/2006	\$0.00		\$0.00		\$23,500.00		\$0.00		\$23,500.00		\$0.00	
11/30/2006	\$0.00		\$0.00		\$0.00		\$48,007.14		\$48,007.14		\$0.00	
12/1/2006	\$0.00		\$0.00		\$121,591.54		\$0.00		\$121,591.54		\$0.00	

OKLAHOMA C L INVESTMENT BOARD
HISTORICAL C. FLOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	Port III Draws	Port III Proceeds	Port III Draws	Port III Proceeds	Operational Draws	Operational Proceeds	Interest on Line	Total Draws	Total Proceeds	Other Proceeds	Total Proceeds	Tax Credit Sales
4/30/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$0.00			\$0.00	
5/2/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
5/23/2008	\$0.00		\$450,000.00		\$450,000.00		\$0.00		\$0.00		\$0.00			\$450,000.00			\$450,000.00	
5/30/2008	\$0.00		\$150,000.00		\$150,000.00		\$0.00		\$0.00		\$0.00			\$150,000.00			\$150,000.00	
5/30/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
5/30/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
6/13/2008	\$0.00		\$45,817.10		\$45,817.10		\$0.00		\$0.00		\$0.00			\$45,817.10			\$45,817.10	
6/23/2008	\$0.00		\$143,259.00		\$143,259.00		\$0.00		\$0.00		\$0.00			\$143,259.00			\$143,259.00	
6/30/2008	\$0.00		\$160,000.00		\$160,000.00		\$0.00		\$0.00		\$0.00			\$160,000.00			\$160,000.00	
6/30/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
6/30/2008	\$0.00		\$75,000.00		\$75,000.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
7/18/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$75,000.00		\$75,000.00			\$75,000.00			\$75,000.00	
7/21/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$17,881.00		\$17,881.00			\$17,881.00			\$17,881.00	
7/30/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83			\$46,748.83			\$46,748.83	
8/5/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$335,842.77	\$335,842.77			\$335,842.77	
8/13/2008	\$0.00		\$65,000.00		\$65,000.00		\$0.00		\$0.00		\$0.00			\$65,000.00			\$65,000.00	
8/14/2008	\$0.00		\$150,000.00		\$150,000.00		\$0.00		\$0.00		\$0.00			\$150,000.00			\$150,000.00	
8/21/2008	\$0.00		\$210,000.00		\$210,000.00		\$0.00		\$0.00		\$0.00			\$210,000.00			\$210,000.00	
8/27/2008	\$0.00		\$87,500.00		\$87,500.00		\$0.00		\$0.00		\$0.00			\$87,500.00			\$87,500.00	
8/29/2008	\$0.00		\$18,323.96		\$18,323.96		\$0.00		\$46,748.83		\$46,748.83			\$18,323.96			\$18,323.96	
8/29/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$22,000.00		\$22,000.00			\$22,000.00			\$22,000.00	
9/5/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00			\$0.00	
9/16/2008	\$0.00		\$160,000.00		\$160,000.00		\$0.00		\$0.00		\$0.00			\$160,000.00			\$160,000.00	
9/19/2008	\$0.00		\$195,558.00		\$195,558.00		\$0.00		\$0.00		\$0.00			\$195,558.00			\$195,558.00	
9/26/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
9/29/2008	\$0.00		\$300,000.00		\$300,000.00		\$0.00		\$0.00		\$0.00			\$300,000.00			\$300,000.00	
9/30/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
10/6/2008	\$0.00		\$14,097.57		\$14,097.57		\$0.00		\$0.00		\$0.00			\$14,097.57			\$14,097.57	
10/14/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00			\$0.00	
10/20/2008	\$0.00		\$54,584.00		\$54,584.00		\$0.00		\$0.00		\$0.00			\$54,584.00			\$54,584.00	
10/31/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$335,840.97	\$335,840.97			\$335,840.97	
10/31/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
10/31/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
11/5/2008	\$0.00		\$135,000.00		\$135,000.00		\$0.00		\$0.00		\$0.00			\$135,000.00			\$135,000.00	
11/28/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
11/28/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
12/16/2008	\$0.00		\$211,940.00		\$211,940.00		\$0.00		\$0.00		\$0.00			\$211,940.00			\$211,940.00	
12/18/2008	\$0.00		\$26,460.00		\$26,460.00		\$0.00		\$0.00		\$0.00			\$26,460.00			\$26,460.00	
12/23/2008	\$0.00		\$75,000.00		\$75,000.00		\$0.00		\$0.00		\$0.00			\$75,000.00			\$75,000.00	
12/30/2008	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
12/30/2008	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
1/23/2009	\$0.00		\$450,000.00		\$450,000.00		\$0.00		\$0.00		\$0.00			\$450,000.00			\$450,000.00	
1/30/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
1/31/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00			\$0.00			\$0.00	
2/9/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$46,748.83		\$46,748.83			\$46,748.83			\$46,748.83	
2/26/2009	\$0.00		\$100,000.00		\$100,000.00		\$0.00		\$0.00		\$0.00		\$263,302.95	\$263,302.95			\$263,302.95	
2/27/2009	\$0.00		\$221,215.12		\$221,215.12		\$0.00		\$0.00		\$0.00			\$221,215.12			\$221,215.12	
3/31/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$45,813.35		\$45,813.35			\$45,813.35			\$45,813.35	
3/31/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$45,813.35		\$45,813.35			\$45,813.35			\$45,813.35	
3/31/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00		\$0.00		\$0.00			\$17,881.00			\$17,881.00	
4/6/2009	\$0.00		\$100,000.00		\$100,000.00		\$0.00		\$0.00		\$0.00			\$100,000.00			\$100,000.00	
4/6/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$5,000.00		\$5,000.00			\$5,000.00			\$5,000.00	
4/9/2009	\$0.00		\$10,000.00		\$10,000.00		\$0.00		\$0.00		\$0.00			\$10,000.00			\$10,000.00	

OKLAHOMA C L INVESTMENT BOARD
HISTORICAL C LOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	Operational Draws	Operational Proceeds	Interest on Line	Total Draws	Total Proceeds	Other Proceeds	Tax Credit Sales
4/30/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
4/30/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$154,648.51	\$154,648.51	\$0.00		
5/1/2009	\$0.00		\$73,179.83		\$0.00		\$0.00			\$73,179.83	\$0.00		
5/1/2009	\$0.00		\$0.00		\$0.00		\$10,000.00			\$10,000.00	\$0.00		
5/4/2009	\$0.00		\$70,487.85		\$0.00		\$0.00			\$70,487.85	\$0.00		
5/7/2009	\$0.00		(\$48,891.00)		\$0.00		\$0.00			(\$48,891.00)	\$0.00		
5/18/2009	\$0.00		\$120,000.00		\$0.00		\$0.00			\$120,000.00	\$0.00		
5/21/2009	\$0.00		\$140,000.00		\$0.00		\$0.00			\$140,000.00	\$0.00		
5/29/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
6/1/2009	\$0.00		\$17,881.00		\$0.00		\$0.00			\$17,881.00	\$0.00		
6/11/2009	\$0.00		\$39,858.75		\$0.00		\$0.00			\$39,858.75	\$0.00		
6/17/2009	\$0.00		\$89,967.27		\$256,610.00	\$222,219.18	\$0.00			\$89,967.27	\$222,219.18		
6/24/2009	\$0.00		\$300,000.00		\$0.00		\$0.00			\$256,610.00	\$0.00		
6/29/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$300,000.00	\$0.00		
6/30/2009	\$0.00		\$17,881.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
6/30/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$17,881.00	\$0.00		
7/31/2009	\$0.00		\$17,881.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
7/31/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$150,819.56	\$17,881.00	\$0.00		
8/4/2009	\$0.00		\$0.00		\$0.00		\$21,000.00			\$150,819.56	\$0.00		
8/6/2009	\$0.00		\$0.00		\$150,000.00		\$0.00			\$21,000.00	\$0.00		
8/31/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$150,000.00	\$0.00		
8/31/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
8/31/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00			\$17,881.00	\$0.00		
9/16/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$150,819.56	\$0.00		
9/16/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$1,750,000.00
9/22/2009	\$0.00		\$0.00		\$0.00		\$7,500.00			\$0.00	\$0.00		\$250,000.00
9/28/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		
9/30/2009	\$0.00		\$97,005.83		\$0.00		\$0.00			\$7,500.00	\$0.00		
9/30/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$97,005.83	\$0.00		
9/30/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$45,813.35	\$0.00		
10/29/2009	\$0.00		\$17,881.00		\$150,000.00		\$0.00			\$17,881.00	\$0.00		
10/30/2009	\$0.00		\$0.00		\$0.00		\$0.00		\$167,008.70	\$150,000.00	\$0.00		
10/30/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00			\$167,008.70	\$0.00		
10/30/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$17,881.00	\$0.00		
10/30/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00			\$17,881.00	\$0.00		
11/30/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
11/30/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$250,000.00
12/16/2009	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		
12/21/2009	\$0.00		\$215,419.00		\$0.00		\$0.00			\$215,419.00	\$0.00		
12/31/2009	\$0.00		\$100,000.00		\$0.00		\$0.00			\$100,000.00	\$0.00		
12/31/2009	\$0.00		\$17,881.00		\$17,881.00		\$0.00			\$17,881.00	\$0.00		
12/31/2009	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
1/8/2010	\$0.00	\$22,897.00	\$0.00		\$0.00		\$0.00			\$0.00	\$22,897.00		
1/19/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$675,000.00
1/28/2010	\$0.00		\$100,000.00		\$0.00		\$0.00			\$100,000.00	\$0.00		
1/29/2010	\$0.00		\$0.00		\$0.00		\$45,813.35			\$45,813.35	\$0.00		
1/29/2010	\$0.00		\$0.00		\$0.00		\$0.00		\$175,978.01	\$175,978.01	\$0.00		
2/1/2010	\$0.00		\$17,881.00		\$17,881.00		\$0.00			\$17,881.00	\$0.00		
2/4/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$7,908.28
2/17/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		
2/18/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$250,000.00
2/26/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$875,000.00
2/26/2010	\$0.00		\$17,881.00		\$17,881.00		\$44,593.30			\$17,881.00	\$0.00		
3/15/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$44,593.30	\$0.00		\$640,000.00
3/15/2010	\$0.00		\$0.00		\$0.00		\$0.00			\$0.00	\$0.00		\$875,000.00
3/25/2010	\$0.00		\$112,500.00		\$0.00		\$0.00			\$0.00	\$112,500.00		

OKLAHOMA C L INVESTMENT BOARD
HISTORICAL C.F. FLOW ACTIVITY

DATE	Port I Draws	Port I Proceeds	Port II Draws	Port II Proceeds	Port III Draws	Port III Proceeds	OCIB Operational Draws	Interest on Line	Total Draws	Other Proceeds	Total Proceeds	Tax Credit Sales
2/1/2011	\$0.00		\$0.00		\$0.00	\$1,500,000.00	\$0.00		\$0.00		\$1,500,000.00	
2/8/2011	\$0.00		\$0.00		\$0.00	\$3,683.04	\$0.00		\$0.00		\$3,683.04	
2/11/2011	\$0.00		\$0.00	\$45.00	\$0.00		\$0.00		\$0.00		\$45.00	
2/17/2011	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$250,000.00
2/17/2011	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$875,000.00
2/28/2011	\$0.00		\$0.00		\$0.00		\$30,000.00		\$30,000.00		\$0.00	
2/28/2011	\$0.00		\$0.00		\$0.00		\$0.00	\$2,362.08	\$2,362.08		\$0.00	
3/3/2011	\$0.00		\$0.00		\$113,162.00	\$471,375.00	\$0.00		\$113,162.00		\$471,375.00	
3/10/2011	\$0.00		\$0.00		\$0.00		\$7,500.00		\$7,500.00		\$0.00	
3/16/2011	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$1,515,000.00
3/22/2011	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$1,000,000.00
3/31/2011	\$0.00		\$0.00		\$0.00		\$30,000.00		\$30,000.00		\$0.00	
4/8/2011	\$0.00		\$0.00		\$0.00	\$441,609.42	\$0.00		\$0.00		\$441,609.42	
4/12/2011	\$0.00		\$0.00		\$150,000.00		\$0.00		\$150,000.00		\$0.00	
4/29/2011	\$0.00		\$0.00		\$0.00		\$30,000.00		\$30,000.00		\$0.00	
4/29/2011	\$0.00		\$0.00		\$0.00	\$35,243.93	\$0.00		\$0.00		\$35,243.93	
5/16/2011	\$0.00		\$0.00		\$14,600.00		\$0.00		\$14,600.00		\$0.00	
5/18/2011	\$0.00		\$0.00		\$0.00		\$0.00		\$0.00		\$0.00	\$250,000.00
5/31/2011	\$0.00		\$0.00		\$0.00		\$30,000.00		\$30,000.00		\$0.00	
5/31/2011	\$0.00		\$0.00		\$75,000.00		\$0.00		\$75,000.00		\$0.00	
6/30/2011	\$0.00		\$0.00		\$0.00		\$30,000.00		\$30,000.00		\$0.00	

\$13,065,700.00 \$21,155,038.59 \$12,474,040.00 \$5,422,159.80 ##### \$9,763,318.76 \$16,640,636.75 \$90,968,254.56 \$275,733.07 \$37,630,272.52 \$27,515,000.00

OCIB - Management Fees

Paid to Institutional Equity Associates

<u>Year</u>	<u>Month</u>	<u>Amount</u>	<u>Year</u>	<u>Month</u>	<u>Amount</u>	<u>Year</u>	<u>Month</u>	<u>Amount</u>
2001	Jan	\$36,958.33	2005	Jan	\$46,206.07	2009	Jan	\$46,000.66
	Feb	\$36,958.33		Feb	\$47,489.40		Feb	\$45,998.44
	Mar	\$36,958.33		Mar	\$47,489.40		Mar	\$45,998.44
	Apr	\$36,958.33		Apr	\$47,489.40		Apr	\$45,710.55
	May	\$36,958.33		May	\$47,270.65		May	\$45,710.55
	June	\$36,958.33		June	\$47,270.65		June	\$45,648.76
	July	\$36,958.33		July	\$47,259.90		July	\$45,428.74
	Aug	\$36,958.33		Aug	\$47,310.63		Aug	\$45,423.67
	Sep	\$36,958.33		Sep	\$47,310.63		Sep	\$45,423.67
	Oct	\$36,958.33		Oct	\$47,310.31		Oct	\$45,423.35
	Nov	\$2,187.50		Nov	\$48,007.14		Nov	\$45,157.68
	Dec	\$39,145.83		Dec	\$48,007.14		Dec	\$44,932.27
2002	Jan	\$39,145.83	2006	Jan	\$48,007.14	2010	Jan	\$44,786.44
	Feb	\$39,145.83		Feb	\$48,004.92		Feb	\$44,784.22
	Mar	\$39,145.83		Mar	\$48,004.92		Mar	\$44,784.22
	Apr	\$41,333.33		Apr	\$47,775.36		Apr	\$44,496.33
	May	\$41,333.33		May	\$47,775.36		May	\$44,496.33
	June	\$41,333.33		June	\$48,275.03		June	\$44,405.37
	July	\$41,333.33		July	\$48,055.01		July	\$30,000.00
	Aug	\$41,333.33		Aug	\$48,055.01		Aug	\$30,000.00
	Sep	\$41,333.33		Sep	\$48,055.01		Sep	\$30,000.00
	Oct	\$41,333.33		Oct	\$48,054.69		Oct	\$30,000.00
	Nov	\$41,333.33		Nov	\$47,876.52		Nov	\$30,000.00
	Dec	\$41,333.33		Dec	\$47,651.12		Dec	\$30,000.00
2003	Jan	\$41,333.33	2007	Jan	\$47,651.12	2011	Jan	\$30,000.00
	Feb	\$41,333.33		Feb	\$47,648.90		Feb	\$30,000.00
	Mar	\$41,333.33		Mar	\$47,648.90		Mar	\$30,000.00
	Apr	\$41,333.33		Apr	\$47,361.00		Apr	\$30,000.00
	May	\$41,333.33		May	\$47,361.00		May	\$30,000.00
	June	\$41,333.33		June	\$47,641.92		June	\$30,000.00
	July	\$41,333.33		July	\$47,421.90			
	Aug	\$2,035.33		Aug	\$47,421.90			
	Sep	\$43,368.66		Sep	\$47,421.90			
	Oct	\$43,368.66		Oct	\$47,421.59			
	Nov	\$43,368.66		Nov	\$47,243.42			
	Dec	\$43,368.66		Dec	\$47,018.01			
2004	Jan	\$45,622.73	2008	Jan	\$46,872.18			
	Feb	\$45,622.73		Feb	\$46,869.96			
	Mar	\$45,622.73		Mar	\$46,869.96			
	Apr	\$45,622.73		Apr	\$46,582.06			
	May	\$46,206.07		May	\$46,582.06			
	June	\$46,206.07		June	\$46,571.31			
	July	\$46,206.07		July	\$46,642.96			
	Aug	\$46,206.07		Aug	\$46,637.89			
	Sep	\$46,206.07		Sep	\$46,637.89			
	Oct	\$46,206.07		Oct	\$46,637.57			
	Nov	\$46,206.07		Nov	\$46,371.90			
	Dec	\$46,206.07		Dec	\$46,146.50			

OCIB Financial Data provided by OCIB in spreadsheet attached

	2010	Change 2011
Total		
Funded	\$63,550,325.05	\$1,013,974.00
Total Distributions	\$33,539,085.09	\$3,815,454.36
Total Assets *	\$22,381,379.00	?
Loss Pre expenses	\$7,629,860.96	
Interest		
paid	\$16,241,133.77	\$399,502.98
Taxcredits Sold	\$19,515,000.00	\$8,000,000.00
Operations	\$9,366,268.76	\$397,050.00
Misc Gain	\$275,733.07	\$0.00
Line of Credit *	\$2,570,031.00	?
Promissory Note *	\$33,257,878.00	?
Accrued Interest *	\$0.00	?
Profit/Loss		

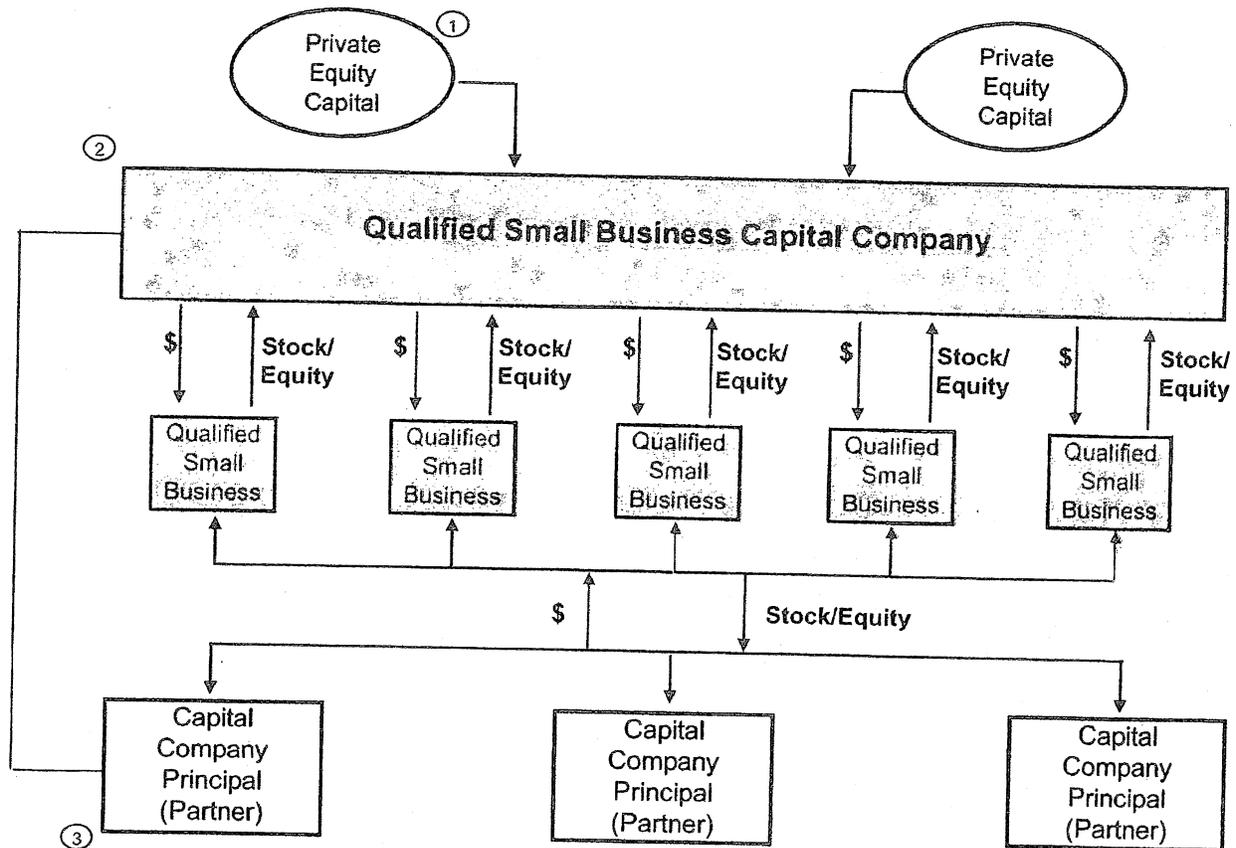
Notes:

All figures from provided spreadsheet unless otherwise indicated
 * From OCIB 2010 report, Assets are cost basis(not equity) so likely to be much less

<u>EMPLOYEE NAME</u>	<u>OESC ACCT.</u>
Acorn Growth Companies	Y
Chisholm Private Capital Partners	Y
Emergent Technologies Oklahoma	Y
Mesa Ventures Oklahoma	N
Oklahoma Life Sciences Fund	N
Oklahoma Seed Capital Fund	N
SSM Ventures	N
Blue Sage Capital	N
Prolog Ventures	N
Tullis-Dickerson	N
Richland	N
Intersouth	Y
Dolphin	N
Prolog	N
Oklahoma Life Science	N
Oklahoma Seed Capital	N
Altheus	Y
Global Dispatch Tech.	N
Heparinex	N
Hyalose	Y
Infinitec Communications, Inc.	Y
InnovAlarm	Y
Inovar Pacakaging, Inc.	Y
Inoveon	Y
Pure Protein	Y
Selexys	Y
InfoGlide Corp.	Y
The Rock Island Group	N
Webcast.com (iBeam)	Y
AEMT	Y
Amber Waves	Y
Choncept	N
Dominion Management	Y
Excel Energy	Y
Life Guard America	Y
MedSynergy	N
MelanX Corp.	N
NetCom Solutions	Y
Premier Parks	Y
StadiaNet Sports, Inc.	N
Torch Health Care	Y
Credit Point	N
eMotion Media	N
Exerbotics	N
iThryv	N

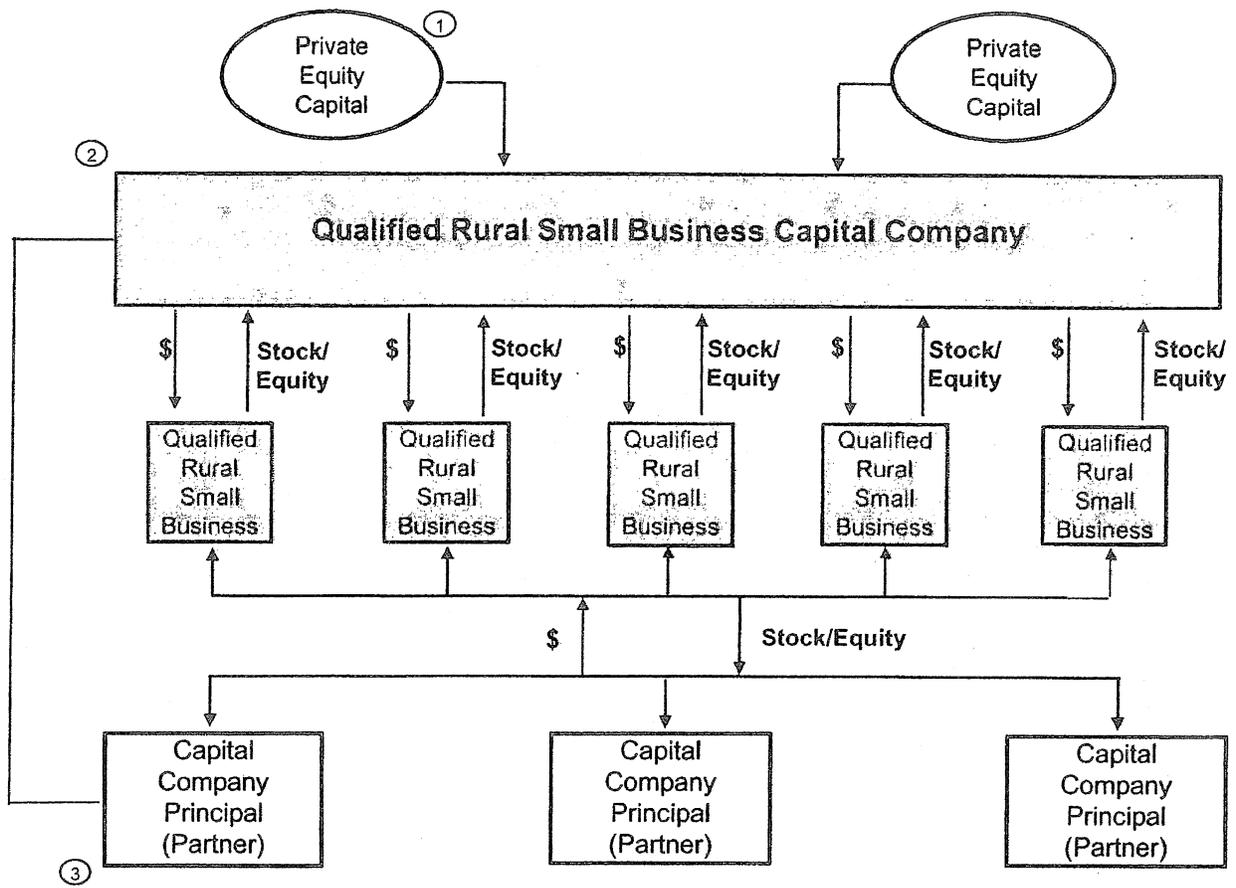
TOTAL NUMBER OF EMPLOYEES: 18

Venture Capital Tax Credit: Small Business



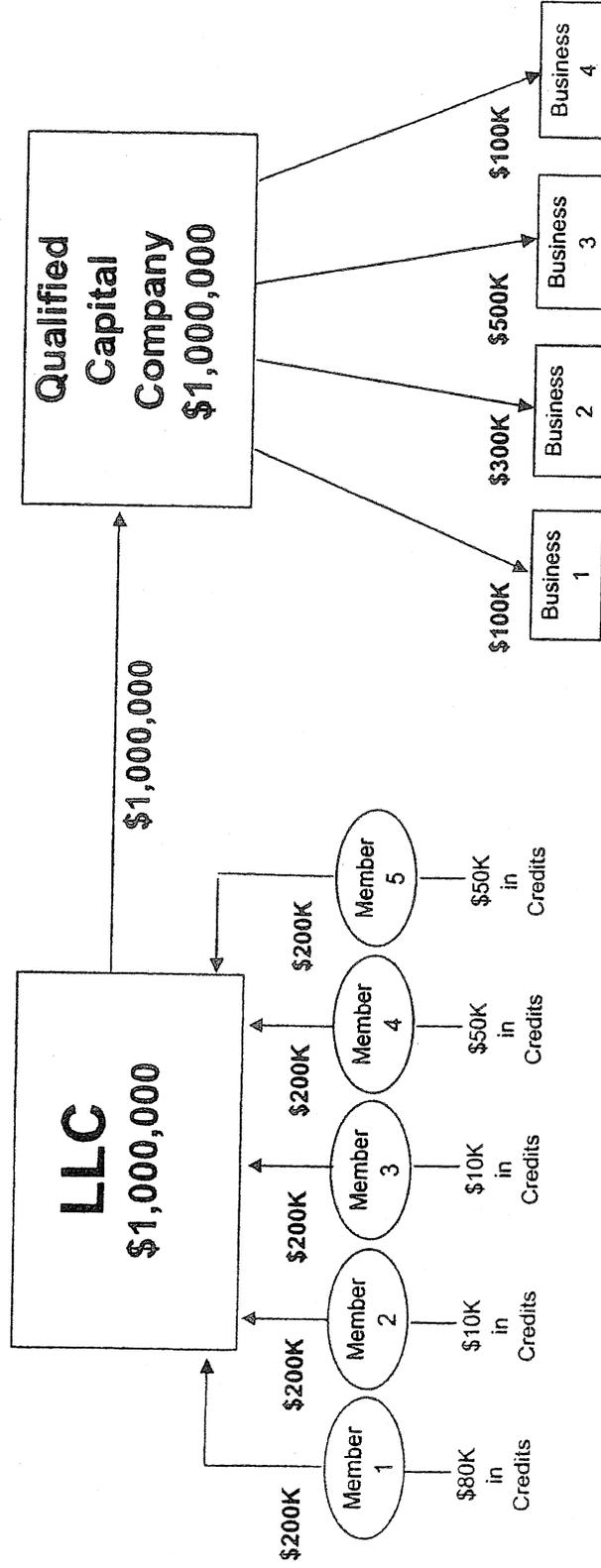
- ① The 20% tax credit is available to a person or a business entity based on the amount invested in the Qualified Small Business Capital Company. The credit cannot be claimed until this amount is invested in a qualified small business.
- ② This entity could be a corporation, partnership, limited partnership, or limited liability company.
- ③ The principals of the Qualified Small Business Capital Company could be individuals, corporations, limited partnerships, or limited liability companies. Any or all of these principals can make a co-investment in qualified small business entities. This separate and additional investment also qualifies for a 20% tax credit.

Venture Capital Tax Credit: Rural Small Business



- ① The 30% tax credit is available to a person or a business entity based on the amount invested in the Qualified Rural Small Business Capital Company. The credit cannot be claimed until this amount is invested in a qualified rural small business.
- ② This entity could be a corporation, partnership, limited partnership, or limited liability company.
- ③ The principals of the Qualified Rural Small Business Capital Company could be individuals, corporations, limited partnerships, or limited liability companies. Any or all of these principals can make a co-investment in qualified rural small business entities. This separate and additional investment also qualifies for a 30% tax credit.

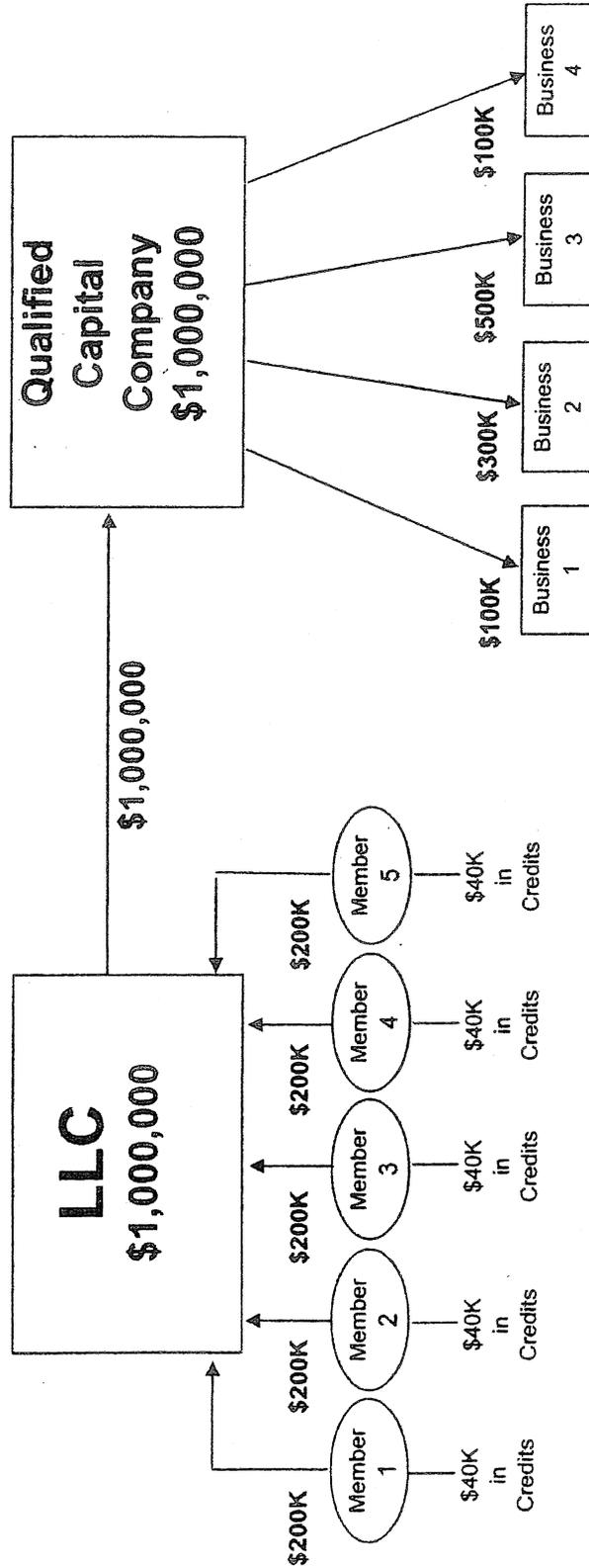
Venture Capital Tax Credit(s) PASS THROUGH ENTITY: "SPECIAL" ALLOCATION



1. \$1,000,000 TOTAL QUALIFIED INVESTMENT IN THE LLC
2. THE LLC INVESTS THE ACCUMULATED MONEY IN A QUALIFIED CAPITAL COMPANY
3. THE CAPITAL COMPANY INVESTS THE MONEY IN SPECIFIC SMALL BUSINESS ENTERPRISES
4. THE LLC IS THE INVESTOR AND EXCEPT FOR ITS PASS-THROUGH STATUS, THE LLC IS ENTITLED TO THE TAX CREDIT:
5. EACH MEMBER HAS AN ALLOCATION OF TAX CREDITS
6. 20% OF \$1,000,000 = \$200,000 IN CREDITS
7. EACH LLC MEMBER GETS CREDITS BASED ON THE AGREEMENT AMONG THE MEMBERS

Venture Capital Tax Credit(s)

PASS THROUGH ENTITY: PROPORTIONATE ALLOCATION



1. \$1,000,000 TOTAL QUALIFIED INVESTMENT IN THE LLC
2. THE LLC INVESTS THE ACCUMULATED MONEY IN A QUALIFIED CAPITAL COMPANY
3. THE CAPITAL COMPANY INVESTS THE MONEY IN SPECIFIC SMALL BUSINESS ENTERPRISES
4. THE LLC IS THE INVESTOR AND EXCEPT FOR ITS PASS-THROUGH STATUS, THE LLC IS ENTITLED TO THE TAX CREDIT:
5. EACH MEMBER HAS AN ALLOCATION OF TAX CREDITS
6. 20% OF \$1,000,000 = \$200,000 IN CREDITS
7. EACH LLC MEMBER GETS \$40,000 IN CREDITS (\$200,000÷5 = \$40,000)

SEPTEMBER 07, 2011



House of Representatives State of Oklahoma

August 26, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

DATE: Wednesday, September 7, 2011

TIME: 10:00 a.m. - 4:00 p.m. (break for lunch)

PLACE: House Chamber, State Capitol Building

AGENDA:

1. Welcome and Introductions
2. Investment/New Jobs Tax Credit
68 O.S. Section 2357.4
3. Oklahoma Quality Jobs Program Act
68 O.S. Sections 3601 et seq.
4. Other Economic Incentives Related to the Oklahoma Quality Jobs Program Act
5. Other business and adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

Q:\taskforce\taxcredit-9-7mtg
MH:tdk

Credit Summary

Investment/New Jobs ("ITC")	
Citation	68 - 2357.4
First Enacted	1980
First Tax Year	1981
Last Tax Year	None
Carryover Period	15 years
Moratorium Effect	Credits earned b/w 7/1/10 and 6/30/12 may not be claimed until 7/1/12
Job Creation Requirement?	Yes, in part
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	Yes
Equity Investment?	No
% or Dollar Amount	up to 2% of investment or \$1,000 per new job
Transferable for Value?	No
Applicable Tax Types	Income tax
Cap	None

Credit Summary

Quality Jobs Program Act	
Citation	68 O.S. Section 3601 et seq
First Enacted	1993
First Tax Year	1993
Last Tax Year	Open
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	Yes
Job Creation Data Available?	Yes
Payroll Requirement?	Yes
Payroll Data Source(s)?	OESC
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Benefit Rate
Transferable for Value?	No
Applicable Tax Types	N/A
Cap	Max. 10 Years

Credit Summary

Saving Quality Jobs Act	
Citation	68 O.S. Section 3701 et seq
First Enacted	1994
First Tax Year	1994
Last Tax Year	Open
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	Yes
Job Creation Data Available?	Yes
Payroll Requirement?	Yes
Payroll Data Source(s)?	OESC
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Benefit Rate
Transferable for Value?	No
Applicable Tax Types	N/A
Cap	Max 3 Years

Credit Summary

Small Employer Quality Jobs Act	
Citation	68 O.S. Section 3901 et seq
First Enacted	1997
First Tax Year	1998
Last Tax Year	Open
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	Yes
Job Creation Data Available?	Yes
Payroll Requirement?	Yes
Payroll Data Source(s)?	OESC
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Benefit Rate
Transferable for Value?	No
Applicable Tax Types	N/A
Cap	Max 7 Years

Credit Summary

21st Century Quality Jobs Act	
Citation	68 O.S. Section 3911 et seq
First Enacted	2009
First Tax Year	2009
Last Tax Year	Open
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	Yes
Job Creation Data Available?	Yes
Payroll Requirement?	Yes
Payroll Data Source(s)?	OESC
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Benefit Rate
Transferable for Value?	No
Applicable Tax Types	N/A
Cap	Max 10 Years

List of Speakers

Investment/New Jobs Tax Credit

- Oklahoma Tax Commission
Dawn Cash, Tax Policy Division
- Greater Oklahoma City Chamber
Mike Ogan, Director of Business Development
- Tulsa Metro Chamber
Justin McLaughlin, Vice President of Economic Development

Oklahoma Quality Jobs Program Act

- Oklahoma Department of Commerce
Secretary Dave Lopez
Richard Schwalbach, Quality Jobs Program Manager
- Greater Oklahoma City Chamber
Mike Ogan, Director of Business Development
- Tulsa Metro Chamber
Justin McLaughlin, Vice President of Economic Development
- Steve Goldman, Constituent of The Village

Opening Statement by Rep. David Dank...

Let me thank everyone for being here again today.

I want to begin by noting some recent reporting around the state shows we are doing what we set out to do with this task force . . . shining some much-needed light on an aspect of state government that most taxpayers knew very little about.

Much of the credit for that success goes to those in this chamber today. I have been pleased by the involvement of members of the executive and legislative branches and by Democrats and Republicans in the Legislature, all working together on this important and costly issue. Thanks to your efforts the people are seeing their state government more clearly, and they are also seeing us at work on some major issues that have a direct bearing on them as taxpayers and citizens.

Our discussions here and the media coverage of them have revealed that while we were asking the ordinary taxpayer to pay his or her fair share, we still continue to give away some of

their hard-earned dollars with some very questionable tax credits.

I do think we are getting to the bottom of this issue, and I know we are helping educate the public as well.

One thing we have determined is that almost without exception, many of these tax credits have no caps. There are literally no caps at all on the cumulative amounts that can be used annually on all but two of these credits.

That's like handing the keys to the car and a credit card to a 16-year-old boy and saying "Have fun son!" You know he's thinking that the sky is the limit.

But that family is ultimately going to have to balance the budget he wrecks. And so does state government. That's what we are all about here . . . shining light on these issues and finding solutions that are fair to everyone, beginning with the individual taxpayers who ultimately foot the bill.

That's why we have to get a handle on these tax credits that have no caps and no controls. They're a lot like poker chips . . . they aren't worth anything until they are redeemed, and the state really has no way to project how many will be cashed in at any given time. That seems like a shaky and reckless way to maintain a budget.

We will take up two incentive programs today – the state's longstanding Quality Jobs program and the Jobs/Investment tax credit.

I hope we will hear all the details on the Jobs/Investment tax credit, because I know that most of us in the Legislature remain totally unfamiliar with it. I am especially interested to learn about what caps, if any, may apply and what levels of accountability are involved, since in 2008 alone this tax credit accounted for close to \$50 million.

The other of course is our longstanding Quality Jobs program, which I think most of us are more familiar with.

Quality Jobs is tied directly to the creation of good new jobs or the saving of existing ones. Those new employees pay taxes and

buy homes and help build our economy, and the return to the state is very evident.

I was discussing several of our tax credits with a leader of a major corporation recently, and he said something very telling.

He said “whatever you do, don’t get rid of your Quality Jobs programs.”

There are major aspects of these five separate programs that I think most of us in state government support.

The main purpose is to help create new jobs.

Another helps save endangered jobs.

Yet another encourages new businesses to locate on former military bases.

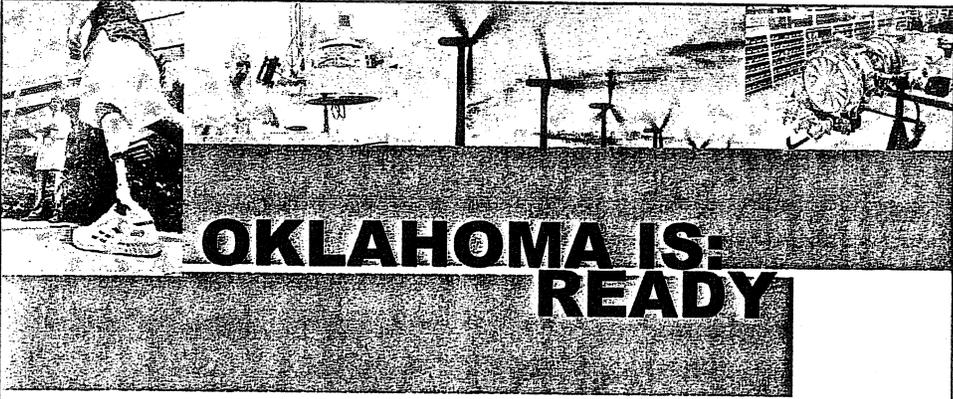
The 21st Century program has a clear focus on the kind of high-tech jobs that pay good wages and promote strong and lasting economic growth.

And, finally, there is a special program for smaller employers as well.

I think the Quality Jobs concept can serve as an example of what we are working toward with this task force, and I'm confident our speakers today will address those good things. Any incentive program Oklahoma enacts ought to have those same assurances and the same direct connection to the real creation of good, lasting jobs.

Let me conclude these opening remarks by again thanking the task force members and also the House staff who have been involved with this work.

I'm confident we are going to come up with meaningful legislation for the next session, and I can assure everyone concerned that we will have plenty of pertinent information and constructive recommendations to pass on to our colleagues starting in February



**OKLAHOMA IS:
READY**

Presentation to:

**Task Force for the Study of
State Tax Credits and
Economic Development**

September 07, 2011



Quality Jobs Program

- Created in the legislative session of 1993
- Cash payments of up to 5% of new payroll for up to 10 years
- Jobs must be “new” to the state
- New jobs must average county wage or \$29,745, whichever is lower
- Company must achieve and maintain a \$2.5 million annual payroll within 3 years
- Company must offer Basic Health Insurance
- Performance Based-no “up front” benefit to participants

Industry Eligibility

Participants in the Quality Jobs Program must be classified within a qualifying NAICS code

- "Basic" industries targeted
- Technical fields-computer, data processing, software development
- Headquarters, Administrative Services
- Wholesale & Distribution firms-with 40% out of state sales
- Selected service companies must have 75% out of state sales
- Manufacturing comprises 50% of participants
- Retail is excluded

2



Program Responsibilities

- By Statute, the Oklahoma Department of Commerce is charged with the application, due diligence, approval and contracting portions of the Quality Jobs Program.
- The Oklahoma Tax Commission is charged with the claims processing, payment, and auditing portion of the Quality Jobs Program.

3



What Is a “New” Job?

- The program focuses on jobs, not people
- Job has *not* existed in the six months prior to application
- Job number is above established job “Baseline”
- Meets statutory guidelines including average wage, healthcare program
- Continues to be “new” throughout the life of the contract given the above criteria is met

4



General Performance Data

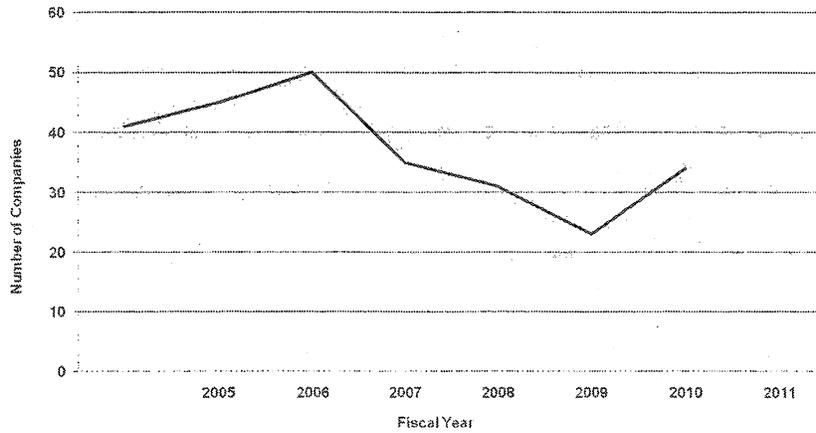
Since 1993:

- 610 companies are/have participated
- \$34,619 average wage of new jobs
- \$15.9 Billion in payroll created

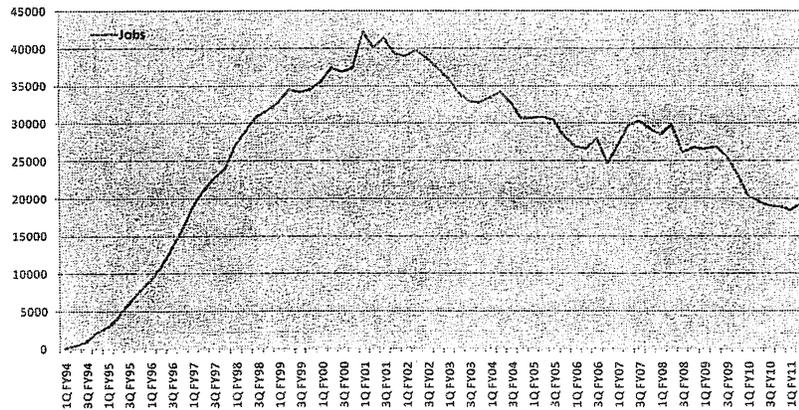
5



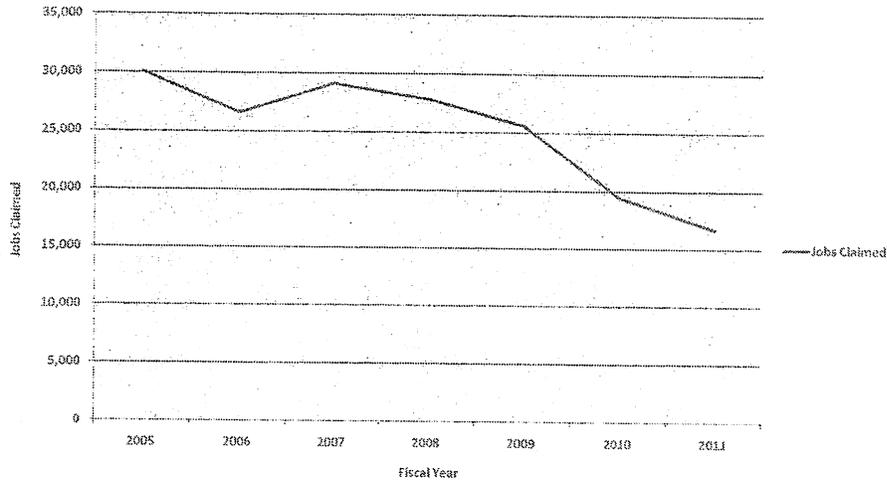
New Contracts Approved for the Quality Jobs Program Since 2005



Jobs in the Quality Jobs Program Since Inception



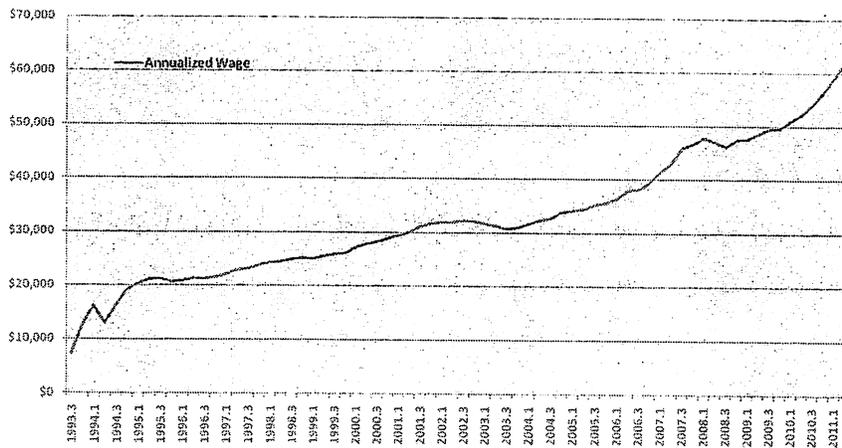
Average Jobs Claimed by Year



8



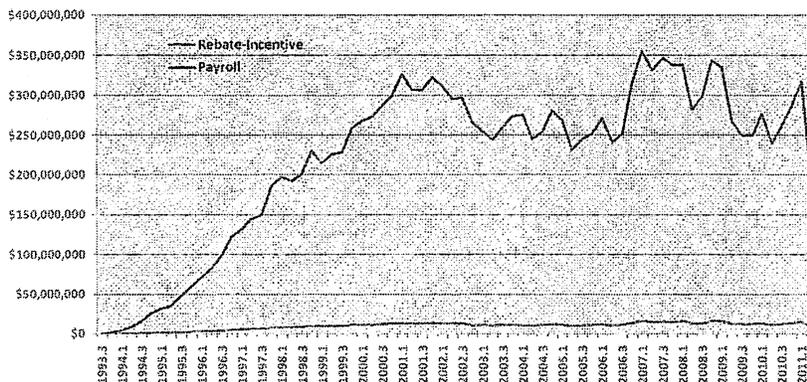
Average Annualized Wage for Participating Companies



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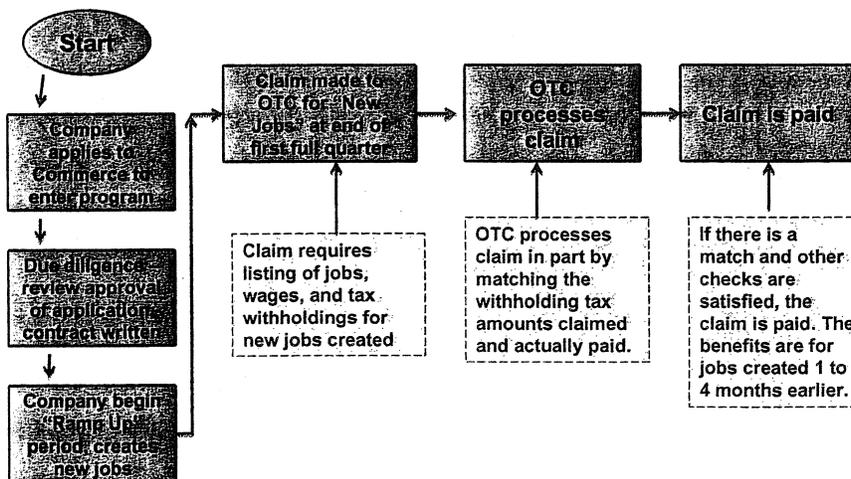


New Payroll Created Compared to Rebate Since Inception



Most Recent 4 Quarter Rebate: \$51.9 Million
 Most Recent 4 Quarter Payroll: \$1.052 Billion

Quality Jobs Process



Approval Criteria

Due Diligence items checked prior to approval process include:

- Industry code (NAICS) verification
- Tax Status checked
- SOS Good Standing
- Withholding Tax contributions
- UI Contributions
- Out of State Sales, when required
- Employment history & wage history

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Tax Credits Foregone

- 1) Sales tax credit for purchase of certain equipment in an aircraft facility
- 2) Rebate Sales Tax on Construction Materials
- 3) Investment Tax Credit unless investment over \$40 million and Positive Net Benefit Rate
- 4) Investment in Qualified Venture Capital companies
- 5) Investment in Recycling, Reuse, Source Reduction of Hazardous Waste equipment
- 6) Clean Burning Motor Fuel-vehicle conversion
- 7) Provision of Health Insurance to employees
- 8) Sales Tax Exemption for Purchases Computer Services/Data Processing/Research and Development
- 9) Tax Credit for jobs created in Computer Services/Data Processing/Research and Development
- 10) Creation/Maintaining of Regional Home Office (insurers)
- 11) Investment in a Recycling Facility
- 12) Development in Commercial Space Industry facility
- 13) Participation in Economic Development Pooled Financing

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Program Trends

- Average Wage: Directionally increases annually
- Jobs Claimed: Fluctuates; affected by the recent economic climate in the ability to meet program thresholds
- Benefit Amount: has increased as the average wage has increased

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Fiscal Fitness

- Cost/benefit analysis ensures revenue neutrality
- Average wage requirement
- Claims process: claim v. actual contribution
- QJP use precludes use of most other incentives
- Creates indirect and induced jobs
- Origination Fee
- Benefits paid are considered "ordinary income"

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Transparency

- Triennial report filed with legislature since 1994
- OTC Website shows benefit payments
- Monthly media release from Commerce announcing all new enrollees
- Full QJP performance report available from OTC
- Commerce Annual Report details annual and historic performance data

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PrimeWin Program

- Part of the Quality Jobs Program, this option allows Prime Contractors to participate
- Intent to drive more Federal contracting to Oklahoma and to smaller Oklahoma businesses
- Participant qualifies on labor hours, not jobs
- Labor hours of both the Prime and subcontractors are eligible for benefits

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21st Century Quality Jobs

- Targets knowledge-based service industries
- Requires at least 10 fulltime jobs at an annual average wage of the lesser of \$93,601 or 300% of the county's average wage
- Allows a net benefit rate of up to 10% of payroll for 10 years
- Reduces the out-of-state sales requirement from 75% to 50%
- Built within the same framework of the Quality Jobs Program
- Effective November 1, 2009
- First participant, April 2010 (5 total now)

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Small Employer Quality Jobs Program

- Targeted at companies with 90 or fewer jobs at the time of application
- Company must create as few as 5, and as many as 15 new jobs within 2 years of the start date
- New Jobs must be paid at 110% of the County Average Wage
- All companies must have a 75% out of state sales ratio
- Health insurance, similar to QJP is required
- Program lasts a total of 7 years

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Small Employer Quality Jobs Program

General Performance Data (Since 1998):

- 81 Companies are/have participated
- \$39,992 Average Wage
- \$141.8 million payroll

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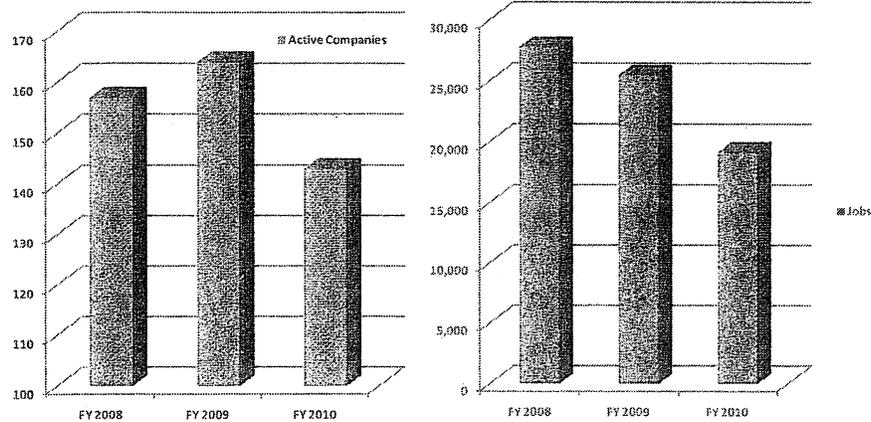
Triennial Report

- Required by Statute
- March 2011 was the most recent report
- Contains information of New Direct Jobs
- Fiscal Analysis of the Costs & Benefits

21



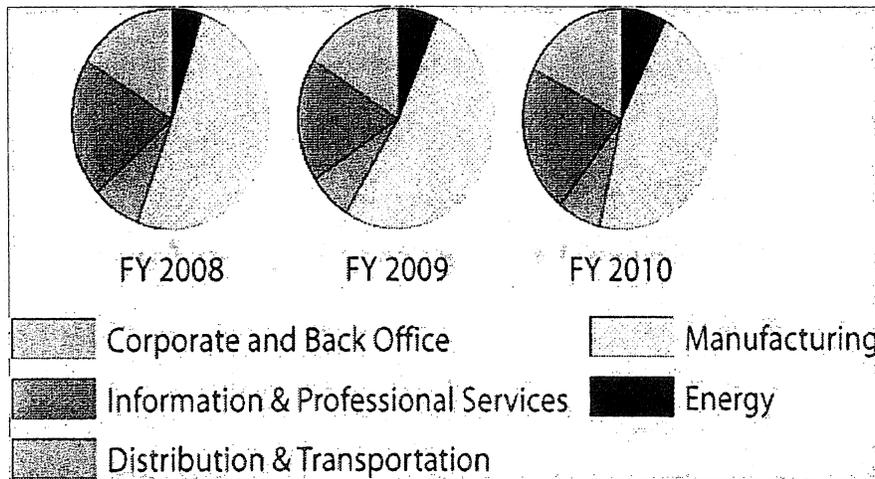
Active Companies and Claimed Jobs FY 2008 – FY 2010



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OKLAHOMA
DEPARTMENT OF COMMERCE

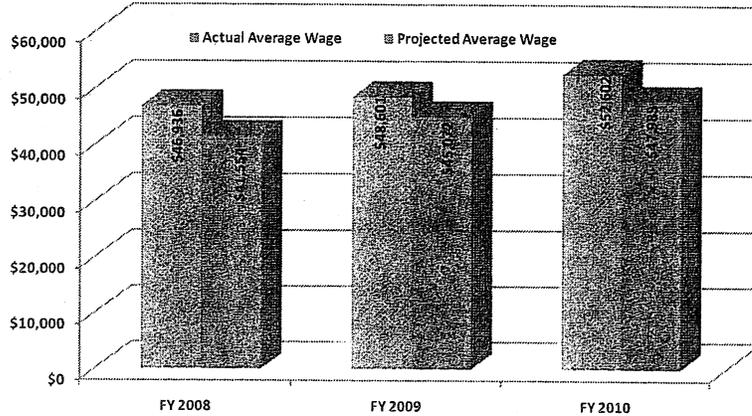
Active, Filing Companies by Industry



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OKLAHOMA
DEPARTMENT OF COMMERCE

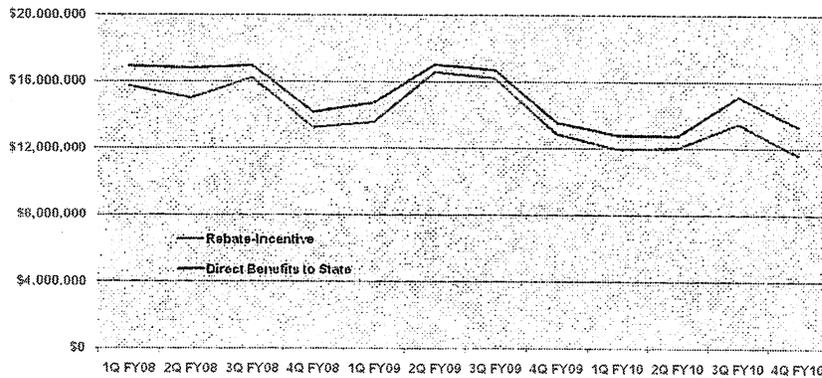
Projected and Actual Wages in the Quality Jobs Program FY 2008-FY 2010



24



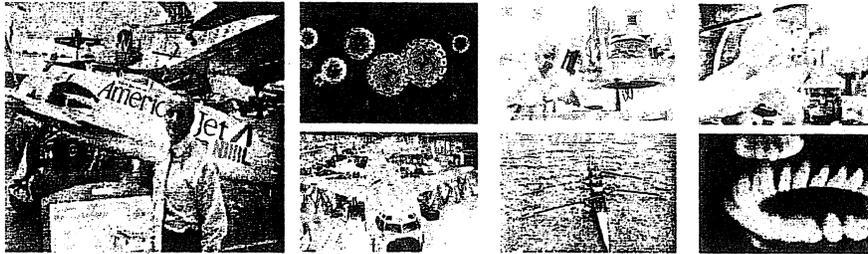
Quality Jobs Rebates and State Net Benefits FY 2008-FY 2010



Total Quality Jobs Incentives Paid FY 2008-2010: \$168.5 million
State Benefit of Jobs Created by QJ Participating Companies: \$180.8 million
Net Benefit FY 2008-FY 2010: \$12.3 million

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Dave Lopez
Secretary of Commerce & Tourism
Oklahoma Department of Commerce
dave_lopez@okcommerce.gov
405.815.5306

Jonna D. Kauger Kirschner
Deputy Director and General Counsel
Oklahoma Department of Commerce
jonna_kirschner@okcommerce.gov
405.815.5148

**THANK
YOU!**

Richard Schwalbach
Quality Jobs program Manager
Oklahoma Department of Commerce
richard_schwalbach@okcommerce.gov
405.815.5269

Jon Chiappe
Deputy Division Director, Research
Oklahoma Department of Commerce
jon_chiappe@okcommerce.gov
405.815.5210

Oklahoma Quality Jobs Program

**Triennial Report
(As required by legislation)**

**March 2011
Revised June 2011**

**Submitted by:
Oklahoma Department of Commerce**

**Dave Lopez, Secretary
Jonna Kirschner, General Counsel
Richard Schwalbach, Program Manager
Jon Chiappe, Research & Economic Analysis**

Oklahoma Quality Jobs Program

Triennial Report

Table of Contents

Introduction	Page 3
Oklahoma Quality Jobs Program Defined	Page 4
Legislative Changes	Page 6
Historical Performance Data	Page 7
Fiscal Analysis of the Costs and Benefits of the Program	Page 13
Summary	Page 14

**Oklahoma Quality Jobs Program
Triennial Report to the Legislative Body
Prepared January 2011**

Introduction:

During the legislative session of 1993, the Oklahoma Quality Jobs Program (the "Program") was created and the first companies enrolled in the fall of 1993. Since that time, the Program has gained national attention as one of the best incentives for business attraction and expansion. Oklahoma has benefited from the Program in terms of jobs and investment in our economy, while many other states have attempted to duplicate its success.

The Program requires that the Oklahoma Department of Commerce ("Commerce") provide a report on the status of the Program every three years. The last report to the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Governor was on March 1, 2008. The March 1, 2011 Report was previously delivered. This report supplements the fiscal analysis required by the Statutes for the time period FY 2008 to FY 2010.

Oklahoma Quality Jobs Program Defined

The Program serves as an incentive to businesses to expand or locate within Oklahoma and create new taxable payroll within the state. Participants may qualify for a cash rebate of up to 5% over a ten-year period on new taxable payroll. To qualify, there are four basic thresholds that must be met by the participant:

Basic Industry - an applicant must be in a "basic industry" denoted by its industry code, known as a NAICS code. The legislation specifically lists by number those industries that can participate. The economic concept is that if these industries locate in Oklahoma, it will induce other industries to also locate or expand, creating additional jobs. At its inception, the principal industry code intended for the Program was manufacturing. Other industries now include computer related services (software, hosting, data processing), research and development, headquarter operations, distribution centers, financial and administrative centers and web search portals. There are other industry codes eligible for the Program which must also demonstrate an out-of-state sales level of 75% or more to qualify.

New Payroll - the participant must add a minimum of \$2.5 million annual new taxable payroll for Oklahoma jobs. The jobs must be located within the state and the payroll must be subject to Oklahoma payroll withholding tax. A participant has up to three years to create this new payroll in order to continue in the Program for an additional seven years. A participant may receive benefits during the three-year "ramp up" period even if it has not created the required new payroll, provided it has met all other Program requirements.

Health Insurance Coverage - The participant must offer basic health insurance to all employees in "new jobs" that are eligible for Program benefits. This coverage must be offered within 180 days of employment and the employee must pay no more than 50% of the premium cost. Basic health insurance includes some coverage in the areas of doctor office visits, hospitalization, maternity, mental health, substance abuse and pharmacy benefits.

Minimum Wage Requirement - effective June 2003, participants must pay the employees in "new jobs" that are eligible for Program benefits a wage that is at least equal to the average county wage where the project is located subject to a statewide cap. While those wages vary from county to county, the statewide cap is indexed annually subject to various economic factors. It started at \$25,000 in 2003 and has risen to the current level of \$29,409. Participants often far exceed this wage requirement.

Upon application, staff at Commerce conduct due diligence work on each applicant to ensure it is a legal entity in good standing within the state. Commerce staff also determine the maximum amount of benefits the participant may receive (based on the economic impact of those jobs and wages) by doing a cost/benefit analysis. This ensures the state will pay out no more in benefits than the economic benefit that is created by the participant.

While an entity qualifies for participation in the Program is based on a projection of wages and jobs, it receives payment of benefits based solely on actual performance. A participant must file quarterly claims with the Oklahoma Tax Commission ("Commission"), verifying its payroll and job data, to receive any payment. The Commission then verifies this claim through payroll tax withholdings before issuing a warrant. Should a participant have any encumbrance due to a delinquency in any tax owed to the state, payment of benefits is withheld, pending resolution of the tax owed.

Since the advent of the Program, there have been changes and additions to the thresholds. For example, an entity that has been participating in the Program for at least a year, and expands with a new project with wages of at least 150% more than its current average wage, may qualify for a rebate of up to 6% of its new payroll (rather than 5%). Also, entities such as food processors and research and development companies may qualify with an average annual payroll threshold of \$1.5 million instead of \$2.5 million. Participants locating on former Military Installations may qualify with an average annual payroll threshold of \$1.5 million, while entities locating on former Brownfield Sites (remediated) qualify at a zero payroll threshold.

Legislative Changes

Since the last Triennial Report in March 2008, there have been several legislative changes to the Program. Below is a summary, by year, of those changes:

2008:

- The participant must file its initial claim for benefits for the jobs that were created in the first full quarter following the Project Start Date (formerly could be any quarter up to 3 years later)
- Additional qualifying NAICS codes were added to the definition of “basic industry”: 518130, Web Search Portals; 488190, Support Activities for Air Transport
- The NAICS code for Research & Development was amended by the Federal Government, now listed as 541711 and 541712.
- Language specifically excluded the use of the Program if the participant also participated in the Quality Investment Act

2009:

- Use of the Investment Tax Credit concurrently with the use of the Program became allowable, provided the qualifying investment exceeded \$40 million dollars (effective January 1, 2010)
- Addition of Program elements that allow Federal Prime Contractors to bring work to Oklahoma and received incentive payments on the direct labor of both the Prime and any Oklahoma subcontractors
- The NAICS code for Wind Power Equipment Maintenance activities was added to the list of basic industries, listed as 811310 (effective November 1, 2000)

2010:

- Program elements related to the qualification of Federal Prime Contractors was enhanced to be more congruent with other Program language
- Additional qualifying NAICS codes were added as “basic industries”: Alternative Energy Structure Construction (237130), Solar Reflective Coating Application (238160), Solar Heating Equipment Installation (238220), Support Activities for Rail Transportation (4882), and Support Activities for Water Transportation (4883)

Historical Performance Data – New QJ Enrollment FY 2008 - FY 2010

The following information is reported on a fiscal year basis. Information reported represents both projected data and actual data as reported by the participant based on jobs and wages.

Enrollment and performance since the last Triennial Report:

FY 2008:

Companies enrolled	35
Jobs projected	9,218
Wage range projected	\$30,863-\$117,230
Net Benefit range	4.41%-5.00%
Status	4 start up; 4 new; 27 expanding
Maximum benefits projected	\$190,263,851

FY 2009:

Companies enrolled	31
Jobs projected	4,859
Wage range projected	\$26,228-\$150,703
Net Benefit range	4.10%-5.00%
Status	3 start up; 3 new; 25 expanding
Maximum benefits projected	\$210,400,830

FY 2010:

Companies enrolled	23
Jobs projected	4,580
Wage range projected	\$30,046-\$141,707
Net Benefit range	3.56%-5.00%
Status	4 start up; 3 new; 16 expanding
Maximum benefits projected	\$111,329,040

Historical Performance Data, Cont'd
New QJ Enrollment FY 2008-FY 2010; Participating Industries

While the majority of the projects enrolled in the Program over the past three years are manufacturers, there are projects in a number of other areas as follows:

<u>Industry type</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Manufacturing	25	15	8
Financial Transactions, Collections	1	2	-
Computer Services, Consulting	-	1	4
Distribution-Wholesale	1	1	1
Corporate-Administrative Office	-	2	-
Customer Care (Call) Center	1	-	2
Oil and Gas*	3	5	2
Research and Development	1	1	2
Engineering Services	1	2	1
Facilities Support	1	1	-
Windpower Maintenance	-	-	1
Information Technology	1	-	2
Professional Sports	-	1	-
Total projects	<u>35</u>	<u>31</u>	<u>23</u>

*While the NAICS code of Oil and Gas Extraction (2111) is an allowable code for participation in the Program, the only jobs eligible for benefits are limited to those jobs directly comprising the corporate headquarters of or directly relating to administrative, financial, engineering, surveying, geological or geophysical services performed by the establishment. Employment relating to drilling or field services is not considered a new direct job.

Historical Performance Data, Cont'd
Active, Filing Companies in the QJ Program: Employment

The previous sections related to new enrollees in the Program from FY 2008 to FY 2010. Information in this section and beyond contains information about active participants in the Program and includes information about any active participants whether it has filed its first claim, or its fortieth claim.

The issue of actual jobs created by the Program requires an understanding of how benefits are claimed. A job is considered to be "new" the first time it is reported in the Program and it remains "new" throughout the life of the project as long as it is over the stated baseline, or starting employment point, when the entity first applied. Therefore, when reporting these jobs and wages on a quarterly basis, it is not possible to just add these totals to determine "new" jobs created by the Program. That would result in a gross overstatement of new jobs. Rather, it is necessary to look at these quarterly reports as "snapshots in time" of new jobs created by the Program. An average by quarter helps to get an idea of the impact of the Program.

Also, it is important to note that not all companies report in a timely fashion. While most do, some fall behind and file their quarterly reports on a random basis. Therefore, there are fluctuations in the data as well. However, as reported below, there is consistency in the total number of jobs over the three-year period shown in this report.

Actual jobs claimed by quarter:

<u>Quarter</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
1	28,530	26,078	19,229
2	29,767	25,973	17,264
3	26,148	24,552	15,815
4	26,787	22,231	15,431
Average	27,808	24,709	16,935
Active Companies	157	164	143

Historical Performance Data, Cont'd
Active, Filing Companies in the QJ Program: Payroll, Wage, and Incentives

The chart below relates total payroll, incentive payments, average net benefit rate in the Program, and wage data for each of the fiscal years. Total payroll and incentive payments have decreased in each of the fiscal years partly due to the lag of participant filings and partly as a result of the recessionary period.

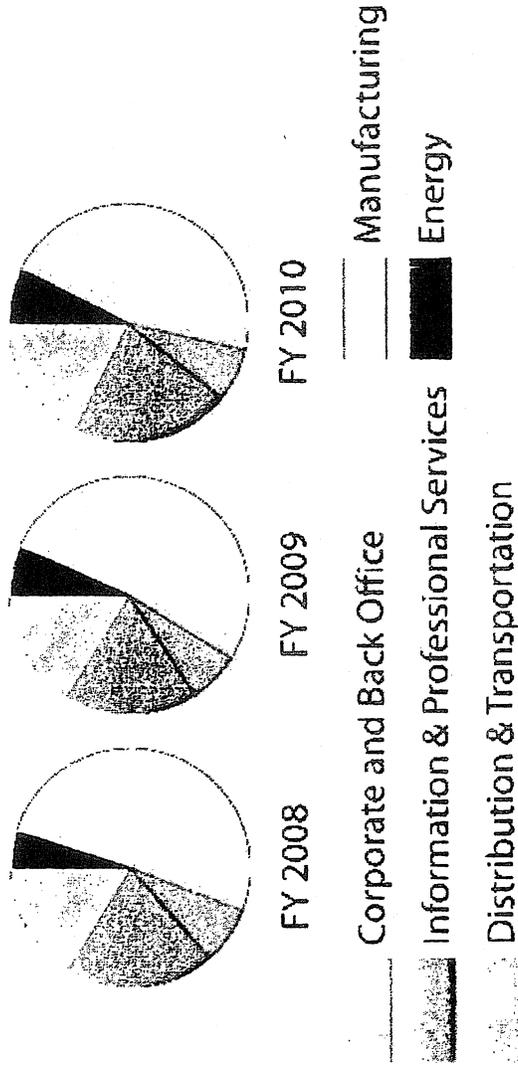
While there is fluctuation from year to year, the overall average wage of the new jobs created over the past three years has increased. Each time the average wage increases due to a Program participant in a given local economy, it helps to increase the overall wages of that economy, as the wage level becomes more competitive. As may be seen in the chart, not only have actual wages increased over time among the active participants, but they are also higher than the initial projected wages for each. The average wage represents the actual wages paid by active, filing participants in the respective fiscal years, and the projected wage indicates the wages that were initially projected by these participants on their application to the Program.

<u>Quarter</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
3	\$346,507,298	\$298,623,134	\$248,312,467
4	\$338,188,490	\$340,297,935	\$247,456,593
1	\$337,977,685	\$292,993,083	\$274,590,114
2	\$282,528,064	\$266,276,432	\$238,039,093
Total payroll	\$1,305,201,538	\$1,239,099,783	\$1,008,398,269
Total Incentive Paid	\$60,216,107	\$59,172,478	49,067,468
Net Benefit Rate			
New Jobs	27,808	25,495	19,170
Average Wage	\$46,936	\$48,601	\$52,602
Active Companies	157	164	143
Projected Wage for Active Companies	\$41,554	\$45,072	\$47,983

Active, Filing Companies in the QJ Program: Active Companies by Industry

The accompanying table and pie charts relate the active participants in the Program by qualifying industry. As may be seen, manufacturing accounts for the largest number of active participants and also accounts for almost all of the decrease in active participants from FY 2009 to FY 2010. While the official dates of the most recent U.S. recession lasted from December 2007 through June 2009, active companies in the Program increased from FY 2008 to FY 2009. Lower Program enrollees and fewer active companies in the Program only occurred in FY 2010.

Sector/Industry	FY 2008	FY 2009	FY 2010
Energy	8	11	11
Manufacturing	80	86	66
Distribution & Transportation	12	11	10
Information & Professional Services	32	30	31
Corporate and Back Office	25	26	25
Total	157	164	143



Fiscal Analysis of the Costs and Benefits of the Program

For fiscal years 2008 to 2010, the Program has paid \$168,456,053 to active participants for the jobs that these entities created. The total benefit to the state over this time period was \$180,794,278. This means that while the Program is intended to be revenue neutral, the state of Oklahoma has retained a benefit of \$12,338,225 over and above the costs of the Program. This is largely a result of companies paying higher wages than they project and the state retaining the tax benefits from those higher wages.

Furthermore, this calculation only includes those entities that were actively filing during the FY 2008 to FY 2010 time period. The state achieves additional benefits from successful participants in the Program. These successful participants have either participated in the Program for the maximum forty quarters or have fully claimed the maximum contracted incentive available to them. These entities have continued to employ Oklahomans and create revenue beyond the terms of the Program's contract.

Summary

Since the Oklahoma Quality Jobs Program (the "Program") first began, 582 companies have enrolled. These companies have created over 443,000 new jobs, with a payroll of over \$14 billion in Oklahoma. The average wage of these jobs over the entire life of the Program is nearly \$33,800. More recently, the average wage of active participants in the Program is greater than \$52,600.

This Program has served as a major incentive for business attraction and expansion. Through Fiscal Year 2010, thirty two percent of the entities participating in the Program either were new to the state or were a start-up. Sixty-eight percent were entities already located in the state which expanded. Thirty-two percent of the new jobs created were located in rural areas (with a population of less than 50,000 people) and sixty-eight percent were in urban areas.

Many of the executives of companies participating in the Program have stated that it was a major reason the company decided to expand or locate in Oklahoma. Several have stated that the relative ease of application and claims filing is much more efficient than in other states where they have locations or considered before coming to Oklahoma.

With the advent of a "6% opportunity" two companies have brought in other segments of their businesses that pay significantly higher wages (at least 150% of that paid in their initial contract). While the company receives up to 6% as a benefit rate (instead of 5%) the state receives the economic benefit from these higher paying jobs.

With every participant in the Program, there is significant investment in capital expenditures that boosts the state's economy as well. Most projects have invested well over \$1 million in capital investment related to expansion or location to Oklahoma. While some of this investment initially qualifies for the state's Ad Valorem tax exemption, it eventually reaches the property tax rolls generating income for the county where the project is located.

A participant does not receive any payment of benefits until it actually creates the new jobs and payroll, pays its withholding tax to the state and then files a claim. Legislatively, other tax credits and exemption opportunities normally available to the participant are eliminated for those using the Program.

The Oklahoma Department of Commerce is responsible for the initial application, collection of required supporting documents, due diligence for qualification and contracting with the participant. The Oklahoma Tax Commission then becomes responsible for processing the quarterly benefit claims. The partnership between the two agencies has functioned extremely well, and the participating divisions within the agencies work together on a daily basis to administer the Program, review claims, and recommend legislative changes to the Program. The Oklahoma Tax Commission, with the assistance of Program Management at the Oklahoma Department of Commerce, conducts quarterly claims training sessions for all entities recently enrolled in the Program. This initial training has increased the efficient flow of claims processing and payments as well as reducing waste and inefficiency overall.

Investment/New Jobs Tax Credit

OKLAHOMA INVESTMENT/NEW JOBS CREDIT income tax credit (nonrefundable) for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average levels of employment in said facilities. (68 O.S. §2357.4)

A NEAL, WAYNE & ANEAL, MICHELLE	\$535.00
ADKISSON, GLEN & DEBORAH	\$280.00
AERO-TEC INDUSTRIES, INC	\$1,391.00
ALBORINGZ PLAZA, SAMUEL	\$900.00
ALEXANDER, BEN	\$161.00
ALEXANDER, MICHAEL & SHAWN	\$653.00
ALFORD, CLAUDIE & REBECCA	\$187.00
AMSTUTZ, ANDREW & LOU ANN	\$1,546.00
ANDERSON, HENRY & VESTA	\$50.00
ANDREWS, CHARLES & MARTHA	\$2,080.00
ANTOSH, DAVID & ASHLEY	\$2,400.00
ANTOSH, JAMES & NANCY	\$8,800.00
ANTOSH, PETER	\$9.00
ANTOSH, ROBERT	\$891.00
AREND, JOHN & PATRICIA	\$54,997.00
ASKEW, ARLETA	\$729.00
ATHA, FLOYD & NANCY	\$7,259.00
AUTRY, BILL & JENNIFER	\$13,871.00
BACON, BRIAN & PAMELA	\$1,500.00
BARBER, RON & DEBORAH	\$5,043.00
BARHAM, JERRY & TARA	\$100.00
BARNHART, VELETA	\$233,024.00
BARTON, ANDREA & LARRY	\$250.00
BENCE, KATHERINE	\$281.00
BERNA, TERRY & CHRISTINE	\$400.00
BICKLE, BRAD & AMIE	\$6,650.00
BILLEN, LARRY & TERRI	\$28,741.00
BIRK, JAMES & TERESA	\$4,222.00
BLEVINS, MIKE & HEATHER	\$133.00
BOLES, STEVEN & LYNNE	\$23,500.00
BOODMAN, CHARLES & LINDA	\$9,006.00
BOSLEY, JAMES & DANA	\$254.00
BRAATEN, JOHN & CAROL	\$3,950.00
BRIGHT, ROSS & PATRICIA	\$7,368.00
BRINLEE, CHRISTOPH & JEAN ANN	\$333.00
BROWNE JR, HENRY	\$15,718.00
BROWNE, MATTHEW	\$7,255.00
BRYANT, GARY & JUDITH	\$5,247.00
BUERQUE, ROBIN & PEGGY	\$4.00
BUNDY, MITCHELL & BROOKE	\$618.00
BURGESS, JIMMIE & JUDITH	\$256.00
BURKS, GARY & KRISTI	\$4,500.00
BURROW, TERRY & GAL	\$19,504.00
BUSH, DEBRA & BILL	\$110.00
BYFORD, BOBBY & DENA	\$1,500.00
C & D MANUFACTURING CO INC	\$1,204.00
CAFFEY, GARY & DRAKE, DEBORAH	\$1,054.00
CARLSON, CAROLYN	\$5,247.00
CARLSON, JAMES DAY & LYDIA BAR	\$52,948.00

Investment/New Jobs Tax Credit

CARLSON, JEFFREY & MELISSA	\$30,410.00
CARTER, RODNEY & CHERYL	\$5,498.00
CASTRO, LARRY & PAMELA	\$3,949.00
CLYMER, ARTHUR & JEFFRIES, ABIGAIL	\$563.00
COLLIE, JR, MIKE & COLLIE, KIMBERLY	\$2,874.00
CONNIN, CRAIG & MONA	\$509.00
COTTHRELL, BRENT & STEFANIE	\$536.00
COVEL, CINDA	\$6,064.00
COX, PAUL & MARJORIE	\$11,981.00
CRAWFORD, DAVID & KARTHA	\$1,657.00
CROUCH, RICHARD & PAULA	\$13,609.00
D & V MANUFACTURING, INC	\$1,610.00
DANE, STEPHEN & TERRY	\$2,842.00
DARBY, EDWARD	\$15,902.00
DAUBENBERGER, CHARLES & SHARON	\$88,284.00
DAUGHERTY, KENNY & LYNDA	\$392.00
DAVIDSON, ROY & ANNETTE	\$7,063.00
DAY, DAN & BETTY	\$6,269.00
DEPASCALE, MICHAEL & DOLLY	\$52.00
DICK, JEFF & MIKA	\$4.00
DICKERSON, RICHARD & KATHERINE	\$199.00
DIXON, MATTHEW & RAE	\$9,800.00
DIXON, ROBERT & VERA	\$535.00
DOUGHTY, AARON & DARCY	\$200.00
DRIVE SHAFTS, INC	\$750.00
DUTTON, DAVID & DONNA	\$50,803.00
ECKLUND, SCOTT & ROBYN	\$1,728.00
EDGAR, RANDALL	\$7,949.00
EFFRON, WILLIAM & SUSAN	\$53,829.00
ELGIN, JOHN & ISAACSON, PATRICIA	\$435.00
EMIDE, CHARLES & CHERI	\$2,840.00
ESTATE OF JOHN W. ROSSON	\$843.00
EWING, HAROLD & MARY	\$1,943.00
FAIRCLOTH, DONALD & PATRICIA	\$11,070.00
FARBER, CHARLES & LINDA	\$50.00
FAROUJE, CLAUDE & MARGARET	\$1,108.00
FAROUJE, JASON	\$1,108.00
FARRIOR, WILLIAM & DONNA	\$13.00
FEDESNA, SYDNEY & FEDESNA JR,	\$680.00
THOMAS	
FEELEY, ANDREW & MISTY	\$7,686.00
FEELEY, CHRISTOPH & WENDY	\$7,667.00
FEELEY, JAMES & GAIL	\$1,750.00
FEELEY, MICHAEL & JUQUITA	\$1,750.00
FEELEY, RONALD & ANITA	\$7,667.00
FERNANDEZ, KRISTAL	\$937.00
FISCHER, TRACY	\$300.00
FLANARY, BILLIE & MARY	\$6,673.00
FLOAN, JUSTIN	\$1,500.00
FLOWELL CORP	\$3,954.00
FORD, DOUGLAS & CAROL	\$77,898.00
FORMICA, ROSS & LINDA	\$175.00
FOWLER, DAVID & KAREN	\$4,048.00
FRANK, BRADLEY & KIMBERLY	\$10,480.00
FRANK, JEWEL & THELMA	\$7,978.00

Investment/New Jobs Tax Credit

JONES, SUE	\$2,019.00
JURGENSMYER, CURTIS & ELLEN	\$4,960.00
JURGENSMYER, PATRICK & TONYA	\$104,198.00
JURGENSMYER, TERRY & DEBORAH	\$6,500.00
KAMMERER, BRUCE & SUSAN	\$4,669.00
KANTER, STEVEN & JUDITH	\$487.00
KELLEY, JAMES & KAREN	\$19,161.00
KELLEY, JOHNNIE & MARION	\$1,330.00
KELLEY, JOSEPH	\$1,500.00
KINDSCHI, MICHAEL & VICKY	\$595.00
KINNE, JR., MORRIS & KATHERINE	\$37,008.00
KLINE, JAMES & DEBRA	\$6,647.00
KOPRIVA, ROBERT & DONITA	\$5,482.00
KUHN, BRYAN & CATHERINE	\$6,656.00
KUYRENDALL, JAMES	\$27,409.00
LALLI, GARRETT & JANET	\$2,739.00
LAURENCE, STEVEN & GINDY	\$1,418.00
LAWRENCE, JOHN & SHERRY	\$3,602.00
LEHMAN, ANNA	\$10.00
LEWIS JEWELLERS, INC	\$500.00
LICHTMANN, JAY & TREADWAY, SUSAN	\$11,108.00
LICHTMANN, MARTIN & DONNA	\$16,728.00
LICHTMANN, ROBERT & CHARLOTTE	\$6,281.00
LINDEN, INC	\$3,057.00
LITIGIST, LLC	\$1,000.00
LITTAU, JAY & DANNA	\$474.00
LONGO, MICHAEL & DARCY	\$199.00
LOPEZ, MATTHEW & RHONDA	\$1,067.00
LOVE, DANIEL & AUTUMN	\$3,232.00
LOVE, FRANK & TASHLEY	\$2,929.00
LOVE, MICHAEL & COURTNEY	\$3,231.00
LOVE, MICHAEL & JEANNE	\$23,604.00
MACKIE, BERT H. & JANICE	\$87.00
MALONEY, CRAWFORD TECHNOLOGIES, INC	\$377.00
MALSON, NEAL & KIMBERLY	\$3,681.00
MARTIN, BARRY & JUDY	\$512.00
MARTIN, PAUL & JEANNIE	\$8,946.00
MARTIN, TERRY & DENISE	\$2,000.00
MARTINEZ, GEORGE & MONIQUE	\$11,404.00
MARTINEZ, RICHARD & TRUDIE	\$11,404.00
MASON, JON & NANCY	\$13.00
MCALLISTER, DOUGLAS & STACEY	\$1,398.00
MCANIELLY, JAMES & KATHY	\$1,893.00
MCBRIDE, BRADLEY & SARAH	\$200.00
MCCLROY, ARTHUR & SHARON	\$50,803.00
MCGHEE, BILLY & TRACY	\$483.00
MCGHEE, CALEB	\$11.00
MCGHEE, CASSIDY	\$11.00
MCGHEE, KRISTA	\$11.00
MCGUIRE, DEANA	\$2,512.00
MCKEEVER, CLARK	\$21.00
MCKENZIE, ROLAND & IRENE	\$1,985.00
MCKNIGHT, MAYO & MARY	\$1,588.00
MCKNIGHT, RANDY & DEBRA	\$1,191.00

Investment/New Jobs Tax Credit

GADDIS, DANIEL & ERICA	\$555.00
GEHRING, PAUL & GENA	\$77.00
GEINAR, RAYMOND & CORNELIA	\$3,988.00
GERMANN, COREY & DEBRA	\$392.00
GIBSON, DANIEL & JESAGA	\$133.00
GIBSON, FREDDIE & OPAL	\$13,391.00
GIBSON, LELAND & IMA	\$195.00
GIBSON, TIMOTHY & JAMELL	\$561.00
GILBERT, ROGER & TONYA	\$474.00
GIVENS MANUFACTURING INC	\$672.00
GIVENS, ROSEMARY	\$398.00
GLOBE MANUFACTURING CO-OK, LLC	\$8,000.00
GOODWIN, BOYD & RHONDA	\$1,374.00
GOODWIN, CHARLES & BELINDA	\$1,420.00
GORDON, KEVIN & ROBIN	\$298.00
GOTHARD III, ARCH & GOTHARD, SANDRA	\$3,688.00
GOTTSLOB, BRADLEY & DENISE	\$437.00
GRAY, ALAINA	\$40.00
GRAYSON, THURMAN & GLADYS	\$6,980.00
GREEN, RANDEL & DONELLA	\$200.00
GREENE, FREDERICK & MARTHA	\$9,277.00
GRIFFITH, BRIAN & ADRIAN	\$800.00
GROENDYKE, JOHN & VIRGINIA	\$14.00
GROSSMAN, BRIAN & LISA	\$500.00
GUBES, MARTIN & KIMBERLY	\$1,246.00
GUSTAFSON, RICHARD & ALEXANDER, JULIE	\$298.00
HAMIL, EDWARD & FRANKIE	\$1,083.00
HAMIL, STEVEN	\$5,400.00
HANCOCK IV, THOMAS & HANCOCK, BARBARA	\$10,667.00
HARPSTER, BRIAN & HOLLY	\$22,650.00
HARPSTER, HILLARY	\$11,305.00
HARRISON, JIMMY & JUDY	\$486.00
HARVEY, GARY & LEIGH	\$1,766.00
HAYES, BRETT & PAMELA	\$5,993.00
HAYWOOD, KENNETH & CYNTHIA	\$224,667.00
HELLER, NATHAN & JANET	\$1,783.00
HENLEY, TAMARA	\$50.00
HENNINGSEN, WILLIAM & GLENDA	\$6,196.00
HENRY, LARRY & KAY	\$7,116.00
HILL, JAY & SUSAN	\$960.00
HOLLAND JR, RICHARD & HOLLAND, PATRICIA	\$1,018.00
HOLMBOE, ROBERT & JOAN	\$1,000.00
HOOTEN, DAVID & WHITNEY	\$7,254.00
HUDSON, EVAN & JODI	\$1,673.00
INDUSTRIAL GASKET, INC	\$2,580.00
IRBY, STEVEN & REBECCA	\$52,884.00
IVES, EVERETT & DARLENE	\$6,684.00
JOHNSON, BRODY & ROBIN	\$3,849.00
JOHNSON, JODY & TRUDI	\$3,849.00
JONES, BARBARA	\$331.00
JONES, ROBERT & JOEY	\$3,864.00
JONES, STEVEN & WILSON, MELINDA	\$2,158.00

Investment/New Jobs Tax Credit

MCKNIGHT, RICKY & TRACI	\$1,191.00
MELLISON, MICHAEL & KAREN	\$38,118.00
MERRITT III, FRED & MERRITT	\$1,141.00
MEYER, EARL & JANNA	\$6,560.00
MICHELS, EDWARD & BRENDA	\$487.00
MILLER, EDWARD & FERN	\$3,524.00
MILLER, GORDON & KIMBERLY	\$1,582.00
MILLS MACHINE CO, INC	\$5,239.00
MITCHELL, ROBERT	\$1,374.00
MONROE, GERALD & GUINDA	\$5,350.00
MOORE, DONALD	\$10,667.00
MORRIS MAURY & JUDY	\$2,382.00
MORRIS, RICHARD & FLORENCE	\$1,905.00
MOSES, WILLIAM & VICKIE	\$4,699.00
MOSHER, DAVID & VICKY	\$212,107.00
MOWRY, JOHN & KATHLEEN	\$77.00
MULLINS, PAUL	\$417.00
MUNGE POWER PRODUCTS, INC	\$62,197.00
NAUMANN, LEE & GRISELLA	\$5,846.00
NEUBERGER, CHRIS & SUSAN	\$942.00
NEUBERGER, JAMES & SUSAN	\$431.00
NEWFIELD, JOHN & MONK, MELANIE	\$9,343.00
NEWTON, JEFFREY	\$1,250.00
NEWTON, JESSE & JEANNA	\$2,600.00
NICHOLS, GREG	\$903.00
NINNESS, MARK & MICHELLE	\$912.00
NINNESS, ROMEYN & PATSY	\$912.00
NMW, INC	\$29,745.00
O BRIAN, DANNY & BETTY	\$1,753.00
ODLE, DONALD & BRENDA	\$595.00
OGILVIE, MICHAEL & JACKIE	\$4,065.00
OTTO, CHRISTINE	\$4,261.00
PANICO, WARREN & KATHLEEN	\$7,831.00
PASSMORE, CAROLIS & LYNDIA	\$1,574.00
PATTISON, RAYMOND & KARYN	\$3,815.00
PAUL, THOMAS & JAN	\$13,639.00
PELLILLO, LESLIE & JOSEPH	\$8,314.00
PHILLIPS, TONY & TRACIE	\$1,753.00
PINGELTON, JOHN & CONNIE	\$2,900.00
POTTER, TIMOTHY & JULIE	\$31,571.00
RABBANI, RASOOL & CHRIS	\$5,491.00
RADFORD, JOSEPH & ANN	\$6,277.00
RAINBO SERVICE CO.	\$6,687.00
RAMSEY BRETT & LISA	\$1,212.00
RAMSEY, DONALD & WILLADEAN	\$2,846.00
RAMSEY, GREGORY & SHELLY	\$1,212.00
RAYMOND, DARRELL & LORINDA	\$9,748.00
REYNOLDS, KATY	\$75.00
RICHTER, MITCHELL & ANISSA	\$960.00
RIDER, SCOTT	\$1,293.00
RISCHARD, WILLIAM & KAY	\$5,050.00
RODENHAVER, DANIEL & CAROLINE	\$2,460.00
ROSSON, LARRY	\$661.00
ROWLETT, BROCK & T SHAYE	\$4,550.00
RUMLEY, WAYNE	\$1,097.00

Investment/New Jobs Tax Credit

RUMLEY, WARREN & ANNA	\$422.00
RUMLEY, WAYNA	\$1,086.00
RUMLEY, WAYNE & ANDREA	\$4,686.00
RYAN, MICHAEL	\$1,045.00
SAAK, STEPHEN & LACY	\$24,582.00
SANCHEZ, EDUARDO & JODY	\$24,508.00
SANCO ENTERPRISES, INC	\$5,769.00
SANDERS, WALTER & DORA	\$2,288.00
SAXBY, GEORGE & PAT	\$3,448.00
SCHWARTZ, GERALD & ELIZABETH	\$297.00
SCHWARTZ, KARL	\$5,000.00
SCHWARZ, BRIAN & ALESHA	\$1,551.00
SCHWARZ, EUGENE & MARY	\$6,665.00
SCHWARZ, MICHAEL	\$1,550.00
SCHWARZ, RICHARD	\$1,551.00
SEABOLT, TERRY & ELIZABETH	\$4,552.00
SHIPMAN, AMANDA	\$1,598.00
SHIPMAN, MATTHEW	\$1,538.00
SHORNECK, ROBERT & CATHERINE	\$1,172.00
SHORTESS, GLENN & ANNETTE	\$6,893.00
SINGER, JANICE	\$798.00
SLOAN, CHRISTOPH & BRENDA	\$500.00
SMITH, FRANK & HEIDI	\$1,141.00
SMITH, GLENN & KIM	\$463.00
SMITH, NORMAN & SARA	\$1,851.00
SMITH, WILLIAM & CAROL	\$1,240.00
SNYDER, RICK & ANITA	\$168.00
SPARGER, RONALD & KIMBERLY	\$2,825.00
SPOR, STEVEN & KRISTI	\$905.00
SRM, INC	\$2,849.00
SRM MURPHY, INC	\$9,056.00
SRM MUST, INC	\$3,901.00
SRM NOR, INC	\$3,916.00
SRM OF OKLA CITY, INC	\$2,338.00
STEIN, KYLE & AMANDA	\$134.00
STEPHENS, MARTY & CRYSTAL	\$9,945.00
STEWART, JARROD & LORI	\$12,000.00
STEWART, LISA	\$56.00
STEWART, MONTE & CONTANCE	\$4,367.00
STOCKTON, TIFFANY	\$678.00
STOCKTON, TRENT	\$677.00
STROUP, STEVEN & ROBERTA	\$891.00
SUMMERFORD, JEFF & ROBIN	\$27,723.00
SURIANO, MICHAEL & LAURA	\$2,780.00
TAMPLIN, JERRY & REBA	\$1,418.00
TANNER, DAVID & PEGGY	\$50,803.00
TAUER, ERIC & BRANDI	\$2,234.00
TAYLOR, TIMOTHY & PAMELA	\$626.00
TEEL, ROCKY & LINDA	\$10,667.00
THOMAS, JERRY & JANIS	\$7,693.00
THOMPSON, MARTIN & JACKIE	\$4,307.00
THORNTON, TIMOTHY & JULIE	\$9,500.00
THURMES, GARY & NINA	\$3,641.00
TIPSWORD, WALLACE & BETTYE	\$10,022.00

Investment/New Jobs Tax Credit

TODD, CHRISTOPH & BETTIE	\$395.00
TOLBERT, BILL & ORA	\$1,100.00
TOLBERT, GARY & CONNIE	\$800.00
TOLBERT, LARRY & CYNTHIA	\$1,000.00
TOLBERT, RONALD & EDITH	\$800.00
TOWNSDIN, RONALD & STACY	\$1,246.00
TRAINOR, NANCY	\$2,506.00
TRUJILLO, JUAN	\$662.00
TUCKER, DAVID & STEPHANIE	\$1,968.00
TULSACK INC	\$6,426.00
TURNER, JIMMIE & LINDA	\$500.00
TURNER, WILLIAM & RHONDA	\$7,243.00
UHL, ROBERT & ELLEN	\$40,812.00
VEAL, JANE & E GLEN	\$6,500.00
VENAMON, PAUL & KAREN	\$1,477.00
VERITY, GEORGE L & SHEILA	\$3,759.00
VERNON, RODNEY & NANCY	\$5,646.00
WALKER, EMILY	\$1,755.00
WALKER, JAMES & KATHLEEN	\$13,076.00
WALKER, JAMES & TERRA	\$1,755.00
WALKER, THOMAS	\$1,755.00
WALTERS, LARRY & JANICE	\$5,499.00
WASSON, BRITT & SUSAN	\$19,646.00
WATSON, WILLIAM & JULIA	\$276.00
WEAR, CHARLES & JANET	\$2,740.00
WEBB, LINDA	\$134.00
WEINMAN, THOMAS & MARY	\$28,378.00
WESTFIELD, ROBERT & ANNE	\$9,446.00
WESTFIELD, ROBERT & C	\$2,099.00
WHEELER, MICHAEL & PAULA	\$500.00
WHITFIELD, KEITH & DANA	\$189.00
WICHERT, GREGORY & HELEN	\$3,296.00
WILLHOITE, JOHN & JENNIFER	\$303.00
WILSON, GRAHAM & PATRICIA	\$1,331.00
WILSON, JAMES & CORA	\$1,526.00
WILSON, RONNIE & TERRI	\$2,616.00
WITTEN, DONALD & SHERYL	\$1,574.00
WOODS, DAVID & VANSTORY, ANDREA	\$535.00
YOUNG OIL TOOLS, INC	\$7,962.00
YOUNG, KEITH & CYNTHIA	\$200.00
YOUNG, RICHARD & REBECCA	\$1,500.00
YOUNGE, DAVID & LYNN	\$913.00
ZECO MACHINE INC	\$364.00

Investment/New Jobs Tax Credit

OKLAHOMA INVESTMENT/NEW JOBS CREDIT income tax credit (nontaxable) for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average levels of employment in said facilities. (68 O.S. §2357.4)

A.G. EQUIPMENT CO	\$174,263.00
ADM/WHITAKER ENTERPRISES, INC. DBA	\$68,720.00
LUCAS COLOR CARD	\$376,238.00
AAON, INC & SUBS	\$444.00
ABBOTT, RODNEY & SHANNON	\$38,724.00
ACCURATE MANUFACTURING, INC	\$3,625.00
ACI INTERNATIONAL, INC	\$205,327.00
ACME ENGINEERING & MANUFACTURING CORP	\$6,953.00
ADAMS, KENNETH & DIANA	\$330.00
ADKISSON, GLEN & DEBORAH	\$16,193.00
ADKISSON, JACK & NANCY	\$1,727.00
ADKISSON, SAMI & MONA	\$3,101.00
ADVANTAGE CONTROLS, LLC	\$170.00
AERO-TEC INDUSTRIES, INC	\$2,400.00
ALFORD, CLAUDIE & REBECCA	\$66,932.00
ALLAN EDWARDS INC	\$500.00
ALLEN, LESLIE	\$90,291.00
ALLEN, MARK & JENNIFER	\$1,253.00
ALLEN, MARK & NATALIE	\$71,362.00
ALLEN, PAUL & JOAN	\$133.00
AMSTUTZ, ANDREW & LOU	\$50.00
ANDERSON, HENRY & VESTA	\$5,043.00
ANDERSON, SETH & JEANNIE	\$1,394.00
ANEAL, WAYNE & MICHELLE	\$2,400.00
ANTOSH, DAVID & ASHLEY	\$8,800.00
ANTOSH, JAMES & NANCY	\$2,400.00
ANTOSH, PETER	\$2,400.00
ANTOSH, ROBERT	\$238.00
ANTRY, STEVE & LISA	\$923.00
ARCHITECTURAL SIGNING ARIZONA, INC	\$20,068.00
ARMSTRONG WORLD INDUSTRIES, INC	\$473.00
ARRINGTON, JAMES	\$2,811.00
ARRINGTON, JAMES & SUE	\$5,176.00
ARRINGTON, MICHAEL & KELLY	\$1,812.00
ARRINGTON, SUSAN	\$572.00
AUSTIN, BAILEY	\$572.00
AUSTIN, DARYL	\$572.00
AUSTIN, EMMA	\$572.00
AUSTIN, KATHERINE	\$572.00
AUSTIN, ROBERT & ELIZABETH	\$12,890.00
BABCOCK, WILLIAM & GAGLE BABCOCK	\$1,779.00
BADGER METER, INC	\$3,028.00
BAER, BEN & LARISA	\$31,728.00
BAHNER, RICHARD & CAROLYN	\$284,112.00
BAILEY, LOISA	\$720.00
BAKER HUGHES OILFIELD OPERATIONS, INC	\$340,498.00

Investment/New Jobs Tax Credit

BAKER, FREDDIE & KARIAN	\$953.00
BALDOR ELECTRIC CO	\$173,358.00
BANTA, PHILIP & JILL	\$162,000.00
BARAY ENTERPRISES, INC	\$4,030.00
BARBER, RON & DEBORAH	\$3,212.00
BARHAM, JERRY & TARA	\$114.00
BARKER STEEL, INC	\$5,180.00
BARNHART, VELETA	\$3,163.00
BATANGAN, GLADYS & MELVIN	\$1,500.00
BAUER ENERGY CORP	\$3,476.00
BAUER, LYLE & FREDA	\$88,467.00
BEERS, JAMES & LINDA	\$2,565.00
BELL, ALLEN & TARA	\$1,170.00
BELL, BRAD & JENNIFER	\$362.00
BELSHÉ INDUSTRIES, INC	\$2,617.00
BENCE, KATHERINE	\$8,993.00
BENCE, MICHAEL	\$334.00
BENNETT, ROBERT & GINA	\$689,656.00
BEVELHYMER, DARRRELL & PATRICIA	\$768,225.00
BILLEN, LARRY & TERRI	\$19,203.00
BILLY JAMES MATHIS TR	\$143,220.00
BISHOP, GARY & PATRICIA	\$106.00
BITHELL, DEFORREST & LAURIE	\$1,619.00
BLADE, KARL & ALICE	\$41,267.00
BLITZ ACQUISITION HOLDING INC &	\$150,747.00
BOADIE L ANDERSON QUARRIES, INC	\$6,121.00
BOOK, WILLIAM & JENNIE	\$228.00
BOLES, STEVEN & LYNNE	\$58,500.00
BOODMAN, CHARLES & LINDA	\$8,201.00
BORDEN, BARNEY & LOUISE	\$11,000.00
BORGEN, JON ERIK & MORRILL	\$4,328.00
BORGEN, BROOKE	\$4,327.00
BORGEN, RANDI	\$280,116.00
BORMAN, NICHOLAS & MAUREEN	\$641.00
BOSLEY, JAMES & DANA	\$900.00
BOYD, CHARLES & SHEPPI	\$11,386.00
BOYD, GERRY & LINDA	\$5,940.00
BRAATEN, JOHN & CAROL	\$359.00
BRANDT, ANDREW & LISA	\$1,795.00
BRANDT, LAWRENCE & EVELYN	\$482.00
BRANDT, ROBERT & HILARY	\$886.00
BRAUNINGER, BRIAN & GRETCHEN	\$392.00
BROACH, BRIAN	\$35.00
BRODMEYER, DONALD & JOAN	\$6,691.00
BROOKS, DAN & LYNDA	\$216.00
BROOKS, DEANNE	\$211.00
BROWN, JAMES & ANN	\$16,037.00
BROWNE, JR, HENRY	\$4,626.00
BROWNE, CORIELISA	\$10,367.00
BROWNE, MATTHEW	\$21,868.00
BROWNE, ROBERT & KAHEN	\$4,926.00
BROWNE, WILLIAM	\$4,358.00
BRYANT REFRACTORY CO	\$3,477.00
BRYANT, GARY & JUDITH	\$2.00
BUERGE, KENYON	

Investment/New Jobs Tax Credit

BUERGE, ROBIN & PEGGY	\$2.00
BULLARD, TROOP & KAREN	\$1,943.00
BURGESS, JIMMIE & JUDITH	\$1,760.00
BURROW, TERRY & GAIL	\$18,482.00
BUSH, DEBRA & BILL	\$2,241.00
C & D MANUFACTURING CO INC	\$3,742.00
CADENHEAD, ROBERT & SHERRY	\$1,113.00
CAFFEY, GARY & DRAKE, DEBORAH	\$1,064.00
CAFFEY, ROBERT & PAULA	\$9,586.00
CALE, CHARLES & PAMELA	\$2,244.00
CALE, WILLIAM & PATRICIA	\$5,286.00
CALVERT, BEVERLY	\$5,692.00
CAMERON, JIM & JANET	\$14,207.00
CARLILE JR, WILLIE & CARLILE	\$1,814.00
CARLILE, ROBERT & TINA	\$4,198.00
CARLISLE FOOD SERVICE	\$1,618,910.00
CARLSON, CAROLYN	\$4,639.00
CARLSON, GREGORY	\$20,062.00
CARLSON, JAMES & LYDIA	\$7,533.00
CARLSON, JEFFREY & MELISSA	\$90,924.00
CARR, DONALD & LISA	\$4,921.00
CARRIENS, DONALD & PATRICIA	\$500.00
CARRISON, JASON & SARAH	\$13.00
CARSON, DREW & LYNNA	\$2,814.00
CARSON, JAMES & PAMELA	\$2,814.00
CARTNER, STUART & J	\$888.00
CASADY, THOMAS & PATRICIA	\$1,782.00
CASEBEER, STEPHEN	\$1,923.00
CASEBOLDT, FLOYD & MELINDA	\$7,386.00
CAUDILL, TOMMY & ANITA	\$101,323.00
CAUDILL, TONY & LYNDA	\$42,688.00
CHAMPAGNE, MICHAEL & KIMBERLY	\$13,545.00
CHASENAH, POLLY	\$85.00
CHIEFS REQUESTED FOODS INC	\$31,824.00
CHILDRENS NEW WORLD INC	\$25,288.00
CHRISTMAN, THOMAS & PAULA	\$57.00
CIMARRON MACHINE SERVICE INC	\$15,254.00
CIRCOR ENERGY PRODUCTS	\$109,445.00
CLARK, JAMES & C	\$53,803.00
CLEARVIEW ACE HOLDINGS INC	\$4,912.00
CLEARVIEW CAPITAL GENERAL PARTNERS LLC	\$1,236.00
CLINE MACHINE INC	\$4,589.00
COCHRAN, ASHLEY	\$1,500.00
COCKRUM, WILLIAM	\$47.00
COLDREN, DAVID & TAREY	\$25,165.00
COLLINS, KUAN & CHRISTOPH	\$542.00
COLLINS, RONALD & SHELA	\$1,626.00
COLMAN, JOHN & JANIE	\$3.00
COLSON, TENNESSEE INC	\$191,921.00
CONCANNON, PAUL & LILIA	\$6,380.00
CONLEY, CANDACE	\$7,448.00
CONLIN, CRAIG & MONA	\$464.00
COOKE, MICHAEL & HANSEL, SARAH	\$1,961.00
COOLEY, CHARLES & KAREN	\$5,000.00

Investment/New Jobs Tax Credit

COPE, JEFFREY & CONNIE	\$2,782.00
COPELAND, WILLIAM & CALVERT	\$11,027.00
COPELAN, CYNTHIA	\$103.00
CORDELL, GARY & DORIS	\$4,826.00
CORLE BROWNE GREAT PLAINS TRU	\$16,703.00
CORKEN INC	\$133.00
COTTRELL, BRENT & STEFANIE	\$494.00
COUNTS, CHRISTY	\$64,136.00
COWAN, JACK & ALISON	\$1,311.00
COWAN CORTSE, KATRINA & MATTHEW	\$1,311.00
COWAN, ALEXANDER & LACEY	\$1,310.00
COWAN, BARBARA	\$1,310.00
COWAN, BRADLEY & REBECCA	\$1,311.00
COWAN, CASEY	\$1,311.00
COWAN, ERICA	\$1,311.00
COWAN, ERIN	\$3,020.00
COWAN, JERRY & LISA	\$13,457.00
COWAN, JESSICA	\$2,805.00
COWAN, TORRI	\$1,490.00
COWAN, MICHAEL	\$4,575.00
COWAN, TERRY & BARBARA	\$13,458.00
COWAN, ZACHARY & STEPHANIE	\$1,310.00
COWART, JOHN & PEGGY	\$7,076.00
COX, PAUL & MARJORIE	\$6,326.00
CRAIN, BRIAN & LORI	\$971.00
CRANE, THOMAS & SHAW, SUSAN	\$307.00
CRAWFORD, DICK & SHARON	\$6,468.00
CROUCH, MIKKO	\$35,871.00
CROUCH, RICHARD & PAULA	\$41,299.00
CROUSE, JERALD & ANN	\$453,684.00
CUNNINGHAM, SYDNEY	\$723.00
CUNNINGHAM, WILLIAM & ERNESTINE	\$2,463.00
CURRIE, JEFFREY & BRETT	\$5,428.00
CURRIE, MATTHEW	\$111.00
CURTIS, JOHN & POLLY	\$493.00
CURWOOD INC	\$23,904.00
D & V MANUFACTURING INC	\$5,296.00
DANCAP BANKING	\$490.00
DANE, STEPHEN & TERRY	\$2,642.00
DANELL, DICK & ROBIN	\$13,576.00
DANILUK, MICHAEL & LAVERN	\$10,068.00
DANLIN INDUSTRIES CORP	\$2,000.00
DAUBENBERGER, CHARLES & SHARON	\$87,385.00
DAUGHERTY, KENNY & LYNDA	\$359.00
DAY, BRAD & LYNN	\$163.00
DAY, TIMOTHY & SANDRA	\$1,169,690.00
DCTP HOLDING CORP & SUBS	\$12,559.00
DEAN, RICKIE & THERESA	\$8,370.00
DEATSCH, DAVID & WENDY	\$2,000.00
DELL MARKETING CORP	\$1.00
DELTA PLATING INC	\$3,749.00
DEPASCALE, MICHAEL & DOLLY	\$454.00
DERNGOCOURT, NORA	\$2,150.00
DEXTER AXLE CO & AFFILIATES	\$19,425.00

Investment/New Jobs Tax Credit

DIASSI, FRANK & MARIANNE	\$59.00
DIAZ, STEVEN & PIGNANELLI, CYNTHIA	\$1,080.00
DICKERSON, RICHARD & KATHERINE	\$229.00
DILL, JAMES & JEANNETTE	\$775.00
DILLARD, L & ANDREA	\$1,491.00
DILLARD, MICHAEL	\$91.00
DIXON, MATTHEW & RAE	\$6,148.00
DIXON, ROBERT & VERA	\$133.00
DOGGETT, ERIC & LISA	\$3,491.00
DOORNBOOS, SCOTT & SHERYL	\$149,064.00
DOTY, MARK & BETH	\$5,609.00
DOWNTOWN GLASS INC	\$1,000.00
DP MANUFACTURING INC	\$16,024.00
DRAIN, MICHAEL & MISTY	\$22,284.00
DRIVE SHAFTS, INC	\$750.00
DUENNER, JANE	\$2,560.00
DUENNER, STEPHEN & RUTH	\$2,560.00
DUMOND, BILL & REBECCA	\$2,719.00
DUNDEE, GARY & DONNA	\$3,000.00
DURFEE, DANNY & CANDI	\$5,460.00
DUTTON, DAVID & DONNA	\$21,645.00
DWYER, PATRICK & REBECCA	\$12,473.00
EASTIN, JIMMY	\$191.00
EBERS, ROBERT & MARCIA	\$50.00
ECKLUND, SCOTT & ROBYN	\$2,609.00
EDWARDS III, ALLAN & M	\$7,516.00
EFFRON, WILLIAM & SUSAN	\$47,069.00
ELECTRONIC LABEL TECHNOLOGY, INC	\$2,753.00
ELGIN, JOHN	\$437.00
ELIASON, RAYMOND & BETH	\$235,766.00
ELIZABETH ANDERSON INVESTORS, LP	\$2.00
ELLIOTT, ROBERT & LINDA	\$9.00
ELLIS, MICHAEL & BEVERLY	\$19,660.00
ELMBURG, JOHN & LINDA	\$12,885.00
ELTRON WATER SYSTEMS, LLC	\$6,000.00
EMDE, CHARLES & CHERI	\$2,840.00
EMERY, JAMES	\$29,551.00
EMERY, WILLARD & ENG, DEBORAH	\$39,172.00
EMILAMERICA, INC	\$140,342.00
EMILY, ELISE, McMILLAN, 2004 TRUST S	\$6,855.00
ENGLISH, JAMES & VICTORIA	\$12,954.00
ENGIN, INC	\$81.00
EQUIPMENT TECHNOLOGY, LLC	\$371.00
EQUITY PARTNERS GMBH CO	\$2,665.00
AUGUSTIN PARTNERS, LLC	\$7,110.00
EQUUS METALS, INC	\$11,000.00
ESKER, INC	\$11,000.00
ESLUICKER, CHARLES & PAMELA	\$27,960.00
EST OF JOHN W ROSSON	\$6,643.00
EVANS & ASSOC ENTERPRISES, INC	\$121,116.00
EWING, HAROLD & MARY	\$1,943.00
FAIRBAIRN, MARK	\$2,400.00
FAIRLESS, JENNINGS & MARY JO	\$118,442.00
FARBER, CHARLES & LINDA	\$50.00
FARQUE, CLAUDE & MARGARET	\$4,165.00

Investment/New Jobs Tax Credit

FARQUE, ERIC & MANSFIELD, LESLIE	\$1,426.00
FARQUE, JASON	\$1,426.00
FARRIOR, WILLIAM & DONNA	\$80.00
FEELEY, ANDREW & MISTY	\$6,333.00
FEELEY, CHRISTOPH & WENDY	\$6,333.00
FEELEY, JAMES & GAIL	\$3,000.00
FEELEY, MICHAEL & JUQUITA	\$3,000.00
FEELEY, RONALD & ANITA	\$6,334.00
FIBER GLASS SYSTEMS, LP	\$59,654.00
FIBER PAD, INC	\$12,953.00
FIFTH THIRD CAPITAL HOLDINGS, LLC	\$766.00
FINNEY, JEFFREY & AMY	\$1,972.00
FIORELLI, DAVID & SUSAN	\$384,947.00
FLEX-N-GATE AUTOMOTIVE CORP	\$313,848.00
FLIGHTSAFETY INTERNATIONAL, INC	\$40,804.00
FLOM, JOSEPH	\$10.00
FLOWELL CORP	\$7,700.00
FLYNN, DELBERT & CHASE, LISA	\$6,704.00
FORD, DOUGLAS & CAROL	\$7,964.00
FRANK, BRADLEY & KIMBERLY	\$7,016.00
FRANK, JEWEL & THELMA	\$5,336.00
FRANKLIN, DAVID	\$8,370.00
FRASER, MARSHALL & NATALIE	\$4.00
FRAZIER, CHESTER	\$164.00
FREEMAN, TAWNIA	\$250.00
FRIED, HERBERT & NINON	\$38.00
FRIEND, WILLIAM & EDITH	\$1,000.00
FRIESEN, GILBERT & RIENSTRA, FRIES, JANEL	\$48.00
FUNDOM ENTERPRISES, INC	\$2,389.00
GADDIS, DANIEL & ERICA	\$133.00
GALAXY TOOL CORP	\$15,613.00
GALAXY TOOL HOLDING CORP	\$22,714.00
GARFIELD INC	\$96.00
GAROFALO, JOSEPH & LINDA	\$2,156.00
GARY, SAMUEL & NANCY	\$4,098,989.00
GAVGO PLASTICS, INC	\$14,540.00
GEHRING, PAUL & GENA	\$476.00
GEIS, WILLIAM & MINDY	\$59,626.00
GEPPERT, ELMO & JOANNA	\$72.00
GERALD L GREER CO, INC	\$912.00
GERBER SCIENTIFIC INTERNATIONAL	\$102,033.00
GERMANN, COREY & DEBRA	\$217.00
GHAZANFARI, AHMAD & FERESHTEH	\$596.00
GIBSON, FREDDIE & OPAL	\$6,681.00
GIBSON, JOSHUA & BIRDINA	\$1,310.00
GIBSON, LELAND & INA	\$4.00
GIBSON, RALPH & JUDY	\$13,457.00
GIBSON, SHAWN & KARA	\$1,311.00
GIBSON, TIMOTHY & JAMELL	\$147.00
GILBERT, JEFFREY & EDNA	\$687.00
GILSON, ROBERT & JAYNE	\$22,254.00
GIVENS MANUFACTURING INC	\$672.00
GIVENS, MARK & JUDY	\$352.00
GLAZING CONCEPTS, INC	\$2,832.00

Investment/New Jobs Tax Credit

GLIMCHER, ARNOLD & MILDRED	\$194.00
GLOBE MANUFACTURING CO-OK LLC	\$39,000.00
GOODWIN, BOYD & RHONDA	\$1,050.00
GORDON, KEVIN & ROBIN	\$344.00
GOSS III, RICHARD & GOSS, KAREN	\$2.00
GOTHARD III, ARCH & SANDRA	\$5,453.00
GOTTLIEB, BRADLEY & DENISE	\$450.00
GRAY, AMY & KELLY	\$40,366.00
GREEN FAMILY DELTA TRUST	\$27,934.00
GREEN, DAVID & BARBARA	\$521.00
GREEN, MART & DIANA	\$3,508.00
GREEN, RONDEL & DONELLA	\$200.00
GREEN, STEVEN & JACKIE	\$6,818.00
GREENE, FREDERICK & MARTHA	\$7,226.00
GREER, JEFF & LYNETTE	\$12,145.00
GREER, PHILIP & WANCY	\$2.00
GREUFE, MARK & HOLLY	\$54.00
GRIDER, JOE & ROBBE	\$6,172.00
GUBBS, MARTIN & KIMBERLY	\$1,475.00
GUSTAFSON, RICHARD & ALEXANDER, JULIE	\$344.00
HAIGES, ROBERT & MARY	\$3,066.00
HALL, FLOYD & LEVADA	\$267.00
HALL, HARLAN & BARBARA	\$85.00
HALL, JERRY & PATRICIA	\$238.00
HALL, JEWELL	\$21,018.00
HAMIL, EDWARD & FRANKIE	\$91.00
HAMILTON, BROOKE	\$3,661.00
HAMILTON, GEORGE & CLAUDIA	\$4,708.00
HAMLIN, WALTER & JOANN	\$115.00
HAMM, HAROLD & SUE	\$34,495.00
HAMM, STEVEN	\$5,400.00
HANGCOCK IV, THOMAS & HANGCOCK, BARBARA	\$12,667.00
HANNAH, FRED & JOYCE	\$9,000.00
HANSTEIN, MARK & KAREN	\$432.00
HARGROVE, DOUGLAS & LOU	\$973.00
HARGROVE, GARY & CYNTHIA	\$1,946.00
HARGROVE, GLENNA	\$973.00
HAROLD HAMM DST TRUST	\$14,387.00
HAROLD, HAMM HU TRUST	\$9,591.00
HARPER, BRIAN & HOLLY	\$600,166.00
HARPER, TRUDY & ROGER	\$22,498.00
HARPSTER, BILLY	\$11,277.00
HARRISON JR, CHARLES & SHIRLEY	\$68,485.00
NATALIE	\$317.00
HARRISON, DAVID & JAN	\$573.00
HARRISON, JIMMY & JUDY	\$1,766.00
HARVEY, GARY & LEIGH	\$4,905.00
HASSINGER, CHRISTOPH & KAYLYNNE	\$77.00
HAWKINS, RONALD & ALLISON	\$10,285,842.00
HAWKS, HOWARD & RHONDA	\$1,310,913.00
HAWKS, NEAL	\$1,299,348.00
HAWKS, TROY & HEATHER	\$5,983.00
HAYES, BRETT & PAMELA	\$5,983.00

Investment/New Jobs Tax Credit

HAYES, JEANNE	\$598.00
HAYWOOD, KENNETH & CYNTHIA	\$251,066.00
HEAPS, GLEN & KIMBERLY	\$3,900.00
HECKENKEMPER, KEITH & MARIANNE	\$9,721.00
HECKENKEMPER, WILLIAM & BARBARA	\$596.00
HENECKE, DAVID & SANDRA	\$966.00
HELLER, NATHAN & JANET	\$1,783.00
HELSCHEL, CHARLES & CHARLOTTE	\$10,500.00
HELVER, SCOTT & RHONDA	\$91,684.00
HEMLING	\$1,391.00
HENDERSON, MATTHEW	\$41.00
HENDRICKS, BRANDON	\$889,778.00
HENDRICKS, JOHN & JANITA	\$3,211.00
HENDRICKS, THOMAS & MARY	\$5,731,114.00
HENNINGSEN, WILLIAM & GLENDA	\$7,318.00
HENRY, LARRY & KAY	\$5,672.00
HERNANDEZ, JENNIFER & ALFRED	\$899,778.00
HERNANDEZ, SEQWN	\$40.00
HILL III, GILES & NATALIE	\$5,587.00
HILL, DAVID & SHANNON	\$2,826.00
HILL, THOMAS & KAY	\$12,420.00
HILL, THOMAS & REBECCA	\$2,867.00
HOBSON, DANIEL & VIRGINIA	\$3,551.00
HOGREFE, ROBERT & PAMELA	\$29,545.00
HOLDER, RICK & LAWSON, HOLBROOK	\$2,864.00
HOLLAND JR, RICHARD & HOLLAND, PATRICIA	\$827.00
HOLMBOE, ROBERT & JOAN	\$1,000.00
HOOSE, DONALD & LINDA	\$5,778.00
HOOSE, JUSTIN & KARLA	\$5,551.00
HOOTEN, DAVID & WHITNEY	\$7,402.00
HORTON INDUSTRIES, INC	\$21,078.00
HUGHES, EVAN & JOE	\$9,425.00
HUGHES, VERONICA & ROCKY	\$50.00
HUNZEKER, FREDERICK & TERESA	\$375,846.00
HUFF, JOHN & DIANE	\$39.00
HUTCHISON, KIM & CATHERINE	\$23,362.00
ION, INC	\$23,400.00
IMMUNO-MYCOLOGICS INC & SUBSIDIARIES	\$2,140.00
INDEPENDENT TRUCKING CO INC	\$1.00
INDUSTRIAL GASKET, INC	\$4,009.00
INDUSTRIAL VEHICLES INTERNATIONAL, INC	\$703.00
INTERNATIONAL BUSINESS MACHINES CORP	\$1.00
INTERNATIONAL CRYSTAL MANUFACTURING	\$3,628.00
IRBY, STEVEN & REBECCA	\$11,866.00
IVES, EVERETT & DARLENE	\$4,970.00
JACKSON, WILLIAM & MARY HEAT	\$19,101.00
JAMES, KENNETH & NORMA	\$25,266.00
JANSEN, BETTY & JEROME	\$35,479.00
JANSEN, JOHN & ANDREA	\$172.00
JENKS, RONALD & JEAN	\$1,764.00
JEROME, JANSEN LIVING TR	\$474.00

Investment/New Jobs Tax Credit

JUDGE, G & VERITY, SHEILA	\$336.00
JOHNSON, BLALOCK, JENNIFER	\$3,491.00
JOHNSON, BRODY & ROBIN	\$4,109.00
JOHNSON, DAVID & DAWN	\$157,513.00
JOHNSON, DOUGLAS & RUTH	\$126.00
JOHNSON, JODY & TRUDI	\$4,110.00
JOHNSON, R BRENT	\$9,556.00
JONES, BARBARA	\$598.00
JONES, CAROL	\$4,607.00
JONES, ROBERT & ARDETH	\$6,024.00
JONES, ROBERT & JOEY	\$6,979.00
JONES, STEVEN & WILSON, MELINDA	\$3,624.00
JONES, SUJE	\$3,622.00
JURGENSMEYER, CURTIS & ELLEN	\$10,176.00
JURGENSMEYER, PATRICK & TONYA	\$67,439.00
KAISER, GEORGE	\$54,003.00
KANTER, STEVEN & JUDITH	\$70.00
KAREN R HANSTEIN	\$1,186.00
KEEL, GARY & NEDRA	\$10,457.00
KEELER, BERRY & SHARON	\$188,065.00
KELLER, MICHAEL & JOLEEN	\$5,754.00
KELLEY, JAMES & KAREN	\$20,082.00
KELLEY, JOHNNIE & MARION	\$3,955.00
KENDRICK, ASHLEY	\$31,820.00
KHOSROWYAR, MAHVASH	\$208,045.00
KIMRAY INC & SUBS	\$9,096.00
KINDSCHI, MICHAEL & VICKY	\$687.00
KING, LONNIE & CAROL	\$18,705.00
KINNE, JF, MORRIS & KINNE	\$44,632.00
KIRKWOOD, DAVID & CANDACE	\$51,389.00
KIRSTIN ELIZABETH MCMILLAN 2004 TRUST S	\$6,956.00
KLINE, ALBERT & SHERYL	\$16,494.00
KLINE, JAMES & DEBRA	\$3,927.00
KOCH INDUSTRIES, INC	\$4,512,606.00
KONARIK, DOUG & SHERI	\$2,158.00
KOPRIVA, ROBERT & DONITA	\$2,715.00
KRIBILL, MICHAEL	\$71.00
KRUGER, KATHERINE	\$102.00
KRUSEMARK, AARON	\$1,500.00
KUDRON, TIMOTHY & KAREN	\$89,766.00
KUHN, BRYAN & CATHERINE	\$5,460.00
KUNKEL, GREGORY & SOMJIT	\$61,480.00
KUREK, JOSEPH & JANE	\$7,751.00
KURTZ, PHILIP & MARY	\$72,722.00
KUYKENDALL, JAMES	\$24,358.00
KUYKENDALL, JIM & ELIZABETH	\$61,110.00
KYMAN, KAREN	\$6,469.00
LAGERE, JOHN & KATHERINE	\$671.00
LAIDLAW, MICHAEL & JAIME	\$1,500.00
LALLI, GARRETT & JANEI	\$3,477.00
LAMB, DAVID & JENNIFER	\$11,205.00
LANDMAN, WILLIAM & BETH	\$15.00
LARRY DON MATHIS TR	\$148,063.00
LATE, VALERIA	\$24,937.00

Investment/New Jobs Tax Credit

LAURENCE, STEVEN & CINDY	\$1,130.00
LAWLER, MICHAEL & SHARON	\$1,018,488.00
LAWRENCE, JOHN & SHERRY	\$2,679.00
LEACH, BOBBY & BRENDA	\$1,685.00
LEACHCO, INC	\$15,900.00
LEBENS, MICHAEL & SUSAN	\$1,786,486.00
LEBERSFELD, HERMAN & ADELE	\$231.00
LEBERSFELD, MAX & DEBRA	\$231.00
LEES, DONALD & ANN	\$219.00
LEHR, ROBERT & RACHELE	\$134.00
LENZ, JOEL & LORI	\$3.00
LETT, ROBERT & DARSEE	\$1,332.00
LEVENBERG, JANET	\$1,103.00
LEWIS, BRET	\$224.00
LICHTMANN, JAY & TREADWAY, SUSAN	\$1,414.00
LICHTMANN, MARTIN & DONNA	\$16,988.00
LIEBSKIND, RICHARD	\$1.00
LINDE, INC	\$10,528.00
LINDENBAUM, SAMUEL & LINDA	\$7,660.00
LINDSAY IV, WINSTON & BROCK	\$28.00
LINDSAY IV, WINSTON & BROCK	\$4.00
LINDSAY MANUFACTURING, INC	\$1,454.00
LINDSAY MARR MCMILLAN 2004 TRUST S	\$6,956.00
LINDSAY, WINSTON & HELEN	\$725.00
LMI AEROSPACE & SUBSIES	\$4,623.00
LOEWEN, REUBEN & ROSALIE	\$2,505.00
LOUIS, LARRY & SUSAN	\$121,060.00
LONG STAR INDUSTRIES, INC	\$112,041.00
LONGERAN, DANIEL & TINA	\$193,321.00
LONGO, MICHAEL & DARCY	\$229.00
LOPEZ, DAVID & MARISA	\$5,043.00
LOPEZ, JOHN & JEANNIE	\$5,043.00
LOPEZ, JOHN & PATRICIA	\$42,813.00
LOPEZ, WILLIAM & ASHLEY	\$6.00
LORTON III, ROBERT & LORTON, LESLIE	\$13,576.00
LORTON, ROBERT & ROXANA	\$101,916.00
LOVE, DANIEL & AUTUMN	\$9,321.00
LOVE, FRANK & ASHLEY	\$4,407.00
LOVE, MICHAEL & COURTNEY	\$5,571.00
LOVE, MICHAEL & JEANNE	\$23,943.00
LOWREY II, ROBERT W & LOWREY, JUDITH	\$19,575.00
LUNA, JASE	\$3,557.00
LYLET, BACHMAN & CHARLOTTE	\$1,219.00
MACKIE, BERT & JANICE	\$98.00
MAGRIN, KATHERINE	\$2,000.00
MALONES CNC MACHINING, INC	\$12,765.00
MALONEY CRAWFORD TECHNOLOGIES INC	\$384.00
MALSON, NEAL & KIMBERLY	\$1,552.00
MANSUETO, JOSEPH & YOSHIDA, RIKA	\$392.00
MARTIN, BARRY & JUDY	\$3,083.00
MARTIN, MICHAEL & PAMELA	\$2,375.00
MARTIN, PAUL & JEANNIE	\$10,093.00

Investment/New Jobs Tax Credit

MARTIN, ROSEMARY	\$184.00
MARTIN, TERRY & DENISE	\$6,531.00
MARTIN, TOM & DEBRA	\$118,540.00
MARTINDALE, MERLE	\$23,893.00
MARTINEK, ROBERT	\$648.00
MARTINEZ, JR. LEON & MARTINEZ, GINA	\$372.00
MARTINEZ, GEORGE & MONIQUE	\$1,001.00
MARTINEZ, RICHARD & TRUDIE	\$258.00
MARX, PAUL & KAREN	\$1,442.00
MASON, ION & NANCY	\$79.00
MASTERS, CHARLES & MARCIA	\$168.00
MATHEY INVESTMENTS, INC & SUBS	\$63,746.00
MAUCK, JASON & KIMBERLY	\$474.00
MCABERY, BRUCE & DONNA	\$5,168.00
MCARFEE, MICHAEL & SHARLA	\$2,084.00
MCANIELLY, JAMES & KATHY	\$1,893.00
MCCORMICK, THOMAS & ELIZABETH	\$2,595.00
MCDERMOTT, MAX & JANE	\$17.00
MCDONALD, MICHAEL & BELINDA	\$398.00
MCDOWNEY, DAVID R & SANDRA	\$1,939.00
MCLEROY II, ARTHUR & MCLEROY, SHARON	\$19,959.00
MCADDEN, STEVEN & KUNIC, MARYKATHR	\$1,000.00
MCGEE, ROCKY & CAROLINE	\$990.00
MCGEEHEE, BILLY & TRACY	\$5,095.00
MCGEEHEE, CALEB	\$112.00
MCGEEHEE, CASSIDY	\$112.00
MCGEEHEE, KRISTA	\$6,326.00
MCGRATH, DORIS	\$112.00
MCGRATH, JOHN	\$5,901.00
MCGUIRE, DEANA	\$1,800.00
MCGUIRE, JULIE	\$300.00
MCHEMRY, JACK & PAULA	\$11,000.00
MCINTOSH, JAMES & KATHRYN	\$4,479.00
MCINTYRE, LARRY & SHERRY	\$4,308.00
MCKENZIE, JEFFERY & JOHNNA	\$357.00
MCKENZIE, ROLAND & IRENE	\$2,291.00
MCKITTRICK, CARL & TERESA	\$1,500.00
MCKNIGHT, MAYO & MARY	\$4,764.00
MCKNIGHT, RANDY & DEBRA	\$3,573.00
MCKNIGHT, RICKY & TRAGI	\$3,573.00
MCLAUGHLIN, DAVID & JEAN	\$38,481.00
MCLAUGHLIN, ROBERT & CHRISTINA	\$50,257.00
MCLAUGHLIN, TIMOTHY & ELIZABETH	\$30,327.00
MCMULLAN III, HARRY & MCMULLAN, STACEY	\$57,651.00
MCMULLAN IV, HARRY	\$1,472.00
MCMULLAN, MARY	\$1,471.00
MEADE, ROBERT & LESLIE	\$92.00
MEADE, ROY & HOLLY	\$1,477.00
MELAKAH, INC. & SUBSIDIAR	\$4,049.00
MELLISON, MICHAEL & KAREN	\$32,552.00
MELLOTT, DON & JANET	\$82,286.00
MERCER VALVE CO, INC	\$19,500.00

Investment/New Jobs Tax Credit

MERRELL, GREGORY & LINDA	\$6,504.00
MERRELL, JOHN & HEATHER	\$112.00
MERRITT II, FRED & MERRITT	\$2,893.00
METHENY CONCRETE PRODU	\$31,876.00
MEYER, MICHAEL & IDANA	\$152,278.00
MICHEL, EDWARD & BRENDA	\$8,982.00
MIDWEST TROPHY MFG CO, INC	\$17,718.00
MIKE ALEXANDER CO, INC	\$4,551.00
MILAM, JACK & ELIZABETH	\$7,076.00
MILLER, EDWARD & FERN	\$2,607.00
MILLER, HENDERSON & BARBARA	\$5,456.00
MILLER, JAMES & THERESA	\$79.00
MILLER, JASON & LESLIE	\$1,788.00
MILLER, JOEL & MARY	\$4,775.00
MILLER, PHILIP & LEANN	\$27,927.00
MILLER, TODD & MICHELLE	\$3,186.00
MILLS MACHINE CO, INC	\$7,293.00
ML PRODUCTS LLC	\$2,600.00
MOCHA, WILLIAM	\$2,423.00
MOHAWK INDUSTRIES, INC & SUBSIDIARIES	\$1,065,253.00
MONUMENT ADVISORS, INC	\$533.00
MOORE, ROBERT & CYNTHIA	\$4,826.00
MORETTI, CHRISTOPH & SHERRY	\$543.00
MORITZ, MISHA & BORGEN MORITZ, KAIA	\$4,326.00
MORRIS, DANIEL & JACQUELIN	\$461.00
MORRIS, MAURY & JUDY	\$106.00
MORRIS, RICHARD & FLORENCE	\$641.00
MOSES, WILLIAM & VICKIE	\$3,977.00
MOSHER, DAVID & VICKY	\$112,343.00
MOWAT, MARK & JULIE	\$222,892.00
MOWRY, JOHN & KATHLEEN	\$476.00
MTG GUARNIERI MANUFACTURING, INC	\$35,735.00
MUIR, JAMES & MARY	\$9,080.00
MUNCIE POWER PRODUCTS, INC	\$74,484.00
MURPHY III, FRANK & MURPHY,	\$26,656.00
MURRAY, WILLIAM	\$7.00
MUSTANG FUEL CORP	\$96,332.00
MYERS, JEFFREY & SUSAN	\$4,858.00
MYPRO MACHINE, INC.	\$1,679.00
NANKE, KEVIN & KATHY	\$1,080.00
NASH, JACK & HELEN	\$7.00
NAUMANN, LEE & GRISSELLA	\$7,970.00
NEISEN, GREGORY & JENNIFER	\$11,176.00
NEISEN, MICHAEL & LAMBERT, LAINE	\$11,176.00
NEISEN, RAY	\$5,158.00
NEUBERGER, CHRIS & SUSAN	\$5,181.00
NEUBERGER, JAMES & SUSAN	\$2,373.00
NEWFIELD, JOHN	\$9,059.00
NEWMAN, RICHARD & MARY	\$4,635.00
NEWTON, JESSE & JEANINA	\$4,000.00
NGC INDUSTRIES, INC	\$172,768.00
NICHOLS, CAROLINE & JAMES	\$3,457.00
NICHOLS, JACQUELYN	\$15.00

Investment/New Jobs Tax Credit

NICHOLS, MARK & LINDA	\$8,380.00
NINNESS, DICKIE	\$1,220.00
NINNESS, MARK & MICHELLE	\$1,139.00
NINNESS, ROMELYN & PATSY	\$1,198.00
NIXON JR, GEORGE & NIXON, PATRICIA	\$304.00
NIXON, DEBORAH	\$3.00
NIXON, ELIZABETH	\$3.00
NIXON, GEORGE & ROSE	\$1,120.00
NIXON, RANDALL	\$224.00
NIXON, REBECCA	\$3.00
NMW, INC	\$17,943.00
NOBLE, ROGER & LAURA	\$4,785.00
NOLLER JR, ROBERT & POLLOCK, LESLEY	\$3,725.00
NOONKESTER, RANDY & ROBERTA	\$46,755.00
NORTHCLIFF, DAN & ANN	\$876.00
NORTHCLIFF, RONALD & KAREN	\$4,992.00
OBRIAN, DANNY & BETTY	\$1,834.00
OBLE, DONALD & BRENDA	\$134.00
OK FILTER CO	\$1,663.00
OKLAHOMA SAFETY EQUIPMENT	\$29,173.00
OKLAHOMA STEEL & WIRE CO INC &	\$4,622.00
OLDCASTLE GLASS INC	\$26,537.00
ONEOK ILL GR LLC	\$849.00
ORAL HEALTH PRODUCTS INC	\$3,201.00
ORCLUTT, ROGER & DONNA	\$294.00
OTTO, CHRISTINE	\$238.00
PACCAR INC	\$274,041.00
PADGETT MACHINE SHOP INC	\$77.00
PANICO, WARREN & KATHLEEN	\$7,131.00
PAR 5 PRODUCTS INC	\$43,686.00
PARKER IRR TR # ONE SHARE 1-C	\$612.00
PARKER IRR TR # ONE SHARE 1-E	\$612.00
PARKER IRR TR #1 SHARE 1-B	\$612.00
PARKER IRR TR #1 SHARE 1-F	\$612.00
PARKER IRR TR #1 SHARE 1-G	\$1,199.00
PARKER IRR TR #2 SHARE 2-A	\$2,066.00
PARKER IRR TR #2 SHARE 2-C	\$626.00
PARKER IRR TR #2 SHARE 2-D	\$827.00
PARKER IRR TR #2 SHARE 2-E	\$826.00
PARKER IRR TR #2 SHARE 2-F	\$827.00
PARKER IRR TR NUMBER ONE SHARE 1-B	\$913.00
PARKER IRR TR NUMBER TWO SHARE 2-B	\$827.00
PARKER, CLARE	\$155.00
PARKER, JOCELYN	\$3,006.00
PARKER, JOSEPH	\$8,213.00
PARKER, JOSEPH & SANDRA	\$41,389.00
PARKER, NICHOLAS	\$1,692.00
PARRIS ENTERPRISES LTD	\$502,444.00
PARRISH, KIM & BRENDA	\$2,630.00
PASSMORE, CARLIS & LYNDIA	\$7,533.00
PATTERSON, BRIAN	\$2,529.00
PATTISON, RAYMOND & KARYN	\$5,330.00
PAUL, THOMAS & JAN	\$4,280.00

Investment/New Jobs Tax Credit

PEARCY, DAVID & BETTY	\$32,607.00
PEARSON, LARRY & LINDA	\$1,823,016.00
PELLULO, LESLIE & JOSEPH	\$3,373.00
PENNINGTON, WILLIAM & SUSAN	\$1,263.00
PERKINS, DAVID & LAURIE	\$543.00
PETERS, JOHNNIE & KRISTINA	\$131.00
PETZOLD, DAVID & BRENDA	\$925.00
PHELPS, LOUIS	\$400.00
PHILLIPS, TONY & TRACIE	\$1,684.00
PINGELTON, JOHN & CONNIE	\$3,843.00
PIPER, BRAZIL	\$9,065.00
PIPER, BRITTON & JEAN	\$14,828.00
PIPER, CHARLES & KATHLEEN	\$14,828.00
PIPER, GREGORY & GLENDA	\$14,827.00
PLEASANT, BILL & CAROLE	\$5,500.00
POTTER, TIMOTHY & JULIE	\$21,006.00
POWELL, STUART & ROBBIE	\$821.00
PRECOURT JR, JAY & PRECOURT, AGATHA	\$5,455.00
PRECOURT, AMANDA	\$4,816.00
PRESSEAUER, ALBERT & MARIA	\$625.00
PRESSLAUER, S & FRANCES	\$609.00
PRESSEAUER, SIEGFRIED & BETTY	\$504.00
PRITCHARD, WILLIAM & SUSAN	\$3,428.00
QUAD/Graphics, INC	\$300,163.00
QUINN, RONALD & TERI	\$1,256,825.00
R.W.HOLLAND, INC	\$2,211.00
RABBANI, RASOOL & CHRIS	\$2,813.00
RADFORD, JOSEPH & ANN	\$11,667.00
RAMAKERS, ROBERT & MICHELLE	\$68,208.00
RAMSEY HOLDINGS, INC	\$27,718.00
RAMSEY, BRETT & LISA	\$1,203.00
RAMSEY, DONALD & WILLADEAN	\$2,605.00
RAMSEY, GREGORY & SHELLY	\$1,203.00
RANDALL A HACK 1999 LONG TERM TR	\$61.00
RANDOLPH, KATHERINE	\$2,680.00
RAUP, STEVEN	\$432.00
RAUSCH, MOLLIE	\$14,863.00
RAYMOND, DARRELL & LORINDA	\$5,043.00
RECPH HOLDINGS, INC & SUBS	\$18,420.00
RECTOR, JONATHAN	\$1,500.00
REFRACTORY ANCHORS, INC	\$3,654.00
RENINGTON ARMS CO INC	\$8,345.00
REYNOLDS, JAMES & ANDREA	\$125.00
RHODES, ROLLIE & SAMMIE	\$42.00
RICHARD T MC MILLAN II 2004 TR-S	\$8,856.00
RICHARDS, WAYNE & KIMBERLY	\$3,500.00
RICHARDSON, THOMAS & PHOEBE	\$657.00
RIDENER, EDDIE & GERALDINE	\$4,223.00
RIDER, SCOTT	\$1,298.00
RIVERSIDE MACHINE INC	\$705.00
ROBERTS, JOHN & PATRICIA	\$172,769.00
ROBINSON MANUFACTURING CO INC	\$642.00
ROESLER, JUDE & ALICIA	\$198.00
ROGERS, JEFFERY & BILLIE	\$622.00

Investment/New Jobs Tax Credit

ROSSON, LARRY	\$1,681.00
ROWLEY, RONALD & SALLY	\$26.00
RUMLEY, II, WAYNE	\$523.00
RUMLEY, SHARON	\$263.00
RUMLEY, WARREN & ANNA	\$213.00
RUMLEY, WAYNA	\$523.00
RUMLEY, WAYNE & ANDREA	\$2,963.00
RYAN, MICHAEL	\$1,145.00
SAAKI, STEPHEN & LACY	\$22,692.00
SABOLICH, KIM	\$1,732.00
SABOLICH, SCOTT	\$1,735.00
SALCHER, GERALD & SALCHER JENNIFER	\$7,228.00
SALISBURY, HAROLD & TRACY	\$13,576.00
SANCHEZ, EDUARDO & BRONSONSANCHEZ, JODY	\$28,066.00
SANCO ENTERPRISES, INC	\$3,163.00
SAND SPRINGS METAL PROCESSING CORP	\$1.00
SANDERS, BILLY & ANITA	\$13,709.00
SANDERS, WALTER & DORA	\$2,274.00
SANDYE, LIKAS	\$25.00
SATROM, JAMES & WANDA	\$1,961.00
SAWYER, SCOTT	\$1,260.00
SCARAMUCCI, DOMER & JANIS	\$42,097.00
SCARAMUCCI, JESSICA	\$3,431.00
SCARAMUCCI, JOHN & AVIS	\$42,097.00
SCARAMUCCI, PHILIP	\$8,576.00
SCARAMUCCI, STUART	\$3,431.00
SCARAMUCCI, TODD & MELISSA	\$3,431.00
SCARAMUCCI-ABLE, TONYA	\$8,576.00
SCHALLER, JOHN & CAROL	\$2,158.00
SCHLUMBERGER TECHNOLOGY CORP	\$23,080.00
SCHMIDT, ROY & NANCY	\$7.00
SCHUBERT, RUSSELL & CATHARINE	\$1,675.00
SCHUTTE, GASPAR & GODDARDSCHU; LYNN	\$10,000.00
SCHWARTZ, GERALD & ELIZABETH	\$944.00
SCHWARZ, DAVID & SHIRLEY	\$6,654.00
SCHWARZ, GEORGE & MARY	\$6,654.00
SCHWARZ, JAMES & KATHLEEN	\$6,654.00
SCHWARZ, MARK & PEGGY	\$6,655.00
SCHWARZ, PHILIP & VIRGINIA	\$1,741.00
SCHWARZ, REBECCA	\$403.00
SCIENCE APPLICATIONS INTERNATIONAL CORP	\$38,500.00
SCOTT, VIRGINIA	\$2,095.00
SEABOLT, TERRY & ELIZABETH	\$4,552.00
SEABOLT, THOMAS & CARIS	\$3,084.00
SEALS, BLAKE & DEBBIE	\$11,176.00
SELF, DOUGLAS & KRISTI	\$16,985.00
SELF, THOMAS & BRENDA	\$26,988.00
SHADDOX, WARREN & MARIAN	\$698.00
SHADLOW, WILLIAM & LADONNA	\$500.00
SHARP, MARK & MARY	\$4,817.00

Investment/New Jobs Tax Credit

SHARP, ROBERT & MARY	\$4,817.00
SHERWOOD CONSTRUCTION CO, INC	\$46,260.00
SHERWOOD, DAVID & MARY	\$148.00
SHERWOOD, HOWARD & PATRICIA	\$148.00
SHIPMAN, AMANDA	\$475.00
SHIPMAN, ANDREW	\$536.00
SHIPMAN, GARY & CLARA	\$1,626.00
SHIPMAN, JEREMY & TIFFANI	\$542.00
SHIPMAN, JERRY & LAQUITTA	\$1,606.00
SHIPMAN, JOHN	\$475.00
SHIPMAN, JOHN & SHARONDA	\$803.00
SHIPMAN, JOSHUA & MONICA	\$542.00
SHIPMAN, KAYLA	\$536.00
SHIPMAN, LARRY & BRENDA	\$1,608.00
SHIPMAN, MATTHEW	\$474.00
SHIPMAN, RONALD & BARBARA	\$2,765.00
SHOKEY, CANDACE	\$721.00
SHORTSS, GLENN & ANNETTE	\$12,098.00
SHOWALTER, THOMAS & HEATHER	\$12.00
SIEGFRIED III, RAYMOND & SIEGFRIED, JOSEPHINE	\$49,415.00
SIEGFRIED, BAILEY & M'KELINEH	\$63,908.00
SIEGFRIED, J & ALECIA	\$63,908.00
SIEGFRIED, MEREDITH	\$63,908.00
SIEGFRIED, MILANN	\$63,910.00
SIEGFRIED, MILDRED A.	\$416,468.00
SIEGFRIED, RAEGEN	\$75,777.00
SIEGFRIED, ROBIN & CHERRIE	\$259,883.00
SIEGFRIED, T & DIANNE	\$63,910.00
SILVER, CHARLES & EULA	\$8,876.00
SILVER, RICKY & TRACI	\$4,542.00
SIMMONS, ROBERT	\$11,000.00
SINGER, JANICE & JOSEPH	\$744.00
SKAFTASON, JOHANN & HELGADOTTIR, ANNA	\$16,893.00
SMITH INTERNATIONAL ACQUISITION CORP	\$34,620.00
SMITH, DONALD	\$18,186.00
SMITH, FRANK & HEIDI	\$2,883.00
SMITH, GLENN & KIM	\$2,545.00
SMITH, GREGORY	\$100.00
SMITH, LEONARD & LANETA	\$2,500.00
SMITH, NORMAN & SARA	\$2,246.00
SMITH, PAUL & ANNETTE	\$857,910.00
SMITH, WILLIAM & CAROL	\$1,340.00
SNODGRASS, DEAN & TERRY	\$452.00
SNYDER, RICK & ANITA	\$2,372.00
SOCARRAS, RICK & KATHERINE	\$2,600.00
SOLOMON, WILLIAM & CHRISTY	\$21,000.00
SONOCO PRODUCTS CO & SUBS	\$11,946.00
SORENSEN, JOHN & KAREN	\$32,852.00
SOUTHWESTERN WIRE, INC	\$176,621.00
SPARGER, RONALD & KIMBERLY	\$2,826.00
SPOR, STEVEN & KRISTI	\$14,190.00
SPRING HOUSE WATER CO	\$842.00

Investment/New Jobs Tax Credit

SPUNAGLE, GLENN & SHIRLEY	\$6,650.00
STALLINGS, JAMES & ABBEY	\$5,219.00
STANTON, WILLIAM & APRIL	\$1,060.00
STARR, GERALD & RONDA	\$90.00
STEVEN D RAUPE 1998 FAMILY TR	\$1,186.00
STEWART, LISA	\$696.00
STEWART, MONTE & CONSTANCE	\$5,041.00
STOCKTON, TIFFANY	\$691.00
STOCKTON, TRENT	\$692.00
STROBEL, GLENN & JOAN	\$44,873.00
STROUP, STEVEN & ROBERTA	\$667.00
STRUCTURED FINANCE AMERICAS LLC	\$45,411.00
STURGEON, ROY	\$59,796.00
SULLIVAN, LIONEL & CAROLYN	\$327,448.00
SUMNERFORD, JEFF & ROBIN	\$28,892.00
SUMRALL, TIMOTHY	\$200.00
SUNBLEST FOODS INC	\$22,866.00
SUNOCO, INC & SUBS	\$291,900.00
SURIANO, MICHAEL & LAURA	\$2,231.00
SWANK, DONNA	\$4,224.00
SWANK, ERIC & CLARKE, DONNA	\$5,685.00
SWANK, JIMMY & VERONA	\$18,558.00
SYDNEY VIRGINIA CUNNINGHAM TR	\$723.00
SYRLES, THOMAS & JERRY	\$4,934.00
TADTMAN, JAMES & MARTHA	\$148.00
TAGGE, DALE & LANA	\$8.00
TALLEY JR, EDWARD	\$1,046.00
TALLEY, MARY TUCK	\$53,206.00
TAMPLIN, JERRY & REBA	\$1,130.00
TANNER, DAVID & PEGGY	\$21,643.00
TANNER, RONALD & MARTY	\$154,446.00
TATE, KENNETH & PAULA	\$2,719.00
TATUM, WARREN & LINDA	\$140.00
TAUER, ERIC & BRANDI	\$6,458.00
TAYLOR VALVE TECHNOLOGY INC	\$11,594.00
TAYLOR, ELIZABETH	\$5,045.00
TAYLOR, TODD & CATHERINE	\$166.00
TGM INVESTMENTS, INC	\$61,711.00
TEAGUE, MICHAEL & HEIDI	\$4,717.00
TECHSAND INC	\$35,088.00
TEEL, ROCKY & LINDA	\$12,667.00
TERRY, MICHAEL & LYNN	\$3,696.00
THE 2002 ELIZABETH KONES BELFER	\$231.00
THE BAMA CO INC, & SUBS	\$1,406,600.00
THE JOSEPH MAXWELL PARKER TR	\$47.00
THE LAWTON PUBLISHING CO INC	\$4,841.00
THE PRECOURT FAMILY SECURITY TR	\$15,955.00
THERMAL WINDOWS INC	\$23,951.00
THOMAS, JERRY & BROCKMAN, JANIS	\$18,174.00
THOMAS, JOHNNY & SUSAN	\$200.00
THOMAS, LARRY & PAULK, ROBIN	\$32,820.00
THORNTON, TIMOTHY & JULIE	\$6,000.00
THURMES, GARY & NINA	\$2,714.00
TIPSWORD, WALLACE & BETTIE	\$8,992.00
TODD, CHRISTOPH & BETTE	\$397.00

Investment/New Jobs Tax Credit

TOLBERT, BILL & ORA	\$5,767.00
TOLBERT, GARY & CONNIE	\$3,968.00
TOLBERT, LARRY & CYNTHIA	\$900.00
TOLBERT, RONALD & EDITH	\$3,965.00
TOLMAN, ERIC & NITA	\$2,000.00
TOWNSDIN, RONALD & STACY	\$1,475.00
TOWNSDIN, ROY & NORMA	\$26,550.00
TRAINER, NANCY	\$2,246.00
TRICE, INC	\$3,973.00
TROUPE, DOUGLAS & SHERRI	\$235,313.00
TUBE CITY IMS CORP	\$14,927.00
TUCKER, DAVID & STEPHANIE	\$1,181.00
TUCKER, JOHN & MARION	\$3.00
TUCKER, MICHAEL & STACY	\$14,263.00
TU SACK INC	\$17,351.00
TURNER, JIMMIE & LINDA	\$500.00
TURNER, RYAN & MARY	\$12.00
TURNER, WILLIAM & RHONDA	\$65,966.00
U S SILICA CO	\$40,398.00
U.S.SILICA COMPANY	\$91,607.00
UHL, ROBERT & ELLEN	\$48,563.00
UMICORE OPTICAL MATERIALS USA INC	\$188,923.00
VALERO REFINING CO-OKLA-COMBINED	\$4,728,089.00
VALMONT INDUSTRIES INC	\$43,996.00
VANDYKE, GREG & KAREN	\$105,297.00
VERITY, G & IRYNA	\$180.00
VERITY, MARK	\$79.00
VERITY, MATTHEW	\$12.00
VFJ VENTURES INC	\$69,953.00
VINYARD FRUIT VEGETABLE	\$10,304.00
VISKUP JR, JOHN & LESLIE	\$35,100.00
VOX PRINTING, INC	\$52,679.00
WAGNER, ERIC & ANGELA	\$53.00
WAKO INC	\$4,240.00
WALGREEN CO	\$113,509.00
WALKER SUBWAY DEVELOPMENT	\$1.00
WALKER, EMILY	\$4,592.00
WALKER, JAMES & KATHLEEN	\$34,224.00
WALKER, JOHN & DEBORAH	\$9,685.00
WALKER, ROGER	\$1,500.00
WALKER, THOMAS	\$4,592.00
WALLENFELZ, JAMES & NITA	\$29,471.00
WALTON, DEWITT & MARGARET	\$122.00
WALVOIL FLUID POWER CORP	\$3,959.00
WARD, TOM & SCHREE	\$222.00
WARDER, CHARLES & CAROLYN	\$204.00
WASSON, BRITT & SUSAN	\$21,746.00
WATSON, TRACEY TOD & CARRIE	\$1,268.00
WATSON, WILLIAM & JULIA	\$238.00
WEAMCO INC	\$1,000.00
WEAR, CHARLES & JANET	\$2,487.00
WEATHERTON, STEVEN	\$428.00
WEBB, LINDA	\$200.00
WEBCO INDUSTRIES INC & SUBS	\$2,381,747.00
WEILERT, DAVID & MELINDA	\$4,802.00

Investment/New Jobs Tax Credit

WEINMAN, THOMAS & MARY	\$21,367.00
WEISS, STEPHEN & SUZANNE	\$3.00
WELCHEL, THOMAS & WANDA	\$4,000.00
WELNIAK, JAMES & KATHY	\$115,035.00
WESTFIELD, ROBERT & ANNE	\$9,447.00
WESTFIELD, ROBERT & C	\$2,099.00
WEYERHAEUSER CO & SUGS	\$54,802,784.00
WHEELER, FRANKLIN & NANCY	\$3,497.00
WHITE, DAVID & BRANDY	\$280.00
WHITE, DOMINIC & ELOISE	\$15,500.00
WHITFIELD, KEITH & DANA	\$230.00
WICHERT, GREGORY & HELEN	\$3,286.00
WILKINSON, ALAN & CYNTHIA	\$11.00
WILKINSON, LESTER & OMA	\$167.00
WILLHOITE, JOHN & JENNIFER	\$1,500.00
WILLHOITE, RUSTY & AMY	\$1,400.00
WILLIAMS, JAMES & SHANNON	\$204.00
WILLIAMS, RONALD & CILLE	\$167,426.00
WILSON, BRYAN & DIONIE	\$361.00
WILSON, GRAHAM & PATRICIA	\$3,955.00
WILSON, JAMES & CORA	\$7,188.00
WILSON, RONNIE & TERRI	\$4,612.00
WINDOR SUPPLY & MANUFACTURING CO, INC	\$1,000.00
WOLF, ORVEL & PATRICIA	\$15,522.00
WOMACK, KATELYN	\$277.00
WOODS PRECISION PRODUCTS, INC	\$4,973.00
WOODS, DAVID	\$134.00
XCALIBUR INTERNATIONAL LTD	\$21,051.00
YAFFE, ANDREW	\$25,178.00
YAFFE, BARRY & JANA	\$409.00
YAFFE, GLENN & VEROOJA	\$34,150.00
YAFFE, RICHARD & JO ELLEN	\$7,035.00
YAFFE, SEAN & JENNIFER	\$1,026.00
YOUNG OIL TOOLS, INC.	\$7,982.00
YOUNG, KYLE & LAURA MIC	\$9.00
YOUNG, RICHARD & REBECCA	\$126.00
YOUNGE, DAVID & LYNN	\$1,139.00
ZECO MACHINE, INC.	\$5,230.00

Investment/New Jobs Tax Credit

OKLAHOMA INVESTMENT/NEW JOBS CREDIT income tax credit (nonrefundable) for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average levels of employment in said facilities. (68 O.S. §2357.4)

A G EQUIPMENT CO	\$136,526.00
A NEAL, WAYNE & MICHELLE	\$1,104.00
A&M WHITAKER ENTERPRISES, INC DBA	\$55,806.00
LUCAS COLOR CARD	
AAON INC & SUBS	\$366,990.00
ABEL, TROY & PAMELA	\$232.00
ACI INTERNATIONAL INC	\$3,792.00
ACUNA JR, MARCELO & LISA	\$48.00
ACUNA, DAVID & BEATRICE	\$48.00
ACUNA, MARCELO & PILAR	\$294.00
ADAMS, ADAM & CRYSTAL	\$222.00
ADAMS, GARY & MELISSA	\$5,987.00
ADAMS, KENNETH & DIANA	\$6,699.00
ADDIS, DANIEL & RICA	\$111.00
ADKISSON, GLEN & DEBORAH	\$296.00
ADKISSON, JACK & NANCY	\$14,517.00
ADKISSON, SAMI & MONA	\$8,900.00
ADVANTAGE CONTROLS, LLC	\$203.00
AERO COMPONENTS INC	\$25,235.00
AERO-TEC INDUSTRIES, INC	\$3,101.00
AJACO INC	\$9,000.00
AJOUABLIN, JEANMARIE	\$8,500.00
ALEXANDER, DONALD & CHRISTINE	\$695.00
ALFORD, CLAUDIE & REBECCA	\$199.00
ALLEN, GREG & ELIZABETH	\$230,653.00
ALLEN, MARK & JENNIFER	\$64,624.00
ALLEN, PAUL & JOAN	\$105,205.00
ALLEN, ROSE	\$31.00
ALLIANCE STEEL, INC	\$562.00
AMSTUTZ, ANDREW & LOU ANN	\$186.00
ANDER, EVAN & KIMBERLY	\$207.00
ANDERSON, DAVID & SANDRA	\$65.00
ANDERSON, HENRY & VESTA	\$50.00
ANDERSON, SETH & JEANNIE	\$1,878.00
ANHEUSER-BUSCH CO, INC &	\$357,913.00
ANTOSH, DAVID & ASHLEY	\$17.00
ANTOSH, JAMES & NANCY	\$450.00
ANTOSH, PETER	\$16.00
ANTOSH, ROBERT	\$17.00
ARRINGTON, JAMES & KIM	\$4,101.00
ARRINGTON, JAMES & SUE	\$2,878.00
ARRINGTON, MICHAEL & KELLY	\$4,287.00
ARRINGTON, SUSAN	\$1,991.00
ASKEW, THOMAS & ARLETA	\$713.00
ATWOOD 2004 FAMILY TR	\$31,884.00
AUSTIN, BAILEY	\$655.00
AUSTIN, DARCY	\$655.00
AUSTIN, EMMA	\$655.00
AUSTIN, KATHERINE	\$655.00
AUSTIN, MICHAEL & LAURA	\$640.00

Investment/New Jobs Tax Credit

AUSTIN, ROBERT & ELIZABETH	\$15,651.00
BADGER METER, INC	\$1,283.00
BAER, BEN & LARISA	\$50,673.00
BAHNER, RICHARD & CAROLYN	\$289,538.00
BAKER, HUGHES OILFIELD OPERATIONS INC	\$304,408.00
BAKER, FREDDIE & KARAN	\$2,473.00
BALDOR ELECTRIC CO	\$56,099.00
BARAY ENTERPRISES, INC	\$2,369.00
BARKER STEEL, INC	\$620.00
BARNES, WILLIAM & MARSHA	\$250,000.00
BARNETT, DENIKKA	\$785.00
BAUER ENERGY CORP	\$3,474.00
BEASECKER, AARON & JILL	\$1,020.00
BEEK, CLIFFORD & LISA	\$505.00
BEERS, JAMES & LINDA	\$2,582.00
BELL, ALLEN & TARA	\$927.00
BELL, BRENT	\$21,662.00
BELL, JAMES & CARYL	\$21,662.00
BELL, JAMES & LORRIE	\$21,662.00
BELL, MICHAEL & KATHY	\$21,662.00
BELLSHE INDUSTRIES, INC	\$1,686.00
BENCE, DEBRA	\$983.00
BENCE, KATHERINE	\$2,172.00
BENCE, MICHAEL	\$147.00
BENNETT, DONALD & ANDREA	\$1,771.00
BENNETT, ROBERT & GINA	\$585,995.00
BEVELHYMER, BRENTON	\$45,015.00
BEVELHYMER, DARRIEL & PATRICIA	\$767,852.00
BILLEN, LARRY & TERRI	\$11,033.00
BILLY, JAMES MATHEIS, JR	\$128,141.00
BISHOP, GARY & PATRICIA	\$120.00
BISHOP, JONATHAN & BETH	\$45,015.00
BLACK, ALAN & LINDA	\$375.00
BLADE, KARL & ALICE	\$27,950.00
BLISS, BILL & KATHRINE	\$2,017.00
BOADIE, L ANDERSON QUARRIES, INC	\$7,813.00
BOCK, WILLIAM & JENNIE	\$115.00
BODENHORN, ERIN	\$555.00
BOLICK, MICHAEL & KATHLEEN	\$16,467.00
BOODMAN, CHARLES & LINDA	\$7,379.00
BOONE, DENNIS & VAN ZANDT, TONYA	\$2,000.00
BORDEN, BARNEY & LOUISE	\$12,000.00
BORGEN, JON ERIK & MORRELL	\$2,869.00
BORGEN, BROOKE	
BORMAN, NICHOLAS & MAUREEN	\$259,989.00
BOSLEY, JAMES & DANA	\$3,661.00
BOYD, CHARLES & SHERRI	\$900.00
BOYD, JOSEPH & BETTY	\$2,274.00
BRANTEN, JOHN & CAROL	\$6,126.00
BRANDT, LAWRENCE & EVELYN	\$2,522.00
BRANDT, ROBERT & HILARY	\$369.00
BRANDT, VERNON & KATHERINE	\$16,702.00
BRAUDT, JR, WILLIAM & BRAUDT, DAWN	\$12,536.00
BRAUNINGER, BRIAN & GRETCHEEN	\$795.00

Investment/New Jobs Tax Credit

BREMNER FOOD GROUP, INC	\$126,323.00
BRINLEE, CHRISTOPH & JEANANN	\$384.00
BRODWERKEL, DONALD & JOAN	\$32.00
BROOKS, BOB & MARY	\$11,235.00
BROOKS, DAN & LYNDA	\$8,672.00
BROSER, ARNOLD & SHEILA	\$4.00
BROTHERS, ROBERT & JANET	\$1,152.00
BROWN, DAVID & WINONA	\$1,000.00
BROWN, LARRY & DIANA	\$36,368.00
BROWN, STEVEN	\$19.00
BROWNE JR, HENRY	\$87,186.00
BROWNE, CORI	\$8,287.00
BROWNE, MATTHEW	\$13,227.00
BROWNE, ROBERT & KAREN	\$38,579.00
BROWNE, WILLIAM	\$8,287.00
BRYANT INDUSTRIAL CONSTRUCTION INC	\$28,693.00
BRYANT, GARY & JUDITH	\$5,707.00
BULLARD, TROOP & KAREN	\$1,395.00
BURGESS, JIMMIE & JUDITH	\$2,009.00
BURROW, TERRY & GAIL	\$16,982.00
BYFIELD, DOUGLAS & VICKIE	\$22,899.00
BYRD, BOB BRENT & SHAWNA	\$449.00
C & D MANUFACTURING CO, INC	\$4,235.00
C J LEACH, INC	\$17,900.00
CADENHEAD, ROBERT & SHERRY	\$735.00
CAFFEY, GARY & DRAKE, DEBORAH	\$1,064.00
CALE, WILLIAM & PATRICIA	\$3,638.00
CALVERT, BEVERLY	\$6,504.00
CAMERON, JIM & JANET	\$32,169.00
CAMPBELL, DAVID & CARMELA	\$2,931.00
CARDINAL, FRANCOIS & LAJRA	\$1,771.00
CARLIE JR, WILLIE & CARLIE,	\$1,293.00
CARLIE, ROBERT & TINA	\$1,701.00
CARLIN, STEPHEN & SHELLEY	\$671.00
CARLSLE FOODSERVICE PRODUCTS	\$1,699,168.00
CARLSON, CAROLYN	\$4,545.00
CARLSON, GREGORY & KERRY	\$20,082.00
CARLSON, JAMES & LYDIA	\$66,198.00
CARLSON, JEFFREY & MELISSA	\$17,750.00
CARR, DONALD & LISA	\$2,386.00
CARRENS, DONALD & PATRICIA	\$2,482.00
CARROLL, PAUL & JENNIFER	\$300.00
CARSON, DREW & LYNN	\$4,221.00
CARSON, JAMES & PAMELA	\$4,221.00
CASADY, THOMAS & PATRICIA	\$15.00
CASEBEER, STEPHEN	\$23,518.00
CASEBOLDT, FLOYD & MELINDA	\$8,703.00
CAUDILL, TOMMY & ANITA	\$117,278.00
CAUDILL, TONY & LYNDA	\$3,941.00
CDR SYSTEMS CORP	\$804.00
CHAMPAGNE, MICHAEL & KIMBERLY	\$12,870.00
CHEFS REQUESTED FOODS, INC	\$23,030.00
CHEMICAL PACKAGING CORP	\$6,880.00

Investment/New Jobs Tax Credit

CHERRIE LYNN SIEGFRIED RET ANNUITY TR	\$10,847.00
CHRISTMAN, THOMAS & PAULA	\$23.00
CIARRON MACHINE SERVICES, INC	\$17,130.00
CLARK, JAMES & C	\$49,116.00
CLIFTON, JEFFREY & TERESA	\$228.00
CLINE, THOMAS & CLARA	\$6,775.00
COCKRUM, WILLIAM	\$17.00
COCKRUM, WILLIAM	\$60.00
COLDREN, DAVID & TAREY	\$14,421.00
COLLINS, RONALD & SHEILA	\$1,608.00
COLMAN, JOHN & JANE	\$1.00
COLSON TENNESSEE INC	\$8,235.00
CONLEY, CANDACE	\$6,118.00
CONNIN, CRAIG & MONA	\$417.00
CONNELLY, BRIAN & BUSTLE, AMY	\$500.00
CONTRACT MANUFACTURER, LLC	\$24,231.00
CONTRACT MANUFACTURER, LLC	\$210,926.00
COOKE, MICHAEL & HANSEL, SARAH	\$3,907.00
COOPER, BRENT & KATHY	\$711.00
COPELAND, WILLIAM & CALVERT COPELAND, CYNTHIA	\$12,443.00
CORKEN, INC	\$29,306.00
COTTRELL, BRENT & STEFANIE	\$11.00
COUNTS, CHRISTY	\$414.00
COUNTS, JACK & ALISON	\$53,840.00
COWAN, CORTESE, KATRINA & CORTSE, MATTHEW	\$3,606.00
COWAN, ALEXANDER & LACEY	\$4,339.00
COWAN, BARBARA	\$6,772.00
COWAN, BRADLEY & REBECCA	\$5,218.00
COWAN, CASEY	\$7,520.00
COWAN, ERICA	\$6,448.00
COWAN, ERIN	\$7,160.00
COWAN, JERRY & LISA	\$50,124.00
COWAN, JESSICA	\$7,158.00
COWAN, LORRI	\$6,593.00
COWAN, MICHAEL	\$15,319.00
COWAN, TERRY & BARBARA	\$64,233.00
COWAN, ZACHARY & STEPHANIE	\$4,289.00
COWART, JOHN & PEGGY	\$4,640.00
COX RADIO, INC	\$11,098.00
CRAWFORD, DICK & SHARON	\$3,872.00
CRONEMILLER, LYNN & KATHY	\$109,186.00
CROUCH, MIKKO	\$17,914.00
CROUCH, RICHARD & PAULA	\$2,458.00
CROUSE, JERALD & ANN	\$453,445.00
CUMMINGS, TRAVIS	\$1,771.00
CUNNINGHAM, RICHARD, D, 1989 IRB, T	\$1,350.00
CUNNINGHAM, SYDNEY	\$603.00
CUNNINGHAM, WILLIAM & ERNESTINE	\$10,860.00
CUNNINGHAM, WILLIAM & HELEN	\$1,650.00
CURRIE, JEFFREY & BRETT	\$5,318.00
CURRIE, MATTHEW	\$1,091.00

Investment/New Jobs Tax Credit

CURTIS, CHARLES & JEANINE	\$1,600.00
CURTIS, JOHN & POLLY	\$493.00
CURWOOD, INC.	\$473,307.00
D & V MANUFACTURING, INC	\$9,618.00
DALE, JOHN & RAWLS, MARY	\$65,105.00
DALE, KIM & KEITH	\$800.00
DANCAP BANK, INC.	\$667.00
DANE, STEPHEN & TERRY	\$2,642.00
DANILUK, MICHAEL & LAVERN	\$5,591.00
DANLIN INDUSTRIES CORP	\$1,000.00
DANNELL, DICK & ROBIN	\$11,983.00
DALBENBERGER, CHARLES & SHARON	\$78,453.00
DAUGHERTY, KENNY & LYNDA	\$32,100
DAVIDSON, ROY & ANNETTE	\$8,000.00
DAWSON, JEANNA & STEPHEN	\$1,000.00
DAY, CHRIS & MICHELLE	\$384.00
DAY, TIMOTHY & SANDRA	\$1,052,349.00
DEAN, RICKIE & THERESA	\$7,250.00
DEATSCH, DAVID & WENDY	\$1,500.00
DEKRAAI, ARLO & BARBARA	\$8,502.00
DELTA MANUFACTURING CO, INC	\$71.00
DEPASCALE, MICHAEL & DOLLY	\$78,000.00
DERNONCOURT, NORA	\$11,353.00
DEXTER AXLE CO & AFFILIATES	\$60,731.00
DIAZ, STEVEN & PIGNANELLI, CYNTHIA	\$510.00
DICKMAN, JASON & BEAUCHER	\$5,814.00
DICKMA, CHRISTIAN	
DIEU, AUSTIN	\$266.00
DILBECK, GARY & SHERRY	\$961.00
DILL, JAMES & JEANNETTE	\$300.00
DINSE, ALAN & KATHY	\$1,472.00
DIXON, MATTHEW & RAE	\$10,600.00
DIXON, ROBERT & VERA	\$111.00
DLF FAMILY TR	\$2,194.00
DOGGETT, ERIC & LISA	\$4,040.00
DOLESE BROS CO	\$267,691.00
DOORNEOS, SCOTT & SHERYL	\$44,022.00
DP MANUFACTURING, INC	\$22,141.00
DORAN, MICHAEL & MISTY	\$129,632.00
DRIVE SHAFTS INC	\$750.00
DUENNER, JANE	\$1,261.00
DUENNER, ROBERT	\$1,260.00
DUENNER, STEPHEN & RUTH	\$1,261.00
DUNLAP, DAVID & SHARON	\$1,200.00
DUPREE, DANNY & CANDIA	\$3,850.00
DUTTON, DAVID & DONNA	\$13,546.00
DWYER, PATRICK & REBECCA	\$8,402.00
E DUFRONT, DE NEMOURS & CO	\$12,065.00
EASTIN, JIMMY	\$131.00
EASTON, ROBIN	\$343.00
EATON HYDRAULICS INC	\$287,113.00
ECKLUND, SCOTT & ROBYN	\$1,096.00
EFFRON, WILLIAM & SUSAN	\$35,294.00
EINHORN, RICHARD & SINGER, AMY	\$47.00
EISENHOWER, CLIFF & KAREN	\$374.00

Investment/New Jobs Tax Credit

ELECTRONIC LABEL TECHNOLOGY, INC	\$14,341.00
ELGIN, JOHN	\$427.00
ELIASON, RAYMOND & BETH	\$236,196.00
ELIZABETH ANDERSON INVESTORS, LP	\$1.00
ELLIOTT, ROBERT & LINDA	\$2,793.00
ELLIS, MARK & SUSAN	\$1,642.00
ELLIS, MICHAEL & BEVERLY	\$27,536.00
ELMBURG, ERIC & HEATHER	\$117,677.00
ELMBURG, JOHN & LINDA	\$777,680.00
ELMBURG, ROBERT & RANA	\$116,927.00
EMDE, CHARLES & CHERI	\$1,820.00
EMERY, JAMES	\$24,592.00
EMERY, WILLARD & ENG, DEBORAH	\$32,598.00
EMILAMERICA, INC	\$126,685.00
EMILY ELISE MCWILLAN 2004 TR-S	\$1,269.00
ENGAP ENERGY ACQUISITION III, INC	\$1,989.00
ENERGY NATIONAL, INC	\$424.00
ENGLISH, JAMES & VICTORIA	\$12,240.00
EPPELSON, KELLY	\$114.00
EPSTEIN, ANDREW & LAUREL	\$1,078.00
EPSTEIN, LAWRENCE & NANCY	\$1,078.00
EPSTEIN, MARK & JOEL	\$1,078.00
EPSTEIN, STEVEN & ROBIN	\$1,078.00
EQUIPMENT TECHNOLOGY, LLC	\$313.00
EQUIUS METALS, INC	\$14,956.00
ESLUCKER, CHARLES & PAMELA	\$27,860.00
EST OF JOHN W ROSSON	\$9,152.00
EST OF MARGARET WITSHMAN	\$24.00
EVANS, JERRY & VALERIE	\$1,200.00
EWING, HAROLD & MARY	\$681.00
EXCELL PRODUCTS, INC	\$9,481.00
FAIRBAIN, MARK	\$7,200.00
FAIRLESS, JENNINGS & MARY	\$118,182.00
FARBER, CHARLES & LINDA	\$90.00
FARQUE, ERIC & MANFIELD, LESLIE	\$1,661.00
FARQUE, JASON	\$1,661.00
FEELEY, ANDREW & MISTY	\$3,833.00
FEELEY, CHRISTOPH & WENDY	\$3,833.00
FEELEY, JAMES & GAIL	\$1,765.00
FEELEY, MICHAEL & JUJUITA	\$1,766.00
FEELEY, RONALD & ANITA	\$3,834.00
FIBER GLASS SYSTEMS LP	\$98,786.00
FIBER PAD, INC	\$782.00
FINNEY, JEFFREY & AMY	\$1,865.00
FIORELLO, DAVID & SUSAN	\$384,737.00
FLEX-N-GATE AUTOMOTIVE CORP	\$173,225.00
FLIGHTSAFETY INTERNATIONAL, INC	\$43,680.00
FLOW, JOSEPH & CLAIRE	\$7.00
FLOWELL, CORP	\$22,835.00
FONTANA, ANTHONY & LINDA	\$167,486.00
FORD, DOUGLAS & CAROL	\$42,400.00
FORMCRETE FIBERGLASS PRODUCTS, INC	\$1,081.00
FORS, WILLIAM & MARY	\$3.00
FRANCIS, COLLIS & MARY	\$18.00

Investment/New Jobs Tax Credit

FRANK, BRADLEY & KIMBERLYA	\$5,466.00
FRANK, JEWEL & THELMA	\$4,156.00
FRANKLIN, DAVID	\$7,250.00
FRASER, MARSHALL & NATALIE	\$4.00
FRAZIER, CHESTER	\$185.00
FREDE, JOSEPHINE	\$100,000.00
FRIED, HERBERT & NINON	\$12.00
FRIEND, WILLIAM & EDITH	\$1,000.00
FUNDOM ENTERPRISES, INC	\$7,208.00
G T ENGINEERING, INC	\$6,245.00
GAINES MATTHEWS, BEN & SARA	\$1,057.00
GALAXIE TOOL CORP	\$20,250.00
GARCIA, ALFONSO & CYNTHIA	\$35.00
GAROFALO, JOSEPH & LINDA	\$2,039.00
GARY, SAMUEL & NANCY	\$3,982,806.00
GAVO PLASTICS, INC	\$16,170.00
GENERAL MILLS OPERATIONS, INC	\$100,169.00
GERBER SCIENTIFIC INTERNATIONAL	\$169,249.00
GERMANIN, COREY & DEBRA	\$274.00
GIBBS, JAMES & JANIE	\$419.00
GIBSON, FREDDIE & OPAL	\$5,527.00
GIBSON, JOSHUA & BIRDNA	\$774.00
GIBSON, LELAND & INA	\$3.00
GIBSON, RAUPH & JUDY	\$72,173.00
GIBSON, SHAWN & KARA	\$775.00
GIBSON, TIMOTHY & JAMELL	\$121.00
GILBERT, JEFFREY & EDNA	\$345.00
GILSON, ROBERT & JAYNE	\$23,900.00
GLIMCHER, ARNOLD & MILDRED	\$2.00
GLOBE MANUFACTURING CO-OK, LLC	\$43,000.00
GOLD, FLOYD & MELANIE	\$3,415.00
GOODWIN, BOYD & RHONDA	\$1,058.00
GOODWIN, CHARLES & BELINDA	\$1,090.00
GORDON, KEVIN & ROBIN	\$175.00
GORDON, RICHARD & SUSAN	\$167.00
GOSS III, RICHARD & KAREN	\$1.00
GOSSVENER, BRANDON & KARI SANDRA	\$400.00
GOTHARD III, ARCH & GOTHARD, SANDRA	\$15,502.00
GOTTLIB, BRADLEY & DENISE	\$153.00
GOURLEY, BRIAN & JOAN	\$8,110.00
GRAY, AMY & KELLY	\$1,995.00
GREEN FAMILY DELTA TR	\$33,170.00
GREEN, DAVID & BARBARA	\$7,679.00
GREEN, RANDEL & DONELLA	\$200.00
GREEN, STEVEN & JACKIE	\$9,068.00
GREENE, ALLISON	\$588.00
GREENE, FREDERICK & MARTHA	\$5,537.00
GREENE, LINDSAY	\$582.00
GREENWALD, PATRICIA	\$1,060.00
GREER, PHILIP & NANCY	\$1.00
GREGG, MICHAEL & KATHLEEN	\$194.00
GRIEUE, MARK & HOLLY	\$9,771.00
GRIIDER, JOE & ROBBE	\$2,466.00
GRIFFIN, R SCOTT & WANDA	\$1,561.00

Investment/New Jobs Tax Credit

GRIMES, HERBERT & JANICE	\$7,910.00
GROSSMAN, BRIAN & LISA	\$1,500.00
GRUBBS, MARTIN & KIMBERLY	\$954.00
GUSTAESON, RICHARD & ALEXANDER, JULIE	\$173.00
HAIGES, ROBERT & MARY	\$3,066.00
HALEY, STEPHEN & CAROL	\$400.00
HALL, FLOYD & LEVADA	\$242.00
HALL, JEWELL	\$7,890.00
HALL, ROY & TAMMY	\$200.00
HAMIL, EDWARD & FRANKIE	\$892.00
HAMILTON, BROOKE	\$2,984.00
HAMILTON, GEORGE & CLAUDIA	\$8,113.00
HAMLIN, WALTER & JOANN	\$57.00
HAMM, STEVE	\$3,150.00
HAMSHER, MICHAEL & MARGARET	\$15,803.00
HANNAT, FRED & JOYCE	\$1,000.00
HANSON AGGREGATES WEST IATES	\$98,197.00
HANSTEIN, MARK & KAREN	\$476.00
HARDWAY, RICHARD & SUSAN	\$2,189.00
HARGROVE, DOUGLAS & LILOU	\$1,473.00
HARGROVE, GARY & CYNTHIA	\$2,946.00
HARGROVE, GLENNA	\$1,473.00
HARPER, DAVID	\$1,500.00
HARPSTER, BRIAN & HOLLY	\$19,041.00
HARPSTER, HILLARY	\$15,647.00
HARRISON JR, CHARLES & SHIRLEY	\$177,385.00
NATALIE	\$1,546.00
HARRISON, DAVID & JAN	\$287.00
HARRISON, JIMMY & JUDY	\$15,344.00
HARRY H DIAMOND, INC	\$200.00
HART, KENYETA	\$2,000.00
HASCO MANUFACTURING CO, INC	\$12,000.00
HAWKINS, RONALD	\$252.00
HAWKS, NEAL	\$1,310,054.00
HAWKS, TROY & HEATHER	\$1,298,485.00
HAYS, JAMES & BECKY	\$1,338.00
HAYWOOD, KENNETH & CYNTHIA	\$279,391.00
HEARON, MICHAEL & TOMILA	\$200.00
HECKENKEMPER, KEITH & MARIANNE	\$3,671.00
HECKENKEMPER, WILLIAM & BARBARA	\$530.00
HENECKE, DAVID & SANDRA	\$114.00
HELLER, JEFFREY & CAROL	\$34.00
HELVER, SCOTT & RHONDA	\$91,640.00
HENJING	\$4,394.00
HENDERSON, MATTHEW	\$169.00
HENDREX, RALPH & SUSAN	\$534.00
HENDRICKS, BRANDON	\$899,344.00
HENDRICKS, THOMAS & MARY	\$5,729,946.00
HENNINGSEN, WILLIAM & GLENDA	\$8,104.00
HENRY, LARRY & KAY	\$5,471.00
HERMETIC SWITCH, INC	\$10,500.00
HERNANDEZ, JENNIFER & ALFRED	\$899,343.00
HILL III, THOMAS & HILL, REBECCA	\$2,065.00
HILL, SR, DAVID & HILL, SHANNON	\$2,034.00

Investment/New Jobs Tax Credit

HILL, THOMAS & KAY	\$9,017.00
HILTI OF AMERICA, INC. & SUBS	\$93,715.00
HITACHI COMPUTER PRODUCTS, INC	\$334,423.00
HOBSON, DANIEL & VIRGINIA	\$10,000.00
HODGES, MARICE & SANDRA	\$1,465.00
HOGREFE, ROBERT & PAMELA	\$26,232.00
HOLLAND JR, RICHARD & HOLLAND PATRICIA	\$534.00
HOLMBOE, ROBERT & JOAN	\$1,000.00
HOOSE, DONALD & LINDA	\$4,590.00
HOOSE, JUSTIN & KARLA	\$4,410.00
HOOTEN, DAVID & WHITNEY	\$40,239.00
HOOPER, PATRICK	\$200.00
HORTON INDUSTRIES, INC	\$14,844.00
HOWELL, H DWIGHT & BARBARA	\$155,809.00
HUDSON, EVAN & JODI	\$11,457.00
HUGHES, CLAYTON & GINA	\$6,023.00
HUISING, JOHN & GRACE	\$5,957.00
HULME, JONATHAN	\$15,058.00
HUFF, JOHN & DIANE	\$80,241.00
HUTCHISON, KIM & CATHERINE	\$3,905.00
ICM, INC	\$42,382.00
IVATION ENTERPRISES CORP	\$1,196,116.00
INDUSTRIAL GASKET, INC	\$1,988.00
INDUSTRIAL VEHICLES INTERNATIONAL, INC	\$1,484.00
IRBY, STEVEN & REBECCA	\$28,582.00
IVES, EVERETT & DARLENE	\$4,130.00
JACKSON, WILLIAM & MARY HEAT	\$7,116.00
JAERBYN, RANDI	\$2,869.00
JAMES, KENNETH & NORMA	\$24,115.00
JDF FAMILY TR	\$2,184.00
JDF LONG TERM TR	\$2,265.00
JENKS, RONALD & JEAN	\$16.00
JOHN B KIRKPATRICK LLC	\$2.00
JOHN C/MCGRAITH TR	\$7,182.00
JOHNSON, BALOCK, JENNIFER	\$4,040.00
JOHNSON JR, JAMES & JOHNSON, E CHARLEN	\$177.00
JOHNSON, BRUCE & DONNA	\$1,642.00
JOHNSON, DAVID & DAWN	\$157,437.00
JOHNSON, JEAN	\$1,280.00
JOHNSON, JODY & TRUDI	\$5,787.00
JOHNSON, MARK & ONITA	\$700.00
JOHNSON, R	\$11,538.00
JOHNSON, ROBERT & TAMERA	\$1,250.00
JONES JR, DANIEL & JONES, CAROL JONES, BARBARA	\$1,552.00
JONES, DAVID & MARYANNE	\$530.00
JONES, ROB & MARIANNE	\$122.00
JONES, ROBERT & ARDETH	\$842.00
JONES, ROBERT & JOEY	\$5,442.00
JONES, RONALD & MELINA	\$6,184.00
JONES, STEVEN	\$2,978.00
JONES, ISUE	\$2,947.00
JONES, ISUE	\$2,946.00

Investment/New Jobs Tax Credit

JOSEPH H FIELD TR B	\$327.00
JURGENSMEYER, CURTIS & ELLEN	\$1,650.00
JURGENSMEYER, PATRICK & TONYA	\$52,603.00
JURGENSMEYER, TERRY & DEBORAH	\$22,811.00
K F PLASTICS, INC	\$126.00
KAISER, GEORGE	\$24,310.00
KAMS, INC	\$12,270.00
KANTER, STEVEN & JUDITH	\$677.00
KAY HOLDING CO, INC	\$522.00
KEEL, GARY & NEDRA	\$1,476.00
KEELER, BERRY & SHARON	\$35,986.00
KELLER, MICHAEL & JOLEEN	\$85.00
KELLEY, JAMES & KAREN	\$24,290.00
KELLEY, JOHNNIE & MARION	\$1,679.00
KIBBE, DWAYNE & SANDRA	\$71.00
KIMMELL, GARMAN	\$25,694.00
KIMRAY, INC	\$5,233.00
KINNE JR, MORRIS & KINNE,	\$59,198.00
KIRKWOOD, DAVID & CANDACE	\$51,383.00
KIRSTIN ELIZABETH MCWILLIAN 2004 TR-	\$1,270.00
S	
KIVISTO, THOMAS & JULIE	\$101,957.00
KLEMEIER, HENRY & DOROTHY	\$17.00
KLINE, ALBERT & SHERRY	\$2,881.00
KLINE, JAMES & DEBRA	\$2,630.00
KNOWLTON, ANTHONY & REGINA	\$3,306.00
KOCH INDUSTRIES, INC	\$5,959,107.00
KOHLBERG, ANDREW & KAREN	\$35.00
KOHLBERG, JAMES & SUZANNE	\$49.00
KOHN, RICHARD & PATRICIA	\$2,022.00
KONARIK, DOUG & SHERRI	\$1,500.00
KRUGER, WARREN & JULIANNE	\$1,904.00
KUDRON, TIMOTHY & KAREN	\$99,718.00
KUHN, BRYAN & CATHERINE	\$3,880.00
KURTZ, PHILIP & MARY	\$125,451.00
KUYKENDALL, AARON & REBECCA	\$67,970.00
KUYKENDALL, JAMES	\$20,864.00
KUYKENDALL, JIM & ELIZABETH	\$4,684.00
LALIE, GARRETT & JANET	\$5,707.00
LAMB, DAVID & JENNIFER	\$9,136.00
LAMER, RICHARD & BRIDGETTE	\$1,530.00
LARRY DON MATHIS TR	\$133,010.00
LATSHAW, TRENT & BONNIE	\$6,770.00
LAURENCE, STEVEN & CINDY	\$1,090.00
LAWLER, MICHAEL & SHARON	\$1,017,975.00
LAWRENCE, JOHN & SHERRY	\$1,348.00
LAWSON, DAVID & LESLIE	\$1,766.00
LEBENS, MICHAEL & SUSAN	\$1,785,623.00
LEEBRICK, BILLY & YAFFE, MILLIE	\$1,473.00
LEES, DONALD & ANN	\$2,362.00
LEFLER JR, JAMES & LEFLER, CHERYL	\$886.00
LEHR, ROBERT & RACHELE	\$344.00
LETT, ROBERT & DARSEE	\$1,544.00
LEWIS, BRET	\$1,152.00
LEWIS, GARY & VINIA	\$8,236.00

Investment/New Jobs Tax Credit

LICHTMANN, JAY & TREADWAY, SUSAN	\$7,423.00
LICHTMANN, MARTIN & DONNA	\$17,865.00
LICHTMANN, ROBERT & CHARLOTTE	\$3,919.00
LIEBESKIND, RICHARD	\$4.00
LIMCO-REDMONT INC & SUBS	\$40,824.00
LINDE PROCESS PLANTS, INC	\$7,370.00
LINDE INC	\$44,933.00
LINDE INC	\$15,178.00
LINDENBAUM, SAMUEL & LINDA	\$28.00
LINDSAY IV, WINSTON & BROOK	\$4.00
LINDSAY, MARI & MILLAN, 2004 TRS	\$1,270.00
LINDSAY, STEVEN & KATHI	\$3,000.00
LMI AEROSPACE & SUBS	\$3,273.00
LOEWEN, REUBEN & ROSALIE	\$5,075.00
LOLLIS, JACK & SUSAN	\$15,489.00
LONE STAR INDUSTRIES, INC	\$370,638.00
LONERGAN, DANIEL & TINA	\$193,874.00
LONGO, MICHAEL & DARCY	\$115.00
LOPEZ, DAVID & MARISA	\$2,645.00
LOPEZ, JOHN & JEANNIE	\$1,571.00
LOPEZ, MATTHEW & RHONDA	\$2,002.00
LORTON III, ROBERT & LORTON, LESLIE	\$11,992.00
LORTON, ROBERT & ROXANA	\$43,075.00
LOVE, DANIEL & AUTUMN	\$2,861.00
LOVE, FRANK	\$4,464.00
LOVE, MICHAEL & COURTNEY	\$5,508.00
LOVE, MICHAEL & JEANNE	\$24,476.00
MACKIE, BERT & JANICE	\$108.00
MACKIE, DAVID & SUSAN	\$1,274.00
MAGIC BAIT CO, INC	\$1,500.00
MAGRINI, KATHERINE	\$4,500.00
MALONEY-CRAWFORD TECHNOLOGIES, INC	\$358.00
MALSONI, NEAL & KIMBERLY	\$3,601.00
MARSHALL, JOHN & JERRY	\$1,569.00
MARSHALL, PAULA	\$2,143.00
MARTIN, BARRY & JUDY	\$3,021.00
MARTIN, ERIC	\$3,565.00
MARTIN, MICHAEL & PAMELA	\$2,975.00
MARTIN, NEIL & CHARLENE	\$3,400.00
MARTIN, PAUL & JEANNIE	\$7,487.00
MARTIN, ROSEMARY	\$1,766.00
MARTIN, TERRY & DENISE	\$5,489.00
MARTIN, TOM & DEBRA	\$43,419.00
MARTIN, TYLER	\$200.00
MARTINDALE, MERLE	\$98,701.00
MARTINEK, ROBERT	\$849.00
MARTINEZ JR, LEON & MARTINEZ, GINA	\$558.00
MARTINEZ, GEORGE & MONIQUE	\$7,771.00
MARTINEZ, J & ANNA	\$35.00
MARX, PAUL & KAREN	\$972.00
MATHEWS, DAVID & MOIRA	\$225.00
MATHEWS, JOSHUA	\$68.00
MATHEY INVESTMENTS, INC & SUBS	\$104,990.00
MATRIX SERVICE CO	\$821,185.00

Investment/New Jobs Tax Credit

MCABERY, BRUCE & DONNA	\$5,399.00
MACAFE, MICHAEL & SHARLA	\$1,887.00
MCANELLY, JAMES & KATHY	\$1,414.00
MCBRIDE, LISA	\$1,200.00
MCCLELLAND, WILLIAM	\$5,250.00
MCCORMICK, THOMAS & ELIZABETH	\$1,864.00
MCCULLOUGH CORP, AN OKLA CORP	\$1,500.00
MICROFRAME CORP	\$75.00
MCCUTCHEN, CHRIS	\$273.00
MCCUTCHEN, DAVID & JOAN	\$400.00
MCDANIEL, MICHAEL	\$225.00
MCDANIEL, RICHARD & DIANA	\$13,546.00
MCELROY II, ARTHUR & MCELROY, SHARON	\$1,000.00
MCFADDEN, STEVEN & KUNG, MARY	\$887.00
MCGEE, ROCKY & CAROLINE	\$4,991.00
MCGHEE, BILLY & TRACY	\$109.00
MCGHEE, CALEB	\$109.00
MCGHEE, CASSIDY	\$109.00
MCGHEE, KRISTA	\$109.00
MCGRATH, DORIS	\$4,063.00
MCGUIRE, DEANA	\$1,309.00
MCGUIRE, PATRICK	\$1,219.00
MCINTOSH, CHEESIE & GERALDINE	\$1,000.00
MCINTOSH, JAMES & KATHRYN	\$2,201.00
MCINTYRE, LARRY & SHERRY	\$2,908.00
MCKENZIE, ROLAND & IRENE	\$1,149.00
MCLAUGHLIN, DAVID & JEAN	\$132,077.00
MCMULLAN III, HARRY & STACEY	\$111,083.00
MCMULLAN IV, HARRY	\$2,739.00
MCMULLAN, MARY	\$2740.00
MCMURPHY, ROY & LINDA	\$34.00
MCKABB II, JOHN & MCKABB, DARLENE	\$90.00
MCKICHOLAS, JOHN & NATALIE	\$114,335.00
MCPHETRIDGE, CHRISTOPH &	\$922.00
MEADE, ROBERT & LESLIE	\$35.00
MEADE, ROY & HOLLY	\$566.00
MEEK, WINDI	\$506.00
MEERS LITHOGRAPHING CO	\$13,368.00
MEIER, RICHARD	\$24.00
MELAKAPING & SUBS	\$20,700.00
MELLISON, MICHAEL & KAREN	\$35,323.00
MELLOTT, DON & JANET	\$99,686.00
MERCER VALVE CO, INC	\$1,500.00
MERRELL, GREGORY & LINDA	\$8,514.00
MERRELL, JOHN DEAN & HEATHER	\$109.00
MERRIN, EDWARD & VIVIAN	\$92.00
MERRITT III, FRED & MERRITT	\$16,476.00
MESTON, STEVEN & KIMBERLY	\$6,813.00
METHENY CONCRETE PRODUCTS, INC	\$23,036.00
METZGER, ROBERT & LINDA	\$43.00
MEYER, MICHAEL & DANA	\$162,205.00
MICHELS, EDWARD & BRENDA	\$3,835.00
MIDWEST TROPHY MFG CO, INC	\$15,895.00

Investment/New Jobs Tax Credit

MIKE ALEXANDER COMPANY INC	\$3,193.00
MILAM, JACK & ELIZABETH	\$4,840.00
MILAM, JOE & CHERYL	\$10,889.00
MILLER, EDWARD & FERN	\$1,283.00
MILLER, HENDERSON & BARBARA	\$4,792.00
MILLER, JASON & LESLIE	\$1,693.00
MILLER, PHILLIP & LEANN	\$6,001.00
MILLS MACHINE CO INC	\$5,395.00
MINGO MANUFACTURING, INC.	\$7,642.00
MITCHELL, DENNIS	\$2,700.00
MOCHA, WILLIAM	\$4,926.00
MOHAWK INDUSTRIES, INC & SUBS	\$395,280.00
MONTULLI, LOUIS & ASHLEY	\$25.00
MOORE, ROBERT & CYNTHIA	\$4,391.00
MORETTI, C & SHERRY	\$536.00
MORRIS PRODUCTS, LLC	\$2,600.00
MORRIS, DANIEL & JACQUELIN	\$691.00
MORRIS, MAURY & JUDY	\$389.00
MORRIS, RICHARD & FLORENCE	\$1,283.00
MOSES, WILLIAM & VICKIE	\$2,246.00
MOSHER, DAVID & VICKY	\$123,964.00
MOWAT, MARK & JULIE	\$222,774.00
MUIR, JAMES & MARY	\$62,289.00
MULLINS, PAUL & SHARON	\$382.00
MUNICIE POWER PRODUCTS, INC	\$63,732.00
MURPHY, JOHN & ANN	\$104.00
MURPHY III, FRANK & MURPHY	\$26,212.00
MUSTANG FUEL CORP & SUBS	\$83,923.00
MUTHALALLY, THOMAS & MOLLY	\$13,658.00
MYERS, JEFFREY & SUSAN	\$3,180.00
NAGLE, TIM & KAREN	\$94,899.00
NAIKE, KEVIN & KATHY	\$10,781.00
NAJWMANN, LEE & GRISELLA	\$1,165.00
NAUTILUS INC	\$130,571.00
NEAL JR, ROBERT & PERSAUD, JULIET	\$4,056.00
NEILSON, LARRY	\$160.00
NEISEN, GREGORY & JENNIFER	\$10,840.00
NEISEN, MICHAEL & LAMBERT, LAINE	\$10,940.00
NEISEN, RAY & PATSY	\$5,049.00
NESTLE PURINA PETCARE CO	\$305,874.00
NEUBERGER, CHRIS & SUSAN	\$4,350.00
NEUBERGER, JAMES & SUSAN	\$1,992.00
NEWFIELD, JOHN	\$3,000.00
NEWMAN, RICHARD & MARY	\$37,894.00
NEWTON, JESSE & JEANNA	\$1,000.00
NGC INDUSTRIES, INC.	\$167,899.00
NICHOLS, MARK & LINDA	\$9,235.00
NICHOLS, RICK & RENA	\$2,931.00
NICHOLSON, ROGER & JAMIE	\$175.00
NINNESS, DICKIE	\$4,290.00
NINNESS, ROMIEYN & PATSY	\$4,218.00
NIXON, JR, GEORGE & NIXON, PATRICIA	\$304.00
NIXON, DEBORAH	\$3.00
NIXON, ELIZABETH	\$3.00
NIXON, GEORGE & ROSE	\$1,120.00

Investment/New Jobs Tax Credit

NIXON, GERALD & GAYLE	\$208.00
NIXON, RANDALL	\$224.00
NIXON, REBECCA	\$3.00
NMW, INC	\$19,585.00
NOLLER JR, ROBERT & POLLOCK	\$3,661.00
NOLLER, LESLEY	\$4,279.00
NOONKESTER, RANDY & ROBERTA	\$51,684.00
NORTHOUT, DAN & ANN	\$4,279.00
OBRIAN, DANNY & BETTY	\$1,765.00
OGBURN, TERRY & DONNA	\$3,301.00
OKLAHOMA SAFETY EQUIPMENT	\$26,563.00
OKLAHOMA STEEL & WIRE & SUBS	\$4,609.00
OLDCASTLE GLASS, INC	\$24,643.00
ONEOK, INC	\$3,076,310.00
ONEOK, INC	\$1,000,000.00
ORAL HEALTH PRODUCTS, INC	\$3,201.00
ORCUTT, ROGER & DONNA	\$1,244.00
ORTEGA, HECTOR & SYRINGA	\$642.00
OSULLIVAN, TIMOTHY & MELISSA	\$194.00
OTTERSON, KEVIN & MARGARET	\$422.00
OVEN JR, HERBERT & MELINA	\$184.00
PACCAR INC & SUBS	\$168,679.00
PANICO, WARREN & KATHLEEN	\$8,417.00
PARAGON INDUSTRIES, INC	\$165,264.00
PARKER, JR, JOSEPH & PARKER SANDRA	\$38,564.00
PARKER, CLARE	\$5,075.00
PARKER, JOEELYN	\$5,075.00
PARKER, JOSEPH	\$12,653.00
PARKER, LEROY & WINIFERED	\$34,224.00
PARKER, NICHOLAS	\$5,075.00
PARRISH ENTERPRISES, LTD	\$520,362.00
PASSMORE, CARLIS & LYNDA	\$860.00
PATTERSON, BRIAN	\$1,896.00
PATZKOWSKY, MERLE & JOYCE	\$1,752.00
PAUL, THOMAS & JAN	\$8,642.00
PEARCY, DAVID & BETTY	\$39,020.00
PEARSON, LARRY & LINDA	\$1,521,776.00
PEARSON, RODNEY & BOBBIE	\$625.00
PELLUCCO, LESLIE & JOSEPH	\$6,468.00
PENS, SHARON	\$20.00
PERKINS, DAVID & LAURIE	\$480.00
PERKINS, JEREMY & ALISA	\$20.00
PETER, CATHARINE	\$829.00
PETER, DALE	\$161.00
PETERS, JOHNNIE & KRISTINA	\$2,850.00
PETTIT MACHINERY OF ARDMORE, INC	\$91,131.00
PHILLIPS, TONY & TRACIE	\$17,665.00
PILMANT CORP	\$25,518.00
PINGELTON, JOHN & CONNIE	\$3,520.00
PIPER, BRAZIL	\$2,861.00
PIPER, BRITTON & JEAN	\$4,509.00
PIPER, CHARLES & KATHLEEN	\$4,590.00
PIPER, GREGORY & GLENDA	\$4,580.00

Investment/New Jobs Tax Credit

PITMAN, MARSH & DEBORAH	\$17,169.00
PLEASANT, BILL & CAROLE	\$1,500.00
POTTER, TIMOTHY & JULIE	\$16,510.00
POWELL, STUART & ROBBIE	\$321.00
PRECCOURT JR, JAY & PRECCOURT, AGATHA	\$55,249.00
PRESSAUER, SIEGFRIED & FRANCES	\$1,991.00
PRITCHARD, WILLIAM & SUSAN	\$3,428.00
PTRUCCO, INC	\$3,000.00
RYRON, MAX & JUDY	\$323.00
QUAD GRAPHICS, INC	\$689,792.00
QUINN, RONALD & TERI	\$1,256,218.00
R W HOLLAND, INC	\$6,493.00
RABBAN, RASOOL & CHRIS	\$2,907.00
RADFORD, JOSEPH & ANN	\$10,981.00
RAEGEN H, SIERRIED REMAINDER TR	\$9,642.00
RAMAEEKERS, ROBERT & MICHELLE	\$68,175.00
RAMSEY HOLDINGS, INC & RAMSEY INDUSTRIES, INC & SUBS	\$29,669.00
RAMSEY, BRETT & LISA	\$981.00
RAMSEY, DONALD & WILLADEAN	\$2,202.00
RAMSEY, GREGORY & SHELLY	\$4,772.00
RANDOLPH, JOHN	\$2,202.00
RANKIN, ROY	\$14,972.00
RAUPE, STEVEN & LANA	\$99.00
RAY, ROBERT & JUDY	\$675.00
RAYMOND, DARRELL & LORINDA	\$2,699.00
REBFACTORY ANCHORS, INC	\$1,879.00
REKIETA, CHRISTOPH	\$12,595.00
REKIETA, CHRISTOPH	\$18.00
REYARD, ROMAN & LAURA	\$251.00
REYNOLDS, JAMES & ANDREA	\$125.00
RICE, BRIAN	\$231,040.00
RICHARD T, MCMILLAN II 2004 TR-S	\$6,031.00
RICHARDS, WAYNE & KIMBERLY	\$1,270.00
RICHARDSON, THOMAS & PHOEBE	\$2,500.00
RIDER, SCOTT	\$677.00
RITCHIE, A & JULIEN	\$990.00
RIVERSIDE MACHINE, INC	\$48,181.00
ROARK, JAMES & SMITHROARK	\$2,422.00
ROBERTS, JOHN & PATRICIA	\$20.00
ROBIN M SIEGFRIED RETAINED ANNUITY TR	\$169,087.00
ROBINSON MANUFACTURING CO, INC	\$10,853.00
ROCHA, ALFREDO & SYLVIA	\$642.00
ROGERS, JEFF & KATHY	\$35.00
ROGERS, JEFFERY & BILLIE	\$13,002.00
ROHMAN, STEVEN & JAN	\$197.00
ROSEWOOD INDUSTRIES, INC	\$177.00
ROSSON, EST J & ROSSON, LAURA	\$6,167.00
ROSSON, LARRY	\$7,891.00
ROTELTZ, GORP	\$4,261.00
ROWLEY, RONALD & SALLY	\$12.00
RUMLEY, SHARON	\$24.00
RUMLEY, WARREN & ANNA	\$145.00
	\$59.00

Investment/New Jobs Tax Credit

RUMLEY, WARREN & CARA	\$145.00
RUMLEY, WAYNE & ANDREA	\$656.00
RYAN, MICHAEL	\$1,145.00
SAAK, STEPHEN & LACY	\$18,249.00
SABOLICH, SCOTT & KIM	\$2,970.00
SAGE, SHARON	\$689.00
SALCHER JR, GERALD & SALCHER, JENNIFER	\$6,998.00
SALSBUARY, HAROLD & TRACY	\$11,992.00
SALLY S THORPE 2005 FAMILY TR	\$1.00
SAMPSON JR, EVERETT	\$40.00
SANCO ENTERPRISES, INC	\$1,191.00
SANCO ENTERPRISES, INC	\$7,966.00
SANDERS, BILLY & ANITA	\$3,886.00
SANDERS, WALTER & DORA	\$2,042.00
SATROMI, JAMES & WANDA	\$3,907.00
SAUNDERS, HOWARD & PAULIA	\$119.00
SBF HOLDINGS, INC	\$725,111.00
SBE INVESTMENTS, INC	\$35,321.00
SCARAMUCCI, DOMER & JANIS	\$47,302.00
SCARAMUCCI, JESSICA	\$4,040.00
SCARAMUCCI, JOHN & AVIS	\$47,302.00
SCARAMUCCI, PHILIP WA & JENNIFER	\$10,089.00
SCARAMUCCI, STUART	\$4,040.00
SCARAMUCCI, TODD & MELISSA	\$4,040.00
SCARAMUCCI-ABLE, TOHNYA	\$10,099.00
SCHALLER, JOHN & CAROL	\$2,039.00
SCHVALLY, JERRY & MICHELLE	\$686.00
SCHULER, DALE & CHERI	\$1,304.00
SCHULTZ, JACK & VICKI	\$335.00
SCHWARZ, BYRON	\$111.00
SCHWARZ, CHARLES & BARBARA	\$5,943.00
SCHWARZ, DANIEL	\$5,910.00
SCHWARZ, DAVID & SHIRLEY	\$5,343.00
SCHWARZ, EUGENE & MARY	\$5,343.00
SCHWARZ, GEORGE & MARY	\$5,342.00
SCHWARZ, JAMES & KATHLEEN	\$5,343.00
SCHWARZ, MARK & PEGGY	\$5,943.00
SCHWARZ, MICHAEL	\$2,742.00
SCHWARZ, PHILIP & VIRGINIA	\$5,343.00
SCHWARZ, REBECCA	\$1,741.00
SCHWIERING, PETER & GLENDA	\$1,089.00
SCIENCE APPLICATIONS INTERNATIONAL CORP	\$65,773.00
SCOTT, VIRGINIA	\$694.00
SEABOLT, TERRY & ELIZABETH	\$4,339.00
SEABOLT, THOMAS & CARIS	\$2,692.00
SEALS, BLAKE & DEBBIE	\$10,940.00
SELF, DOUGLAS & KRISTI	\$16,663.00
SEYMOUR ROTHCHILD 2001 NON- EXEMPT FAMILY TR	\$5.00
SHADDOX, WARREN & MARIAN	\$2,269.00
SHAFFER, DEAN & JEAN	\$13.00
SHAWNEE MILLING CO	\$132,691.00
SHERWOOD CONSTRUCTION CO	\$92,436.00

Investment/New Jobs Tax Credit

SHERWOOD, DAVID & MARY	\$148.00
SHERWOOD, HOWARD & PATRICIA	\$148.00
SHIMER, RICHARD & PAMELA	\$886.00
SHIPMAN, AMANDA	\$469.00
SHIPMAN, ANDREW	\$586.00
SHIPMAN, GARY & CLARA	\$1,807.00
SHIPMAN, JEREMY & TIFFANI	\$536.00
SHIPMAN, JERRY & LAQUITTA	\$1,008.00
SHIPMAN, JOHN	\$468.00
SHIPMAN, JOHN & SHARONDA	\$803.00
SHIPMAN, JOSHUA & MONICA	\$536.00
SHIPMAN, KAYLA	\$536.00
SHIPMAN, LARRY & BRENDA	\$1,608.00
SHIPMAN, MATTHEW	\$468.00
SHIPMAN, RONALD & BARBARA	\$884.00
SHOCKEY, CANDACE	\$487.00
SHOPECK, ROBERT & CATHERINE	\$34,818.00
SHORTESS, GLENN & ANNETTE	\$5,610.00
SHOWALTER, THOMAS & HEATHER	\$129.00
SIEGFRIED III, RAYMOND & SIEGFRIED	\$56,960.00
JOSEPHINE	\$56,961.00
SIEGFRIED, BAILEY & M	\$56,961.00
SIEGFRIED, J TERRELL & ALECIA	\$56,962.00
SIEGFRIED, MEREDITH	\$56,961.00
SIEGFRIED, MILANN	\$56,960.00
SIEGFRIED, WILLANN	\$479,461.00
SIEGFRIED, WILBANN	\$479,461.00
SIEGFRIED, ROBIN & CHERRIE	\$279,732.00
SIEGFRIED, T & DIANNE	\$56,961.00
SILVER, CHARLES & EULA JO	\$16,595.00
SILVER, JONATHAN	\$228.00
SILVER, RICKY & TRACI	\$6,295.00
SIMKIN, DON & ELLEN	\$53.00
SIMMONS, ROBERT	\$32,500.00
SINGLAIR OIL CORPORATION	\$2,548,867.00
SINGER, DAVID & STEPHANIE	\$67.00
SINGER, GEORGE & RITA	\$717.00
SINGER, JANICE	\$714.00
SINGER, MARK	\$67.00
SISMORE, PAUL	\$31,057.00
SISSON JR, FLOYD & CHAMBERS, JULIE	\$400.00
SKAFTASON, JOHANN & HELGADOTTIR, ANNA	\$20,689.00
SLOAN, CHRISTOPH & BRENDA	\$1,500.00
SMITH & NEPHEW, INC	\$13,500.00
SMITH INTERNATIONAL ACQUISITION CORP	\$22,626.00
SMITH, BEN & DEBBIE	\$1,300.00
SMITH, DONALD	\$14,307.00
SMITH, FRANK & HEIDI	\$16,475.00
SMITH, GLENN & KIM	\$2,187.00
SMITH, JUDITH	\$4,093.00
SMITH, LEONARD & LANETA	\$1,267.00
SMITH, PAUL & ANNETTE	\$1,564,282.00
SMITH, THOMAS & PAMELA	\$200.00
SMITH, WILLIAM & CAROL	\$1,339.00

Investment/New Jobs Tax Credit

SMITHCO ENGINEERING, INC	\$13,500.00
SNYDER, RICK & ANITA	\$4,259.00
SOCARRAS, RICK & KATHERINE	\$5,075.00
SORTWATER SERVICE INC	\$7,838.00
SONOCO PRODUCTS CO & SUBS	\$22,673.00
SORENSEN, JOHN & KAREN	\$26,452.00
SOUTHWESTERN WIRE, INC	\$63,489.00
SPARGER, RONALD & KIMBERLY	\$2,825.00
SPECTRA ENERGY CORP AND AFFILIES	\$142,241.00
SPENCE, MICHAEL & MELISSA	\$246.00
SPOR, STEVEN & KRISTI	\$11,739.00
STAGGS, CHRISTOPH	\$286.00
STALLINGS, ALEX & TAMI	\$366.00
STANTON, WILLIAM & APRIL	\$1,020.00
STARR, GERALD & RONDA	\$82.00
STARTI, SHAWN & SARAH	\$46,016.00
STEEL & PIPE SUPPLY CO, INC	\$93,613.00
STEGIERED, RAEGEN	\$25,190.00
STEVEN CUNNINGHAM 1998 IRR TR	\$1,350.00
STEVEN D'RAUPE, 1998 FAMILY TR	\$1,854.00
STEVENS, GEORGE & LINDA	\$32.00
STEWART, LISA	\$1,213.00
STEWART, MONTE & CONSTANCE	\$2,528.00
STEWART, TERRY & KAREN	\$750.00
STOCKTON, TIFFANY	\$845.00
STOCKTON, TRENT	\$619.00
STONE, JOHN & KIMBERLY	\$639.00
STROBEL, GLENN & JOAN	\$34,928.00
STROUP, STEVEN & ROBERTA	\$551.00
STRUCTURED FINANCE AMERICAS, LLC	\$22,417.00
STUMP, JEFFREY & STEPHANIE	\$1,771.00
STURGEON, ROY	\$50,148.00
SULLIVAN, LIONEL	\$117,781.00
SULLIVAN, LIONEL & CAROLYN	\$350,650.00
SUMNERFORD, JEFF & ROBIN	\$31,582.00
SUNBLEST FOODS INC	\$20,420.00
SUNOCO INC & SUBS OKLAHOMA	\$187,804.00
COMBINED RETURN	\$20,420.00
SUNSET MOLDING CO	\$3,402.00
SWANK, DONNA	\$3,593.00
SWANK, JIMMY & VERONA	\$19,302.00
SWEET METAL FABRICATORS CORP & AFFILIATES	\$2,500.00
STONEY VIRGINIA CUNNINGHAM TR	\$603.00
T&L FOUNDRY, INC	\$1,376.00
TACKER, WALTER & CAROL	\$886.00
TADTMAN, JAMES & MARTHA	\$148.00
TALLEY JR, EDWARD	\$1,956.00
TALLEY, MARY	\$1,024,440.00
TAMPLIN, JERRY & REBA	\$1,090.00
TANNER, DAVID & PEGGY	\$13,646.00
TANNER, RONALD & MARTY	\$154,371.00
TATUM, WARREN & LINDA	\$1,526.00
TALIER, ERIC & BRANDI	\$4,234.00
TAYLOR, ELIZABETH	\$2,458.00

Investment/New Jobs Tax Credit

TAYLOR, TODD & GATHERINE	\$160.00
TOM INVESTMENTS, INC	\$34,253.00
TEAGUE, MICHAEL & HEIDI	\$836.00
TECHNISAND, INC	\$40,851.00
TERRA INTERNATIONAL, INC	\$2,136,353.00
TERRY, MICHAEL & LYNN	\$3,896.00
THE BAMA COMPANIES, INC & SUBS	\$92.00
THE BOEING CO & CONSOLIDATED	\$3,335.00
THE LAWTON PUBLISHING CO, INC	\$4,288.00
THE OKLAHOMA PUBLISHING CO &	\$96,685.00
THE PEPSI BOTTLING GROUP, INC	\$154,872.00
THE PRECOURT FAMILY SECURITY TR	\$10,560.00
THERMAL WINDOWS, INC	\$35,676.00
THOMAS, BRIAN & KRISTI	\$1,618.00
THOMAS, JERRY & BROCKMAN, JANIS	\$11,806.00
THOMAS, LARRY & PAULK, ROBIN	\$78,000.00
THOMSON, DORIS	\$78.00
THORNTON, TIMOTHY &	\$5,600.00
UTLER, THORNTON, JULIE	\$1,166.00
TILNEY, SCHUYLER & ELIZABETH	\$7,034.00
TIPSWORD, WALLACE & BETTYE	\$5,467.00
TOLBERT, BILL & ORA	\$4,067.00
TOLBERT, GARY & CONNIE	\$700.00
TOLBERT, LARRY & CYNTHIA	\$4,066.00
TOLBERT, RONALD & EDITH	\$2,980.00
TOLMAN, KENT & NITA	\$4,772.00
TOMER, MARK & GLORIA	\$954.00
TOWER COMPONENTS, INC	\$3,808.00
TOWNSDIN, RONALD & STACY	\$954.00
TOWNSDIN, ROY & NORMA	\$7,167.00
TR UW/O T C LUPTON P/B/O JOHN T	\$1.00
TRAILERS BY DORSEY, INC	\$536.00
TRAINER, NANCY	\$1,758.00
TRECE, INC	\$1,500.00
TROUPE, DOUGLAS & SHERRI	\$235,741.00
TUCKER, JOHN & MARION	\$100
TULSA EQUIPMENT MANUFACTURING	\$3,500.00
TULSA WINCHING	\$50,640.00
TULSACK, INC	\$21,459.00
TURBINIES, INC	\$186.00
TURNER, JIMMIE & LINDA	\$500.00
TURNER, RYAN & MARY	\$128.00
TURNER, WILLIAM & RHONDA	\$23,702.00
U S SILICA CO	\$32,249.00
UHL, ROBERT & ELLEN	\$60,231.00
UMICORE OPTICAL MATERIALS USA INC	\$187,141.00
UPCO, INC	\$14,372.00
VALERO REFINING CO OKLAHOMA	\$9,836,631.00
COMBINED	
VALMONT INDUSTRIES, INC	\$33,773.00
VANDYKE, GREG & KAREN	\$105,246.00
VAUGHAN, MARK & ANDREA	\$10,920.00
VEALE, BRADLEY	\$618.00

Investment/New Jobs Tax Credit

VERITY, G STEVE & IRYNA	\$1,998.00
VERITY, JUDGE & SHEILA	\$3,625.00
VERITY, MARK	\$1,936.00
VERITY, MATTHEW	\$128.00
VETITO, WADE	\$675.00
VJ VENTURES, INC	\$85,222.00
VINKARD FRUIT & VEGETABLE CO	\$11,782.00
VISKUP, JR, JOHN & VISKUP, LESLIE	\$63,573.00
VON PRINTING, INC	\$51,023.00
WAGONER, GERALD	\$1,000.00
WAGO, INC	\$1,000.00
WALGREEN CO	\$162,940.00
WALKER, EMILY	\$6,601.00
WALKER, JAMES & KATHLEEN	\$49,196.00
WALKER, JAMES & TERRA	\$6,601.00
WALKER, ROGER	\$500.00
WALKER, THOMAS	\$6,602.00
WALLACE, GREGORY & J	\$22,740.00
WALLENFELTZ, JAMES & NITA	\$160,713.00
WALVOIL FLUID POWER CORP	\$1,610.00
WASSON, BRITT & SUSAN	\$43,967.00
WATSON, TRACEY	\$1,288.00
WEAMCO, INC	\$1,000.00
WEAR, CHARLIE & JANET	\$2,989.00
WEATHERTON, STEVEN	\$40.00
WEAVER, JEFFERY & KATHRYN	\$86.00
WEBB, LINDA	\$276.00
WEGG INDUSTRIES, INC & SUBS	\$3,250,462.00
WEDEL, RANDY & MARY	\$3,340.00
WEINMAN, THOMAS & MARY	\$24,252.00
WEISS, STEPHEN & SUZANNE	\$1.00
WELLS, DENNIS & BEVERLY	\$10,813.00
WELNIAK, JAMES & KATHY	\$115,244.00
WELSCH, DAVID & MARILYN	\$28,111.00
WESTFIELD, ROBERT & ANNE	\$8,653.00
WESTFIELD, ROBERT & C	\$1,623.00
WEYERHAEUSER CO & SUBS	\$4,420,349.00
WHEELER, FRANKLIN & NANCY	\$12,967.00
WHITE, CHRISTOPH & JENNIFER	\$1,600.00
WHITE, DAVID & BRANDY	\$254.00
WHITE, DOMINIC & ELOISE	\$12,500.00
WHITFIELD, KEITH & DANA	\$115.00
WICKERT, GREGORY & HELEN	\$3,296.00
WILFH, RUSTY & AMY	\$700.00
WILLHOITE, JOHN & JENNIFER	\$1,050.00
WILLIAMS, JAMES & SHANNON	\$185.00
WILLIAMS, JAMES & TINA	\$17,000.00
WILLIAMS, MATT & NUNTANAK	\$171.00
WILSON, BRYAN & DIONE	\$367.00
WILSON, GRAMHAM & PATRICIA	\$1,679.00
WILSON, JAMES & CORA	\$784.00
WILSON, RONNIE & SHERRI	\$606.00
WITTEN, DONALD & SHERYL	\$2,194.00
WOLF, ORVEL & PATRICIA	\$12,817.00
WOOD, VICTOR & SHERRI	\$7,792.00

Investment/New Jobs Tax Credit

WOODALL, PHILLIP & MARCIA	\$3,985.00
WOODS PRECISION PRODUCTS, INC	\$6,179.00
WOODS, DAVID	\$110.00
WOOLEY, KATHERINE	\$300.00
WRIGHT, JIMMY & NANCY	\$74.00
CALIBER INTERNATIONAL LTD	\$37,228.00
YAFFE, ANDREW	\$23,001.00
YAFFE, BARRY & JANA	\$293.00
YAFFE, GLENN & VEROQUA	\$30,926.00
YAFFE, RICHARD & JO	\$937.00
YAFFE, SEAN & JENNIFER	\$914.00
YOUNG OIL TOOLS, INC.	\$6,028.00
YOUNG, RICHARD & REBECCA	\$1,374.00
YOUNG, DAVID & LYNN	\$4,219.00
YOUNGS, JAMES & KATHLEEN	\$274.00
ZECO MACHINE, INC.	\$1,797.00
ZIESE PRODUCTS INC	\$13,335.00

Oklahoma Investment / New Jobs Credit
Title 68 O.S. Section 2357.4

Oklahoma allows manufacturers and aircraft maintenance enterprises an income tax credit for either investment in depreciable property or for an increase in full time employment. Web search portal businesses can qualify for the income tax credit for investment in depreciable property.

The credit was originally enacted in 1980, effective for tax year 1981 and required both the investment and an increase in jobs¹. This was amended in 1987, effective for tax year 1988 and subsequent to make the credit available for either investment in depreciable property or for an increase in full time employment.²

Manufacturers, who hold a manufacturer's exemption permit and aircraft maintenance enterprises qualify for the Oklahoma Investment/New Jobs Credit, based on either an investment in depreciable property of at least \$50,000 or on the addition of full-time equivalent employees engaged in manufacturing, processing or aircraft maintenance. A web search portal establishment may also qualify for the credit based on an investment in depreciable property of at least \$50,000.

The credit is the greater of 1% of the cost of the qualified depreciable property or \$500 per new full-time employee. If the enterprise is located in an enterprise zone or if the investment in qualified depreciable property exceeds \$40,000,000 over a 3 year period the percentage and dollar amount double to 2% or \$1,000.

Qualified depreciable property is limited to machinery, fixtures, equipment, and substantial improvements that are placed in service during the tax year. Full-time employees are those that earn \$7,000 annually. To calculate the increase in full-time employment, the monthly average number of employees in the last quarter of the tax year is compared to the same period for the prior tax year.

The credit is allowed in the year the investment in depreciable property is made or the increase in full-time employment occurs. The credit is also allowed in each of the 4 subsequent years if the level of new employees is maintained or the qualified property is not sold, disposed of or transferred. Any credit allowed but not used may be carried over in order to each of the 4 years following the year of qualification and to the extent not used in those years in order to each of the 15 years following the initial 5 year period. To the extent not used, any credit from qualified depreciable property placed in service on or after January 1, 2000, may be carried over indefinitely.

With the carryover aspect of this credit and investments or employment increases over several years, it is possible for taxpayers to "stack" these credits, i.e. generate credits in multiple years and claim them over time.

¹ HB 192 (Oklahoma Session Laws 1980, c. 299, § 1)

² SB 36 (Oklahoma Session Laws 1987, c. 228 § 10)

Note: Tax Credit Moratorium - No credit may be claimed for assets placed in service or new jobs created on or after July 1, 2010 through June 30, 2012, until July 1, 2012. Credits generated during this time period are deferred, and may be claimed beginning with tax year 2012 returns. (The deferred amount may not all be claimed in the first year after the moratorium).

Oklahoma Investment/New Jobs Credit

Tax Year	Number of Returns	Total Amount Claimed	Amount Used
2007	1,070	\$124,830,166	\$37,756,888
2008	894	\$49,486,910	\$9,125,439
2009	869	\$137,772,285	\$16,942,510

2009 returns as processed through March 2011.

Hypothetical 1

Assume:

Investment in 2012 of \$10,000,000 generates \$100,000 per year for five years - Total of \$500,000
 Investment in 2013 of \$7,000,000 generates \$70,000 per year for five years - Total of \$350,000
 Investment in 2014 of \$9,000,000 generates \$90,000 per year for five years - Total of \$450,000
 Total Investment over 3 year period = \$26,000,000 generates a total of \$1,300,000

Tax year	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
2012 Credit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000
2013 Credit		\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ -	\$ -	\$ -	\$ 350,000
2014 Credit			\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ 450,000
TOTAL	\$ 100,000	\$ 170,000	\$ 260,000	\$ 260,000	\$ 260,000	\$ 160,000	\$ 90,000	\$ -	\$ -	\$ 1,300,000

Hypothetical 2

Assume:

150 New Jobs in 2012 generates \$75,000 per year for five years - Total of \$375,000
 90 New Jobs in 2013 generates \$45,000 per year for five years - Total of \$225,000
 175 New Jobs in 2014 generates \$87,500 per year for five years - Total of \$437,500
 415 New Jobs over 3 year period generates a total of \$1,037,500

Tax year	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
2012 Credit	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 375,000
2013 Credit		\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	\$ -	\$ -	\$ 225,000
2014 Credit			\$ 87,500	\$ 87,500	\$ 87,500	\$ 87,500	\$ 87,500	\$ -	\$ -	\$ 437,500
TOTAL	\$ 75,000	\$ 120,000	\$ 207,500	\$ 207,500	\$ 207,500	\$ 132,500	\$ 87,500	\$ -	\$ -	\$ 1,037,500

Both Hypothetical's assume that credit is not generated in an enterprise zone and are generated after the moratorium expires.

SEPTEMBER 28, 2011



House of Representatives State of Oklahoma

September 20, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

DATE: Wednesday, September 28, 2011

TIME: 10:00 a.m. - 4:00 p.m. (break for lunch)

PLACE: House Chamber, State Capitol Building

AGENDA:

1. Welcome and Introductions
2. Home Office Tax Credit (Insurance Premium Tax)
36 O.S. Section 625.1

LUNCH BREAK

3. Gross Production Tax Exemptions for Horizontal Drilling, Deep Wells
and Enhanced Recovery Methods
68 O.S. Section 1001
4. Other business and adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

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MH:tdk

Credit Summary

Home Office Credit for Foreign Insurer	
Citation	36 - 625.1
First Enacted	1987
First Tax Year	1987
Last Tax Year	None
Carryover Period	None
Moratorium Effect	None
Job Creation Requirement?	Yes
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Variable Rate
Transferable for Value?	No
Applicable Tax Types	Insurance premium tax
Cap	None

Credit Summary

Gross Production Exemptions	
Citation	68 O.S. Section 1001
First Enacted	1963
First Tax Year	1963
Last Tax Year	6/1/2014
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	N/A
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	Up to 100%
Transferable for Value?	No
Applicable Tax Types	Gross Production
Cap	No

List of Speakers

Home Office Tax Credit

Dr. Rick Farmer, Oklahoma Insurance Department
Keith Kelley, Oklahoma Insurance Department
Bert Marshall, Blue Cross Blue Shield
Ericka McPherson, Oklahoma Farm Bureau

*written materials provided by Farmers Insurance and State Farm Insurance.

Gross Production Tax Credits

Mark Harter, House of Representatives Legal Division
Tom Price, Chesapeake Energy
Mike Bernard, Mid-Continent Oil and Gas Association
Chad McDougall, OIPA, JMA Energy
Mike McDonald, OIPA, Triad Energy
David Blatt, Oklahoma Policy Institute
Harold Hamm, Continental Resources

*SandRidge Energy will be in attendance.

Opening Statement
Rep. David Dank
9-28-11

Let me thank all those in attendance for being with us today.

I think everyone has seen the extensive media coverage on the task force's work, and it is clear from our steady attendance that we are making real progress.

Today we're going to discuss two major tax incentives that involve industries vital to our state's future growth and prosperity.

And I would point out that the incentives touching those two industries have won broad bipartisan support in the past.

One of them is our bedrock industry – oil and gas.

I think anyone who studies Oklahoma history or looks at our current economic situation knows that without the oil and gas industry Oklahoma's economy would resemble that of a third world country.

Not only has the oil and gas industry been the backbone of our economy for most of our history, but the proven reserves still in the ground, and the new technologies for extracting them, will continue to keep it in first place for decades to come.

Unfortunately, this is also an industry with extremely high costs. Getting oil and gas out of the ground is expensive. But once you retrieve it, it is an absolutely essential commodity.

I recall a comment years ago by the liberal U. S. Senator William Proxmire. He was not from an oil state, so he should probably be excused for his ignorance, but when he said "if you don't want dry holes, don't drill them" he showed an appalling lack of understanding. Fortunately our lawmakers seem to know better.

This is a high-risk industry with potential high rewards, and that is one reason the tax incentives we grant it make sense.

Oklahoma gets an enormous return from this industry.

Gross production taxes are the third biggest contributor to our state budget – almost a billion dollars in some years.

The royalties paid to uncounted Oklahoma mineral rights owners often keep farms and ranches in business.

There are tens of thousands of people working at good-paying jobs in our state who would simply not be there without the oil and gas industry.

And if you want a glimpse of what this industry means to Oklahoma, look out the window at downtown Oklahoma City. The Devon tower, the Sandridge construction, the new home being made ready for Continental Resources . . . not to mention the new streetscapes underway, thanks to a tax incentive partnership with Devon.

Or drive out north and watch the constant expansion of the Chesapeake campus and surrounding areas. It takes a full page ad in the paper every few weeks just to list their new employees.

And by the way, I doubt that most of our cultural and arts organizations could continue to function at the level they do without the generous support they receive from companies like Chesapeake, Devon, Sandridge, Continental and many, many

others in Tulsa, Enid, Ponca City, Bartlesville and Ardmore as well.

Last session we voted to extend these oil and gas incentives, and once again they received overwhelming bipartisan support. In fact, both minority leaders and the most hard right members of my own caucus who rarely vote for a tax credit united in supporting them.

I am attaching copies of both the House and Senate votes on that measure. I think it is instructive that it received unanimous support in the Senate and only a scattering of no votes in the House.

The bottom line on oil and gas incentives is that this industry really is our whole state's bottom line. I think we will all agree that without those industries and the jobs they stimulate, we'd be mired deeply in the national recession that exists today and have little hope of bettering our future economic picture.

Our second topic today involves insurance premium tax credits for those insurance companies that maintain home offices in our state.

Now all of these credits are tied directly to the creation and maintaining of jobs. What that means is you not only have to create a new job to qualify for the credit, you also have to keep that person working long term. That's good, but there are some areas I think we need to examine for the future.

Certainly we should not renege on any existing agreements, but we need to take a look at creating an end-game provision to establish a time limit on these tax credits. As they currently operate, a company can receive an annual tax credit on a perpetual basis, and that is an open-ended commitment I think we need to look at. Even the Quality Jobs program has time limits. As the Home Office credit now stands, if you qualify for it with the minimum number of employees, you keep receiving it for as long as you maintain that number of employees.

There are also some loopholes in this program that I think need a closer look. The law clearly states that a company cannot benefit from both Quality Jobs and Home Office tax credits at the same time, but we saw a recent article noting that

at least one company has done precisely that. We need to examine any loopholes to stop double dipping in the future.

In a number of similar areas, we have seen efforts that are sometimes successful to tap into multiple tax credits. That is something we need to look into. One tax credit may be productive and justified, but a full poker hand is not.

As we have stated several times in past meetings, you can't stay in business if you keep giving away the store!

#####

Home Office Tax Credit Testimony

Background

Premium tax %? Premium tax \$\$?

Oklahoma collects a premium tax of 2.25% on all insurance written in the state. That totaled \$180 million for FY-2011.

Pension Fund Split?

The collected revenue goes to three pension funds and General Revenue:

- Fire Fighters pension system receives 34%

- The Police Pension and Retirement System gets 14%

- Oklahoma Law Enforcement Retirement System receives 5%.

- General Revenue receives 47%.

Pensions Held Harmless

The tax credit being discussed today, the Home office credit is used only against the General Revenue portion of the premium tax. The pension plans are held harmless in this credit.

Effect on General Revenue

The total effect of the Home Office Tax Credit on General Revenue for FY-2011 was 15.7 million.

Other States Have It

OID research indicates that 8 other states have similar credits.

AK, AL, CO, FL, BD, NV, ND & SD

Credit Certification Process?

Qualifying insurance companies file a one-time home office tax credit application with OID.

Each year they file a tax credit worksheet to claim the credit.

OID sends a detailed report to the Department of Commerce listing the companies who received the credit.

Keith Kelley

The Oklahoma Insurance Department is working to bring jobs, capitol and competition to Oklahoma's insurance industry. The department is taking a very aggressive marketing approach in attracting companies to our state. The home office tax credit is a very important and effective tool for that effort.

There are several areas where Oklahoma consumers would do better if there was more competition in the market. Specifically, we have had a couple of companies leave the rural homeowners market because of the recent weather related losses. In addition, we need more players in the substandard auto area.

Using the home office tax credit we are working very hard to bring new companies to Oklahoma. New companies mean more jobs, more capitol and more competition in our state. These are important to our citizens, our economy and our insurance consumers.

Rep. Dank has asked each presenter whether or not the tax credit under consideration meets the attorney general's test found in 2010-16. This one does.

1. It requires adequate consideration on the part of the companies. They invest in facilities.
2. Adequate safeguards and controls are in place. We share information with the Department of Commerce. Perhaps the sharing of information could be improved.
3. It serves a public purpose. It brings jobs and capitol to our state. Most importantly to the insurance department, we are using it to bring competition to our markets which will benefit Oklahoma consumers.



State Farm Insurance®: Committed to Serving Oklahoma Since 1930

Like a Good Neighbor, State Farm is There.®

Long before many of our competitors existed, State Farm was here, helping Oklahomans manage the risks of everyday life, recover from the unexpected and realize their dreams. We are a mutual company committed to making decisions for the sole benefit of our customers. We make it our business to be like a good neighbor, helping to improve the quality of life in communities where our agents live and work.

Our success is built on a foundation of shared values. Over 363,083 Oklahomans have come to rely on the quality service and relationships, innovative products, mutual trust, integrity and financial strength of State Farm Insurance Companies.

Helping People Recover from the Unexpected Claims Paid – Promises Kept

Every day, State Farm keeps promises made to our customers by paying insurance claims to Oklahomans. Without insurance, many would face significant financial hardship or devastation.

New, non-catastrophe claims reported in Oklahoma in 2009:
Auto Claims Paid **125,299**
Fire & Casualty Claims Paid **21,833**
Total non-catastrophe claim dollars paid \$353,360,501

Helping People Realize Their Dreams Investing in Oklahoma

Like all responsible citizens, State Farm pays its fair share in taxes. Through tax payments and investments in Oklahoma we help state, county and local communities raise money for roads, schools, hospitals and other projects to benefit the public. In 2009, State Farm paid over \$13,206,336 in premium taxes.

In addition to premium taxes, which are unique to insurance companies, State Farm also pays taxes other businesses pay, such as: \$313,449 in real estate taxes; \$643,591 in sales taxes and; \$3,606,483 in other miscellaneous taxes – for a total of \$17,769,859 in taxes paid in Oklahoma in 2009.

State Farm also has \$22,307,604 invested in four office buildings, 5 leased offices, as well as \$378,028,234 invested in municipal bonds and in stocks and bonds issued by Oklahoma companies.

When you consider business taxes, our investments, and taxes paid by the 2,471 individual State Farm associates and their families, it's easy to see why State Farm and its associates are valuable members of Oklahoma communities.

Financial Services – Helping customers provide for their families, realize the American dream of home ownership, and plan for a secure retirement.

Bank Deposits: **8,862**
Mutual Fund Accounts: **5,954**
Mutual Fund Assets Under Management: **\$8,101,718**

Providing Jobs for Oklahomans:

State Farm Agents: **285**
Staff Employed by State Farm Agents: **970**
Total Employees: **1216**

Insurance Policies and Accounts in Force:

Auto Policies in Force **681,084**
Fire Policies in Force **357,384**
Life Policies in Force **104,127**
Health Policies in Force **13,350**
Business Policies in Force **9,846**

Helping People Manage the Risks of Everyday Life Charitable Giving

Through our Good Neighbor Citizenship® Program, State Farm and the State Farm Companies Foundation commits resources to enhance education, safety and community development. In 2009, \$161,500 in charitable grants was awarded to nonprofit organizations and schools in Oklahoma. A few organizations receiving grants include:

- Oklahoma Business & Education Coalition, Okla. City
- Tulsa Hispanic Chamber of Commerce, Tulsa
- SAFE KIDS, Tulsa and Oklahoma City
- Rebuilding Together Tulsa, Tulsa and Oklahoma City
- Junior Achievement, Tulsa
- Oklahoma Buckledown Awards, Tulsa
- Oklahoma Council on Economic Education, Edmond
- Crime Commission, Tulsa
- Community Action Project, Tulsa

Additionally, the State Farm Companies Foundation's Good Neighbor Grant program provides annual grants of \$500 to qualifying organizations at which a State Farm employee or agent volunteers forty hours or more of their own time. Last year, 5,834 hours were volunteered to earn grants for 58 schools and nonprofit organizations, totaling \$28,000.

State Farm Associates Serving as a Resource

Our 2,471 State Farm associates reside in communities across Oklahoma and can be a resource to community and state leaders who strive to make Oklahoma a better place to live and work. Please don't hesitate to contact your local State Farm agent, employee, or the Public Affairs office for assistance.

Oklahoma Public Affairs Contacts:

John Wiscaver 12222 State Farm Blvd.
12222 State Farm Blvd.
Tulsa, OK 74146-5402
Phone: (918) 621-3056

Jeff Davis 12222 State Farm Blvd.
Tulsa, OK 74146-5402
Phone: (918) 621-3024

Email: john.wiscaver.brqj@statefarm.com
Email: jeff.davis.cciv@statefarm.com

Note: Figures fluctuate daily/monthly. Data based on Dec '09 figures.

OKLAHOMA TASK FORCE TO STUDY STATE TAX CREDITS AND ECONOMIC INCENTIVES

Blue Cross and Blue Shield of Oklahoma written statement

Presented by: Bert Marshall, President of Blue Cross and Blue Shield of Oklahoma

Thank you for the opportunity to come before you today and present what the home office credit means to the more than 667,000 Blue Cross and Blue Shield customers and the communities we serve across Oklahoma.

At Blue Cross and Blue Shield of Oklahoma, we recognize Governor Mary Fallin and the Oklahoma Legislature's efforts to spur job creation and economic growth. In fact, the home office credit enables Blue Cross and Blue Shield of Oklahoma to do four things:

- Provide cost savings to our individual and employer customers;
- Contribute to the state's economy;
- Sustain and grow our workforce across the state; and
- Look beyond our walls and reach out to the greater community to share our knowledge and resources for the benefit of all Oklahomans.

As a non-investor-owned, mutual company, Blue Cross and Blue Shield of Oklahoma is committed to providing health insurance to Oklahomans in all 77 counties. We offer a continuum of group and individual health plans, including PPO, HMO and health savings accounts. We also provide administrative services to self-funded employer-sponsored health plans.

The home office credit enables us to meet our customers' needs for quality, affordable health care by factoring in the credit savings into our prices. We then pass along these savings to our customers.

For example, our premium tax rate is 2.25%. Through the home office credit in 2010, we took \$5 million in credits, which yielded an effective tax rate of 1.72%. This amount was factored in to our pricing and saved our customers, Oklahoma families and business, \$5 million last year.

Since our founding in 1940, Blue Cross and Blue Shield of Oklahoma's headquarters continues to be in Tulsa. We have owned and occupied our current headquarters building at 12th & Boulder for 57 years and have additional offices in Tulsa and Oklahoma City.

Blue Cross and Blue Shield of Oklahoma has an annual impact of \$530 million on Oklahoma's economy through employee compensation (salary and benefits), taxes and local spending by company employees. We employ more than 1,000 Oklahomans – over 800 in Tulsa and nearly 200 in Oklahoma City. According to an economic study by the Tulsa Metro Chamber, Blue Cross and Blue Shield of Oklahoma generates about 1,900 indirect jobs throughout the state.

Earlier this year we were excited to bring more jobs to Oklahoma through the opening of a new sales contact center in Oklahoma City. The new business unit has an economic impact

of \$52.8 million. Currently, the sales contact center staffs 48 employees and it is expected to hire to more than 100 employees over the next three years.

One of the things I am most proud of at Blue Cross and Blue Shield of Oklahoma is our commitment to helping people in the communities where we live and do business. We extend access to countless more Oklahomans through our extensive social responsibility efforts, which focus in large part on changing lives through health and wellness.

As we were reminded last week with the release of this year's State Health Report, the health of the residents of our state is not acceptable. Oklahoma has a high prevalence of smoking and obesity, limited access to prenatal care and availability of primary care doctors, and high rates of heart disease.

At Blue Cross and Blue Shield of Oklahoma, we are dedicated to helping the state be healthier. Our charitable giving and community investments align with our mission to promote the health and wellness of our customers and our communities through accessible, cost-effective, quality health care.

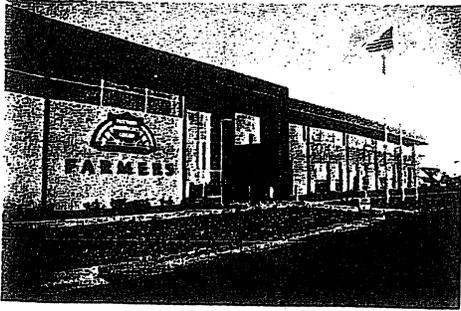
To that end, we fund direct, hands-on care for the uninsured and underserved; help community-based organizations address health and other disparities affecting diverse groups; advance health and wellness; and collaborate to reduce childhood obesity. Over the last four years, we have donated more than \$2.9 million to community and civic organizations. We also donated nearly \$1.8 million in grants to local non-profit health organizations and universities, such as OU, OSU and TU.

Through our Oklahoma Caring Van program, we partner with public and private organizations to provide free immunizations to thousands of disadvantaged Oklahoma youth. In 2010, the Caring Vans administered 18% of the vaccines that were provided by the Oklahoma City-County Health Department, and 9% of the vaccines that were provided by the Tulsa County Health Department. During the 2010-2011 flu season, the Caring Vans administered 24% of the flu shots that were provided by the Tulsa County Health Department.

Our annual Champions of Health awards program and gala is another public/private partnership that allows us to work with other groups in our community to broaden the health of Oklahoma. Champions of Health recognizes organizations and individuals that are making a positive impact on the health of Oklahomans. Since beginning in 2004, we have honored more than 100 organizations and individuals across the state.

We are proud of our 71-year history as being Oklahoma's largest and oldest customer-owned health insurance company. The impact of the home office credit is evident in the cost savings to our 667,000 customers, our impact to Oklahoma's economy and workforce, and our commitment to public health in the communities we serve.

Thank you again for the opportunity today. I'm happy to answer any questions and also have with me Eric Schmid, Director of Tax Planning, to answer any tax questions.



September 28, 2011

To the Members of the Task Force for the Study of State Tax Credits and Economic Incentives:

The story of the Oklahoma City Farmers Insurance HelpPoint Facility is an outstanding example of the power of the Home Office tax credit to help promote strong economic growth in Oklahoma.

In 2000, Los Angeles-based Farmers Insurance made the decision to place a national customer call center in Oklahoma City. The two most commonly cited reasons for choosing Oklahoma City were its outstanding work force and the tax incentives offered by the state – most particularly, the Home Office tax credit.

In 2010, Farmers renewed and strengthened its commitment to a long-standing presence in Oklahoma with the opening of the newly built Oklahoma City HelpPoint buildings on Memorial Road, just east of Rockwell (call center pictured above). At the end of 2010, this facility employed approximately 1242 persons. The taxable wages for the 1242 employees at this facility in 2010 were \$52 million, resulting in state personal income tax payments of \$1.8 million. The average salary for employees at HelpPoint is \$40,000. According to the Oklahoma Department of Commerce, the resulting fiscal impact of a \$40,000 job in Oklahoma is \$2400 to \$2800 in personal and consumption taxes. For our 1242 employees, the resulting economic impact of those taxes is \$3.0 to 3.5 million. In addition, the resulting jobs created in response to the demand of 1242 call center employees with an average salary of \$40,000 is a 0.6 multiplier. In other words, approximately 745 additional jobs are created due to the consumption demands of our employees. In 2011, Farmers will pay almost \$368,000 in property taxes for the call center's and data center's combined square footage total of 175,500 square feet. The above figures demonstrate the tremendously positive economic impact Farmers' HelpPoint facility has brought to the state of Oklahoma in just one year. The corresponding Home Office tax credit for Farmers received in 2010 was \$2.3 million.

To get the complete picture of Farmers Insurance in Oklahoma, one must look at the entire state, as our strong employee presence in Oklahoma City has also helped our company's growth throughout Oklahoma. In addition to the 1,242 employees at our HelpPoint facility mentioned above, Farmers employed approximately 204 additional persons in 2010 in claims, marketing and other professional services offices throughout the state. The salaries for those employees in 2010 totaled approximately \$12.6 million. Farmers owns or leases an additional 53,607 square feet of office space for these employees. In addition, at the end of 2010, Farmers Insurance in Oklahoma contracted with 474 agents.

Farmers also contracted with 17 district managers to recruit, train and assist these agents throughout the state. These district managers and their agents own or lease office space and employ anywhere from one to 10 or more additional staff in their offices. One must consider the purchasing power in 2010 of \$64.6 million of compensation paid to Farmers employees in Oklahoma in conjunction with the purchasing power of our contracted Agents, District Managers and their employees, who own property and make purchases in multiple communities throughout the area.

Finally, it should be noted that the total taxes paid by Farmers, including the premium tax in 2010 are estimated to be \$11 million.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Lucido".

John P. Lucido
Oklahoma State Executive

Gross Production Tax Incentives

	<u>Qualifying Period</u>	<u>Incentive Type</u>	<u>Incentive Period</u>	<u>Inception Date</u>
Enhanced Oil Recovery (Secondary)	Completed Prior to 7/1/00	Monthly Exemption	120 Mos. or Payout	7/1/88
Enhanced Oil Recovery (Tertiary)	Completed between 7/1/00 & 6/30/14	Monthly Exemption	60 Months	7/1/88
	Completed Prior to 7/1/14	Monthly Exemption	120 Months	
Horizontally Drilled Well	Completed Prior to 7/1/95	Monthly Exemption	24 Mos. or Payout	7/1/90
	Completed between 7/1/95 & 6/30/11	Rebate of 6/7ths	28 Mos. or Payout	7/1/94
	Completed between 7/1/11 & 6/30/15	Reduced Tax Rate @ 1%	48 Months	
Re-established Production of a Non-Producing Well	Completed Prior to 7/1/14	Rebate of 6/7ths	28 Months	7/1/94
Production Enhancement	Completed Prior to 7/1/14	Rebate of 6/7ths	28 Months	7/1/94
Deep Well (Completed @ 12,500 to 14,999 Ft.)	Completed Prior to 7/1/14	Rebate of 6/7ths	28 Months	7/1/97
Ultra Deep Well (Completed @ 15,000 to 17,499 Ft.)	Completed Prior to 7/1/05	Rebate of 6/7ths	28 Months	7/1/94
	Completed between 7/1/05 & 6/30/11	Rebate of 6/7ths	48 Months	
	Completed between 7/1/11 & 6/30/15	Reduced Tax Rate @ 4%	48 Months	
Ultra Deep Well (Completed @ 17,500 and below)	Completed Prior to 7/1/05	Rebate of 6/7ths	28 Months	7/1/94
	Completed between 7/1/05 & 6/30/11	Rebate of 6/7ths	60 Months	
	Completed between 7/1/11 & 6/30/15	Reduced Tax Rate @ 4%	60 Months	
New Discovery Well	Completed Prior to 7/1/14	Rebate of 6/7ths	28 Months	7/1/94
3-D Seismic Well	Completed Prior to 7/1/14	Rebate of 6/7ths	28 Months	7/1/94
Economically At-Risk lease	Calendar Yrs 1997 & 1998 and 2005 through 2013	Rebate of 6/7ths	12 Months	1997

REBATE PRICE LIMITATION

The rebate price limitation does not apply to Enhanced Recovery Projects, Horizontally Drilled Wells, Ultra Deep Wells or Economically At-Risk Leases.

The rebate price limitation does apply to the incentives for Re-established Production, Production Enhancement Projects, Deep Wells Completed between 12,500 and 14,999 Ft. and wells qualifying as 3-D Seismic. The eligibility of the tax rebate for these incentives are contingent upon the average calendar year price of oil and gas as determined by the Tax Commission by information obtained from monthly tax reports filed with the Tax Commission. In the event the average calendar year price of Oklahoma oil or gas exceeds the established price limitation provided by statute, the tax rebate will be cancelled for the applicable fiscal year period. The price limitation is currently set at Thirty dollars (\$30.00) per barrel of oil and Five dollars (\$5.00) per one thousand cubic feet (mcf) of gas. Effective with the calendar year 2010, the limitation shall be adjusted for inflation using the consumer price index published by the Bureau of Labor Statistics of the U.S. Department of Labor.

INCENTIVE CAP BY YEAR

OIL

<u>Calendar Year</u>	<u>Fiscal Claim Period</u>	<u>Average Price (Per BBL)</u>	<u>Incentive Price Cap (Per BBL)</u>	<u>Claim Status</u>
1994	FY-95	\$15.42	\$20.00	Available
1995	FY-96	\$16.79	\$20.00	Available
1996	FY-97	\$21.01	\$20.00	Not Available
1997	FY-98	\$19.95	\$25.00	Available
1998	FY-99	\$12.91	\$25.00	Available
1999	FY-00	\$17.81	\$25.00	Available
2000	FY-01	\$29.20	\$30.00	Available
2001	FY-02	\$24.67	\$30.00	Available
2002	FY-03	\$24.55	\$30.00	Available
2003	FY-04	\$29.79	\$30.00	Available
2004	FY-05	\$40.07	\$30.00	Not Available
2005	FY-06	\$54.41	\$30.00	Not Available
2006	FY-07	\$63.00	\$30.00	Not Available
2007	FY-08	\$69.17	\$30.00	Not Available
2008	FY-09	\$96.07	\$30.00	Not Available
2009	FY-10	\$55.61	\$30.00	Not Available
2010	FY-11	\$74.99	\$30.48	Not Available

GAS

<u>Calendar Year</u>	<u>Fiscal Claim Period</u>	<u>Average Price (Per MCF)</u>	<u>Adjusted mmbtu Price</u>	<u>Incentive Price Cap</u>	<u>Claim Status</u>
1994	FY-95	\$1.65	\$1.53	\$2.50 per mmbtu	Available
1995	FY-96	\$1.41	\$1.31	\$2.50 per mmbtu	Available
1996	FY-97	\$2.09	\$1.94	\$2.50 per mmbtu	Available
1997	FY-98	\$2.26	\$2.09	\$3.00 per mmbtu	Available
1998	FY-99	\$1.85	\$1.71	\$3.00 per mmbtu	Available
1999	FY-00	\$2.07	\$1.92	\$3.00 per mmbtu	Available
2000	FY-01	\$3.67	\$3.40	\$3.50 per mmbtu	Available
2001	FY-02	\$4.04	\$3.74	\$3.50 per mmbtu	Not Available
2002	FY-03	\$2.93		\$5.00 per mcf	Available
2003	FY-04	\$4.92		\$5.00 per mcf	Available
2004	FY-05	\$5.49		\$5.00 per mcf	Not Available
2005	FY-06	\$7.13		\$5.00 per mcf	Not Available
2006	FY-07	\$6.10		\$5.00 per mcf	Not Available
2007	FY-08	\$6.25		\$5.00 per mcf	Not Available
2008	FY-09	\$7.24		\$5.00 per mcf	Not Available
2009	FY-10	\$3.51		\$5.00 per mcf	Available
2010	FY-11	\$4.64		\$5.08 per mcf	Available

Table 1: GROSS PRODUCTION TAX REBATES CLAIMED, FY '04 - FY '10

Claim PERIOD	Horizontally Drilled Wells	Reestablished Production	Production Enhancement	Deep Wells	New Discovery	3-D Seismic	Economically At-Risk	TOTAL REBATES
FY 2010	\$83,383,000	\$127,000	\$2,388,000	\$25,376,000	\$6,000	\$76,000	\$1,421,000	\$112,777,000
FY 2009*								\$65,300,000
FY 2008	\$35,601,260	\$335,220	\$186,210	\$20,000,000	\$35,925	\$111,693	\$733,034	\$57,003,342
FY 2007	\$25,834,322	\$2,313,095	\$1,979,933	\$12,883,845	\$271,289	\$4,093,132	\$218,935	\$47,594,551
FY 2006	\$17,813,629	\$8,161,496	\$13,066,852	\$46,759,454	\$2,590,112	\$17,242,747	\$84,575	\$105,718,865
FY 2005	\$4,372,142	\$2,825,352	\$11,399,758	\$59,555,912	\$1,546,791	\$9,656,266	\$53,646	\$89,409,867
FY 2004	\$2,366,979	\$2,584,677	\$6,808,032	\$23,847,903	\$965,791	\$2,651,966	\$356,234	\$39,581,582

Table 2: Summary of Oklahoma Gross Production Tax Exemptions, as of FY '11

(boxes in yellow represent exceptions to general rules)

Kind of drilling	Statutory Section	Kind of well	Exemption applicable to	Amount of exemption	Subject to price? (1)	Length of exemption	Allowable production date
Enhanced Recovery Projects	68 OS 1001.D3	Secondary recovery projects	Incremental production attributable to the working interest owners	Full	No	5 years or termination of the secondary recovery project	Project beginning date prior to 7/1/2012
	68 OS 1001.D4	Tertiary recovery projects				10 years or until project payback is achieved	
Horizontally drilled wells	68 OS 1001.E	Well producing after 7/1/94	Production of oil, gas, or oil and gas	6/7ths	No	48 months or until project payback is achieved	Producing prior to 7/1/2011
						48 months from the month of initial production	Producing on or after July 1, 2011 and prior to July 1, 2015
Inactive well	68 OS 1001.F		Severance or production of oil, gas or oil and gas	6/7ths	Yes	28 months from the date upon which production is reestablished	Production is reestablished prior to 7/1/2012
Production enhancement project	68 OS 1001.G		Incremental production	6/7ths	Yes	28 months from the date of the first sale after project completion	Project beginning date prior to 7/1/2012
Deep Wells	68 OS 1001.H.2.a	Depth between 12,500 and 14,999 feet	Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Wells spudded before 7/1/2009
Ultra-Deep Wells	68 OS 1001.H.2.b	Depth between 15,000 and 17,499 feet	Production of oil, gas, or oil and gas	6/7ths. Capped at \$25 million in total exemptions through FY '11; After July 1, 2011: Taxed at 4% amount uncapped	Partially - exemptions apply only if price of oil <\$30.00 per barrel or price of gas < \$5.00 MCF for wells spudded before 7/1/2005. For newer wells, exemptions apply regardless of price	48 months from the date of first sales	Wells spudded before 7/1/2015
						60 months from the date of first sales	
New discovery	68 OS 1001.I		Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Wells spudded or reentered before 7/1/09
Three-dimensional seismic shoot	68 OS 1001.J		Production of oil, gas, or oil and gas	6/7ths	Yes	28 months from the date of first sales	Drilling commenced before 7/1/09

(1) Exemptions subject to price apply only if price of oil <\$30.00 per barrel or price of gas <\$5.00 MCF adjusted annually for inflation

NOTES

- 1 Data on oil and gas production from Energy Information Administration at: <http://www.eia.doe.gov/>
- 2 Tax collections from Oklahoma Annual Executive Budgets, Historical Documents, Appendix D
- 3 National Conference of State Legislatures at: <http://www.ncsl.org/IssuesResearch/BudgetTax/StateEnergyRevenuesUpdate/tabid/12674/Default.aspx>
- 4 Oklahoma State Senate, [Overview of State Issues](#), October 2010, pp. 39-42 (unavailable online)

This publication was prepared by David Blatt, Director, dblatt@okpolicy.org; 918-859-8747

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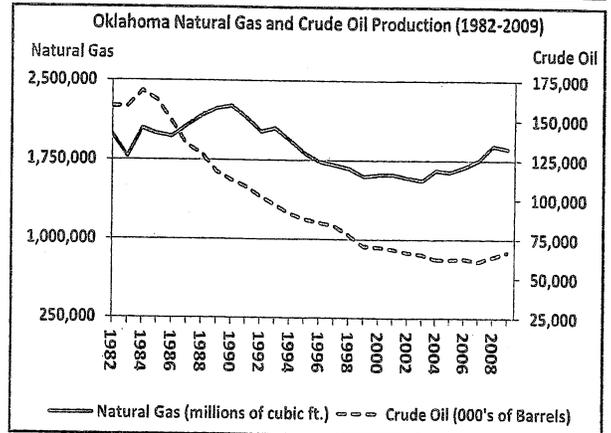
P.O. Box 14347, TULSA, OK, 74159

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OKLAHOMA'S GROSS PRODUCTION TAXES AND EXEMPTIONS

Oklahoma is among the nation's largest producers of both natural gas and oil:

- In 2009, almost 1.9 trillion cubic feet of *natural gas* were produced in Oklahoma. Oklahoma's natural gas output represented 8.5 percent of total U.S. production, trailing only Texas (7.7 trillion cubic feet) and Wyoming (2.5 trillion). Natural gas production fell in the 1990's but rose almost 19 percent between 2002 and 2008, before declining modestly in 2009;
- Oklahoma's *crude oil production* in 2009 was 67 million barrels, representing 3.4 percent of total U.S. production. Oklahoma's production is 5th highest in the nation, well below that of Alaska, Texas, and California, and also trailing Louisiana and North Dakota. By the mid-2000's, crude oil production had fallen by almost two-thirds from its early 1980's peak but has risen 10 percent in the last two years.¹



I. Gross Production Taxes

Oklahoma assesses a *gross production tax*, or severance tax, on the extraction of oil, natural gas and other minerals. The tax is assessed as a percentage of gross market value based on the average monthly price for each product as determined by the Oklahoma Tax Commission. For oil and natural gas, the basic tax rate is 7 percent; however, the tax rate is lowered to 4 percent when oil is between \$14 and \$17 per barrel and gas is between \$1.75 and \$2.10 per MCF, and to 1 percent when oil is lower than \$14 per barrel and gas is below \$1.75 per MCF. Some production is taxed at a lower rate due to incentives (see pages 2 and 3).

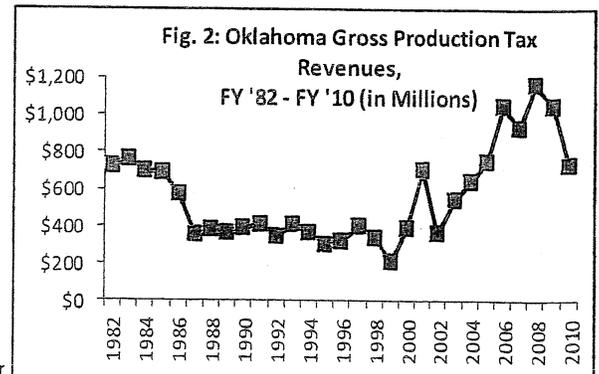
As can be seen from Figure 2, GPT collections have fluctuated greatly over the past decades in conjunction with the rise and fall of energy prices. Total collections from gas and oil reached an historic high of \$1.168 billion in FY '08 but fell to \$732 million in FY '10 with low natural gas prices. In FY '10, oil revenues (\$377 million) surpassed gas revenues (\$355 million) for the first time since collections began to be reported separately in 1991. Gross production taxes represented 10.6 percent of total state taxes in FY '10, ranking behind the personal income tax (\$2.2 billion, 32 percent) and the sales tax (\$1.8 billion, 26 percent) as a top source of state tax revenues. Gross production taxes accounted for 30 percent of state tax revenues in 1982.²

In FY '07, Oklahoma ranked third among the states, behind Alaska and Texas, in total state severance tax collections, and sixth, behind Alaska, Wyoming, North Dakota, New Mexico and Montana in severance taxes as a share of total state tax collections.³

GPT revenues for natural gas and for oil are *apportioned* in different manners. If the tax rate is 7 percent, *natural gas revenues* are apportioned as follows:

- 85.72 percent to the General Revenue fund;
- 7.14 percent to county highways; and
- 7.14 percent to school districts.

When the tax rate is 7 percent, *oil revenues* up to the first \$150 million annually are divided in a more complicated fashion, with 77.16 percent divided between three education funds, 14.28 percent divided between county highways and school districts, 3.8 percent dedicated to county roads and bridges, and the remaining 4.8 percent divided between various small funds. Annual oil revenues in excess of \$150 million all go to the General Revenue Fund. Both oil and gas revenues are subject to different apportionment formulas when the tax rate is 4 percent or 1 percent.⁴



...over

II. Oil and Gas Exemptions

Oklahoma law provides tax exemptions for seven types of oil and gas production:

- Enhanced recovery projects (economically at-risk wells);
- Horizontally drilled wells;
- Inactive wells (reestablished production);
- Production enhancement projects;
- Deep well drilling;
- New discovery wells;
- Three-dimensional seismic shoots;

The exemptions, in most cases, are equal to 6/7ths of the gross production tax, which means that exempt production is taxed at 1 percent. *Beginning July 1, 2011, deep wells below 15,000 feet will be taxed at 4 percent.* Enhanced recovery projects are fully exempt from the gross production tax.

However, these drilling exemptions may be *limited* in three ways:

- *By price* – most drilling exemptions are suspended when the average annual index price of oil or gas is above a floor of \$5.00 per MCF of gas or \$30.00 per barrel of oil. The only exemptions *not subject to a price trigger* are those for enhanced recovery projects, horizontally drilled wells, and deep wells below 15,000 feet spudded after July 1, 2005. *With passage of HB 2432 in 2010, the price floors will rise annually based on the Consumer Price Index.*
- *By duration* – all oil and gas exemptions can be claimed only for a set length of time following a project’s initiation or completion. For most drilling, exemptions can be claimed for 28 months from the date of first sales. The exceptions are for:
 - *Horizontal wells*—the exemption is for 48 months or until project payback. HB 2432 passed in 2010 removed the project payback limit for production after July 1, 2011.
 - *Deep wells* - the exemption is for 48 months from the date of first sales for wells between 15,000 and 17,499 feet and 60 months for wells 17,500 feet and deeper; and
 - *Enhanced recovery projects*—the exemption is for five years or termination of the secondary recovery project.
- *By amount* – For deep wells of 15,000 feet and greater, the total amount of exemptions claimed was capped at \$25 million per fiscal year as of FY ‘09. In 2010, *HB 2432 removed the cap and instead set the tax on all deep wells below 15,000 feet at 4 percent effective July 1, 2011.* No other exemptions are capped as to their total amount.

Overall, the most generous exemption is for horizontally drilled wells, which can be claimed in an unlimited amount regardless of the price of oil and gas and for a duration of 48 months. In FY ‘10, the state paid out \$83.3 million in rebates for horizontally drilled wells. The next most generous credits are for deep wells below 15,000 feet, which are also issued irrespective of price and for a duration of 48 to 60 months. However, until July 1, 2011 deep well credits are capped at \$25 million annually. Beginning in FY ‘12, the cap will be lifted but production will be taxed at 4 percent.

Until July 1, 2011, all oil and gas exemptions are paid out as rebates on claims filed after the end of the fiscal year in which production occurred. In 2010, HB 2432 deferred payments on rebates for horizontal and deep well drilling production during FY ‘10 and FY ‘11. Deferred payments for production in FY ‘10 and FY ‘11 will be paid out over 36 months beginning in July 2012 (FY ‘13); the state will be charged 9 percent interest on any late payments. Beginning in FY ‘13, exemptions for horizontal and deep well drilling will be claimed as front-end credits rather than as rebates.

Over the seven year period from FY ‘04–FY‘10, a total of \$517 million in GPT rebates were claimed on all forms of exempted drilling, according to data from the Oklahoma Tax Commission (Table 1, page 3). In FY ‘10, as total rebates reached a new high of \$112.8 million, horizontal and deep wells represented 96.4 percent of the rebates claimed.

Under current law, all the gross production tax exemptions are scheduled to sunset. HB 1488 (Rep. Brumbaugh) would extend all exemptions set to expire on June 30, 2012 until June 30, 2015 (see Table 1). Exemptions on deep wells and horizontal wells are in effect until 2015; HB 2121 (Rep. Hickman) and SB 885 (Sen. Branam) are intended to clarify language on eligibility for deep well and horizontal well credits that was enacted in HB 2432 in 2010.

TABLE 2 ON THE NEXT PAGE SUMMARIZES THE MAIN PROVISIONS OF THE EXEMPTIONS FOR EACH KIND OF DRILLING

OCTOBER 12, 2011



House of Representatives

State of Oklahoma

October 4, 2011

- TO:** Task Force for the Study of State Tax Credits and Economic Incentives
- DATE:** Wednesday, October 12, 2011
- TIME:** 10:00 a.m. - 4:00 p.m. (**break for lunch**)
- PLACE:** House Chamber, State Capitol Building
- AGENDA:**
1. Welcome and Introductions
 2. Presentation Regarding Use of Certain Transferable Tax Credits/Comments From Prior Task Force Meetings – Mr. Richard Bell
 3. Presentation and Follow Up Questions Regarding Historical Rehabilitation Tax Credit
68 O.S. Section 2357.41
Dr. Bob Blackburn, Oklahoma Historical Society
 4. Railroad Reconstruction and Rehabilitation Tax Credit
68 O.S. Section 2357.104
 5. Compete with Canada Film Act – “Film Rebate Incentive”
68 O.S. Sections 3621 et seq.
 6. Credit for Investment in Film or Music Projects
68 O.S. Section 2357.101
 7. Other business and adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

Credit Summary

Historic Rehabilitation Expenditures	
Citation	68 - 2357.41
First Enacted	2000
First Tax Year	2001
Last Tax Year	None
Carryover Period	10 years
Moratorium Effect	Credits earned b/w 7/1/10 and 6/30/12 may not be claimed until 7/1/12 and may be the basis of an amended return
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	Yes
Equity Investment?	No
% or Dollar Amount	20% of the expenditures
Transferable for Value?	Yes
Applicable Tax Types	Income tax, insurance premium tax, insurance retaliation tax and bank privilege tax
Cap	None

Credit Summary

Railroad Rehabilitation and Reconstruction	
Citation	68 - 2357.104
First Enacted	2005
First Tax Year	2006
Last Tax Year	None
Carryover Period	5 years
Moratorium Effect	No credits claimed or earned b/w 7/1/10 and 6/30/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	Yes
Equity Investment?	No
% or Dollar Amount	50% of qualified expenditures
Transferable for Value?	Yes
Applicable Tax Types	Income tax
Cap	Capped at \$2,000 multiplied by the taxpayer's total number of miles

Credit Summary

Compete with Canada Film Rebate Incentive	
Citation	68 O.S. Sections 3623
First Enacted	2001
First Tax Year	37073
Last Tax Year	None
Carryover Period	N/A
Moratorium Effect	No
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	N/A
Capital Asset Purchase?	Qualified Expenses
Equity Investment?	No
% or Dollar Amount	37% or 35% of qualified expenses
Transferable for Value?	No
Applicable Tax Types	Direct Rebate
Cap	\$5,000,000.00 per fiscal year

Credit Summary

Investment in Film or Music Entity	
Citation	68 - 2357.101
First Enacted	2005
First Tax Year	2005
Last Tax Year	None
Carryover Period	None
Moratorium Effect	No credits claimed or earned b/w 7/1/10 and 6/30/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	Yes
% or Dollar Amount	25% of profit on project
Transferable for Value?	No
Applicable Tax Types	Income tax
Cap	None

List of Speakers

Mr. Richard Bell

Dr. Bob Blackburn, Oklahoma Historical Society

Railroad Reconstruction and Rehabilitation Tax Credit

Lori Peterson, Oklahoma Railroad Association

Ladd Lafferty, AT&L Railroad

David Donoley, Arkansas Oklahoma Railroad

Film Rebate Incentive/Compete with Canada Act

Joseph Henchman, Vice President of Legal & State Projects, Tax Foundation

Paul Simpson, Director, Oklahoma Film & Music Office

Opening Statement by Rep. David Dank...

Welcome back to all the members and observers.

I want to begin with three important matters.

First, the House staff is preparing a detailed matrix of all of the tax credits and incentives the Task Force is dealing with to give us a solid overview on when they were enacted, who is eligible to receive them, their costs, their purposes and, if possible, their benefits. I am hopeful we will have that in early November. I will also be asking them to determine how each tax credit matches up with the three constitutional tests laid down in the Attorney General's landmark opinion. And, finally, we will attempt to apply a rigorous cost-benefit analysis to determine if the state is getting back what it costs the taxpayers to grant these tax credits. I think it will be a useful tool as we move forward with our report to the Governor and the Legislature.

Second, I am asking the Tax Commission, Office of State Finance and the State Treasurer's office to give us information

on a question that I suspect has intrigued many of you. As you know, we imposed a moratorium on many tax credits in response to the state's budget crunch. Since then we have seen some encouraging increases in state revenues. The question I will ask them to answer is what part that moratorium has played in those more promising budget numbers. I know some of it is from general revenue increases, but what part of our better budget picture resulted when we stopped giving so many tax credits? And what will happen to our budget next year when that moratorium expires?

The third issue involves where we will go from here. The 2010 attorney general's opinion stated clearly that many of the tax credits on the books were constitutionally infirm. It suggested three standards that are needed to judge the constitutionality of any tax credit. However, in its final footnote (11), it states: "An Attorney General's Opinion stating that an act of the Legislature is unconstitutional is advisory only and not binding on a state official. *State ex rel. York v. Turpen*, 681 P.2d 763, 767 (Okla. 1984). Only a court of competent jurisdiction can issue a binding opinion that a legislative act is unconstitutional. *Id.*

The three standards the Attorney General cited are:

First, does it serve the public purpose?

Second, is it supported by adequate consideration, which means to me does it bring more benefits than it costs?

And third are there adequate controls and safeguards in place?

I believe we should ask the Attorney General for a clarification on how we can access the Oklahoma Supreme Court to ask for their ruling on some of the tax credits we are examining. Specifically, I believe we need to ask the court to apply that three-part test to those tax credits the Attorney General determined to be constitutionally infirm. I think we need to get that process of testing these tax credits before the Supreme Court underway, and I would welcome the task force's input on how best to proceed.

I am particularly concerned with the third test – the one involving controls and safeguards.

We have reviewed enough of these tax credits so far to know that the controls and safeguards in place are often a joke. In many cases they are almost nonexistent.

One of the presenters who will address the Task Force today is from the Tax Foundation, and the tax incentive he will be discussing is the one that benefits the film industry.

We all get excited when Hollywood comes to Oklahoma. But we still need to ask if we are getting our money's worth from these generous cash rebates we offer for movie production. Hollywood glamour is one thing, but we're here first and foremost to balance the state budget with hard-earned taxpayer dollars.

The Tax Foundation recently published a report on the many states that offer similar incentives to the film industry. Its title was cause for concern. It said "Blockbuster support for lackluster policy."

It seems that many states have very few controls and safeguards in place for these film industry tax credits. In 2007, Iowa had a major scandal involving their film tax credit.

The producers bought new Mercedes and Range Rover automobiles and basically charged them to the Iowa taxpayers.

They submitted very few receipts or other documentation.

Some of their family members got big payments, and no one knew why.

And in the end the state administrator of that program lost his job.

I am not suggesting that we face a similar mess here in Oklahoma, but we do need to ask if these film tax credits are serving the public purpose, if they are supported by adequate consideration, and if there are adequate controls and safeguards in place.

We will also take up the railroad modernization tax credit, which gives credits for every mile of track rebuilt or modernized.

Now I can see some public purpose in that. But does it pass the other two tests of adequate consideration and controls and safeguards? We don't know.

I have also invited Dr. Blackburn back to revisit the historical preservation tax credits. As we learned when we discussed this credit before, you can apparently qualify for the state historical preservation credit if you meet the standards for the federal version. Again, that raises control and safeguard issues in my mind, and we look forward to hearing more from Dr. Blackburn.

There does seem to be one common thread running through the tax credits we will be addressing today, and that is that they appear to create very few permanent or even long term jobs.

Railroad construction ends when the project is finished.

Filmmakers stop hiring people, and their out of state employees go home, when the movie is done.

So we come back to the theme we started with so many weeks ago . . . do these tax credits put Oklahomans to work? Do they return dollars to the state budget and the taxpayers in amounts that justify the initial outlay?

Do they meet those three standards specified by the Attorney General?

Hopefully we will answer some of those questions today. . .

RECENT OKLAHOMA PROJECTS: STATUS UPDATE OCTOBER 6, 2011
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

CERTIFIED REHABILITATION PROJECTS
(Listed by Calendar Year in which Historic Preservation Certification Application - Part 3 was approved by the National Park Service)

Calendar Year 2006/\$5,507,217.00 Qualified Rehabilitation Expenditures:

Philtower \$ 4,276,071.00
427 South Boston Avenue
Tulsa, OK, Tulsa County
James Hawkins, Philtower LLC
Part 3 Certified 12/19/2006

Union National Bank \$ 1,231,146.00
400 SE Frank Phillips Boulevard
Bartlesville, OK , Washington County
Ron Swigart, Arvest Bank
Part 3 Certified 12/20/2006

Calendar Year 2007/\$82,612,300.00 Qualified Rehabilitation Expenditures:

901 North Denver \$ 147,476.00
Tulsa, OK, Tulsa County
Gary and Lisa Ziegler
Part 3 Certified 11/27/2007

Citizens Bank Tower \$16,002,310.00
2200 North Classen Blvd.
Oklahoma City, OK, Oklahoma County
Richard Tanenbaum, Gardner Tanenbaum
Part 3 Certified 11/20/2007

Mid-Continent Life \$15,000,000.00
1400 Classen Drive
Oklahoma City, OK, Oklahoma County
Shannon Nance, MCLI LLC
Part 3 Certified 05/15/2007

Park Harvey Building \$16,474,090.00
200 North Harvey Avenue
Oklahoma City, OK, Oklahoma County
Part 3 Certified 04/09/2007

Skirvin Hotel \$34,988,424.00
1 Park Avenue
Oklahoma City, OK, Oklahoma County
Part 3 Certified 06/08/2007

October 6, 2011

RECENT OKLAHOMA PROJECTS: STATUS UPDATE OCTOBER 6, 2011
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

Calendar Year 2008/\$957,269.00 Qualified Rehabilitation Expenditures:

Kivlehen House \$ 300,000.00
525 North Jackson
Edmond, OK, Oklahoma County
Marianna Lloyd
Part 3 Certified 01/28/2008

Oklahoma Theatre Supply \$ 269,000.00
628 W. Sheridan
Oklahoma City, OK, Oklahoma County
John Fudge, Film Exchange Row LLC
Part 3 Certified 06/06/2008

United Artists \$ 188,269.00
624 W. Sheridan
Oklahoma City, OK, Oklahoma County
John Fudge, Film Exchange Row LLC
Part 3 Certified 03/17/2008

Vickery Station \$ 200,000.00
602 South Elgin Avenue
Tulsa, OK, Tulsa County
Michael Sager, Blue Dome LLC
Part 3 Certified 01/16/2008

Calendar Year 2009/\$48,342,527.00 Qualified Rehabilitation Expenditures:

1015 North Broadway \$ 4,342,527.00
1015 N. Broadway
Oklahoma City, OK, Oklahoma County
Steve Mason, Mason Realty Investors
Part 3 Certified 04/09/2009

Mayo Hotel \$44,000,000.00
115 West 5th Street
Tulsa, OK, Tulsa County
Tori Snyder, Mayo Hotel & Lofts LP
Part 3 Certified 12/22/2009

Calendar Year 2010/\$16,567,171.00 Qualified Rehabilitation Expenditures:

704-708 W. Sheridan \$ 810,751.00
704-708 W. Sheridan
Oklahoma City, OK, Oklahoma County
John Fudge, Film Exchange Row
Part 3 Certified 03/26/2010
October 6, 2011

RECENT OKLAHOMA PROJECTS: STATUS UPDATE OCTOBER 6, 2011
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

1007 North Broadway \$ 754,944.00
1007 N. Broadway
Oklahoma City, OK, Oklahoma County
Steve Mason, Mason Realty Investors
Part 3 Certified 09/17/2010

1910 Building \$ 176,634.00
323 Seventh Street
Perry, OK, Noble County
Edwin Malzahn
Part 3 Certified 03/29/2010

Atlas Life Insurance \$14,000,000.00
415 N. Boston Ave.
Tulsa, OK, Tulsa County
Jeff Hartman, SJS Hospitality
Part 3 Certified 09/21/2010

Film Exchange \$ 824,842.00
700-702 W. Sheridan
Oklahoma City, OK, Oklahoma County
John Fudge, Film Exchange Row LLC
Part 3 Certified 09/17/2010

Calendar Year 2011/\$47,664,975.47 Qualified Rehabilitation Expenditures:

Clayton Wells \$ 4,765,193.00
215 W. Dewey
Sapulpa, OK, Tulsa County
LaVerne Hanson, MetroPlains Realty
Part 3 Certified 03/11/2011

Gatewood Duplex \$ 73,403.00
2229 North Gatewood Avenue
Oklahoma City, OK, Oklahoma County
Earl W. Bourne
Part 3 Certified 09/27/2011

Greenlease Moore Cadillac Agency \$ 4,084,617.00
914-920 North Broadway Avenue
Oklahoma City, OK, Oklahoma County
Thomas Russell, 914 N. Broadway Association, Inc.
Part 3 Certified 08/24/2011

RECENT OKLAHOMA PROJECTS: STATUS UPDATE OCTOBER 6, 2011
USING FEDERAL AND STATE HISTORICAL REHABILITATION TAX CREDITS

Hadden Hall **\$ 2,793,544.47**
215 NW 10th Street
Oklahoma City, OK, Oklahoma County
Mickey Clagg, Midtown Renaissance
Part 3 Certified 08/16/2011

Mayo Office Building **\$31,771,553.00**
420 South Main Street
Tulsa, OK, Tulsa County
Wiggin Properties
Part 3 Certified 08/23/2011

Plaza Court Shopping Center **\$ 4,176,665.00**
1100 Classen Drive
Oklahoma City, OK, Oklahoma County
Mickey Clagg, Midtown Renaissance
Part 3 Certified 03/30/2011



OKLAHOMA RAILROAD ASSOCIATION

Lori A. Kromer Peterson, Executive Director
PO Box 722134
Norman OK 73070
(405) 850-6657
lpeterson@okrailroad.com

Short Line Members of the Oklahoma Railroad Association

Arkansas Oklahoma Railroad
Austin, Todd & Ladd Railroad
Farmrail Corporation
Grainbelt Corporation
Hollis & Eastern Railroad
Kiamichi Railroad Company
Northwestern Oklahoma Railroad
Sand Springs Railway Company
South Kansas & Oklahoma Railroad
Stillwater Central Railroad
Texas, Oklahoma and Eastern Railroad
Tulsa-Sapulpa Union Railway Co.
Wichita, Tillman & Jackson Railway

Attachments

- A. Purpose of the Short Line Tax Credit Law/How It Works
- B. Oklahoma Tax Commission 710:50-15-103 Credit for qualified railroad reconstruction or replacement expenditures
- C. Oklahoma Department of Transportation Forms
 1. Application for State Rail Project
 2. Final Inspection Report
 3. Affidavit
 4. Itemized Cost Form
- D. Oklahoma Short Line Tax Credit Projects for 2009

OKLAHOMA SHORT LINE TAX CREDIT LAW

68 O.S. Section 2357.104

PURPOSE OF THE LAW

Oklahoma's secondary rail infrastructure is operated by 18 small railroads known as Short Line Railroads. Our 1,300 mile secondary rail system is 80 to 100 years old and suffers from the same infrastructure deterioration as our highway system.

Over 900 miles of the Short Line system is inadequate to handle today's 286,000 pound modern rail cars. 395 Short Line bridges are also functionally obsolete and need to be reconstructed or replaced. Between, \$200 to \$250 million is needed to upgrade the Short Line infrastructure, an amount that far exceeds the Short Line Railroads resources.

The Short Line Tax Credit Law has stimulated the "upgrading" of Oklahoma's secondary rail infrastructure and will put the state on a course of modernizing it's rail system.

HOW THE LAW WORKS

ABC Railroad operates 100 miles of track, which would qualify the railroad for \$200,000 in tax credit. (100 miles @ \$2,000 per mile)

The tax credit can only be earned if ABC Railroad submits an eligible project to The Oklahoma Department of Transportation. The project must be consistent with the definition of a "Qualified Railroad Reconstruction or Replacement Expenditure" as noted in the current law.

ODOT must "pre-approve" the project application and ABC Railroad must construct the project consistent with the pre-approved plans. ODOT will "post" inspect the project and confirm the projects completion and issue a "Final Inspection Report" to the railroad. The "Final Inspection Report" and an Oklahoma Tax Commission "Mileage Affidavit" verifying the track miles owned or leased by the railroad, must accompany the railroads Oklahoma State Income Tax filing.

ABC Railroad would then receive \$200,000 in Income Tax Credit. The tax credit can be applied to: (1) ABC's state income tax liability, or (2) Carried forward to a future tax year, or (3) Transfer the tax credit to another income tax payer.

NOTE: The railroad must participate for at least 50% of the cost of the project. In most cases the railroad would pay more than 50%. For example: If ABC Railroad replaces a small bridge at a cost of \$500,000 and qualifies for a \$200,000 tax credit, the railroad would pay \$300,000 which would be equal to 60% of the project cost.

710:50-15-103. Credit for qualified railroad reconstruction or replacement expenditures

(a) **General provisions.** For tax years beginning after 12/31/05 there is a credit allowed against the tax imposed by Section 2355 of Title 68 equal to 50% of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures.

(b) **Definitions.** The following words and terms, when used in this Section, shall have the following meaning, unless the context clearly indicates otherwise:

(1) **"Eligible taxpayer"** means any railroad that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.

(2) **"Qualified railroad reconstruction or replacement expenditures"** means expenditures for reconstruction or replacement of railroad infrastructure. This includes track, roadbed, bridges, industrial leads and track-related structures owned or leased by a Class II or Class III railroad as of January 1, 2006. Qualified railroad reconstruction or replacement expenditures can also include new construction of industrial leads, switches, spurs and sidings and extensions of existing sidings by a Class II or Class III railroad.

(c) **Limitations.** The amount of the credit may not exceed the product of Five Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars (\$2,000.00) for tax years 2008 and the number of miles of railroad track owned or leased within this state by the eligible taxpayer as of the close of the taxable year. In tax year 2009 and subsequent tax years, an eligible taxpayer may elect to increase the limit for tax year 2008 to an amount equal to three times the amount specified. However, the taxpayer may only claim one third (1/3) of the credit in any one taxable period. An eligible taxpayer who elects to increase the limitation on the credit will not be granted additional credits during the period of such election.

(d) **Transferability.** The credits allowed pursuant to this Section that are not used are freely transferable by written agreement, to subsequent transferees, at any time during the five (5) years following the year of qualification.

(1) **"Eligible transferee" defined.** For purposes of this subsection, an "eligible transferee" shall be any taxpayer subject to the tax imposed by Section 2355 of Title 68.

(2) **Written transfer agreement requirements.** The person originally allowed the credit and the subsequent transferee must jointly file a copy of the written transfer agreement with the Commission, within thirty (30) days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the parties to the transfer, the amount of credit being transferred, the year the credit was originally allowed to the transferring person, and the tax year or years for which the credit may be claimed.

(e) **Carryover provisions.** Any credit allowed pursuant to the provisions of this Section, to the extent not used, may be carried over in order to each of the five (5) years following the year of qualification.

[Source: Added at 23 Ok Reg 2824, eff 6-25-06; Amended at 24 Ok Reg 2359, eff 6-25-07; Amended at 26 Ok Reg 2330, eff 6-25-09]

OKLAHOMA DEPARTMENT OF TRANSPORTATION

Rail Programs Division
200 N.E. 21st Street, 3D-6
Oklahoma City, OK 73105
Telephone (405) 521-4203, Fax (405) 522-0890

Application for State Rail Project
Authorized by the Railroad Modernization Act of 2005
Senate Bill 435

1. **Date Submitted:** _____ **Date Received by ODOT:** _____

2. **Type of Submission:** _____ **Reconstruction or Replacement** _____ **New Construction**

3. **Applicants Information:**

Railroad Name: _____

Contact Person: _____ **E-Mail:** _____

Mailing Address: _____

Telephone Number: _____ **Fax Number:** _____

4. **Location of Proposed Project:**

Subdivision: _____

Milepost _____ **to Milepost** _____

Milepost _____ **to Milepost** _____

Milepost _____ **to Milepost** _____

Total Number of Project Miles: _____

5. Proposed Project:

(NOTE: Description of all work to be done including tie replacement, surfacing, ballast, weight of rail, and bridge work.)

6. Estimated Cost of Proposed Project:

Materials \$ _____ Labor \$ _____ Equipment \$ _____

Engineering \$ _____ Contract Services \$ _____ Freight \$ _____

TOTAL ESTIMATED PROJECT COST \$ _____

7. Proposed Project Start and Finish Date (If Approved) _____/_____/_____ to _____/_____/_____

8. To the best of my knowledge and belief, all of the data in this application is true and correct.

Authorized Railroad Representative: _____

Title: _____ **Date Signed:** _____

Signature of Authorized Representative: _____

FOR ODOT USE ONLY: PROJECT NUMBER _____ DATE APPROVED _____/_____/_____

AUTHORIZED BY _____

OKLAHOMA DEPARTMENT OF TRANSPORTATION
FINAL INSPECTION REPORT

Date: _____

Project Number: _____

County: _____

Final inspection on the above project was made by the Department of Transportation on:
_____ At _____ M.

Personnel making the inspection were:

<u>Name</u>	<u>Title, Organization</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Completion Date: _____

Title

Oklahoma Department of Transportation

AFFIDAVIT

_____, of lawful age, and having been fully first duly sworn, on oath state;

- 1. That (s) he is the agent authorized by the RAILROAD to submit the enclosed information to the State of Oklahoma.
2. That RAILROAD has not paid, given or donated or agreed to pay, give or donate to any official or employee of the State of Oklahoma any money or other thing of value, either directly or indirectly, in procuring this project.
3. That no person who has been involved in any manner in the development of this application while employed by the State of Oklahoma shall be employed to fulfill any of the services provided for in this project.
4. That, to be the best of his/her knowledge and belief, RAILROAD has not previously entered in to a contract with Department of Transportation or any other agency of the State of Oklahoma which would result in substantial duplication of the services required by this project.
5. That total number of mainline track miles owned or leased in Oklahoma by the applicant railroad is _____ miles.

FURTHER AFFIANT SAYETH NOT.

_____ AFFIANT

Subscribed and sworn to before me this _____ day of _____, 2006.

Notary Public

My Commission number is:

Notary Seal or Stamp

Day of _____, 20____.

ODOT Itemized Cost Form

Railroad Name: _____

Project Number: _____

City or County, Mile Post: _____

Item	Unit	Quantity	Size	Miles	Number	Unit Price	Total Cost
Rail - Relay							
Track Spikes	Keg						
Spike (Plugs)							
Joint Bars	Each						
Composite Joint Bars	Each						
Bolts	Keg						
Tie Plates							
Frogs	Each						
Rail - Anchors							
Drainage Fabric							
Ditching							
Timber Headers							
Timber Planking							
Crossties	Each						
Labor to Insert Ties	Per tie						
Labor (Other)	Day						
Switch Ties							
Bridge Ties							
Bridge Guard Rails							
Ballast	Ton						
Culverts							

Project Number : _____

Item	Unit	Quantity	Size	Miles	Number	Unit Price	Total Cost
Turnouts							
Switches	Each						
Signals							
Structural Steel							
Surfacing	Foot						
Subgrade Stabilization							
Bridge Construction							
Earthmoving							
Grade Crossing Repairs							
Right of Way Grading							
Brush Cutting							
Eng. Consultant Services							
Contracted Services							
Supervisor Services							
Rail Distribution							
Relay							
Clean-up	Per tie						
Work Train (Unloading)	Per tie						
Freight							
						Total Materials:	
						Tax on Materials:	
						Project Total Costs:	

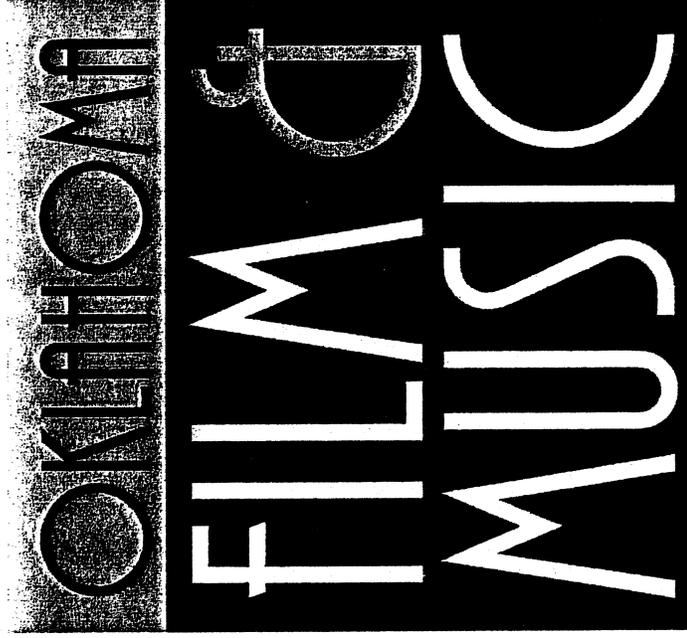
**OKLAHOMA SHORT LINE
TAX CREDIT PROJECTS FOR 2009**

<u>RAILROAD</u>	<u>SYSTEM MILES</u>	<u>PROJECT</u>	<u>TOTAL \$</u>	<u>TAX CREDIT</u>
A T & L	46	Bridge	\$711,399.10	\$276,000.00 *
GRAINBELT	186	Ties	\$746,566.24	\$372,000.00
FARMRAIL	179	Ties	\$212,755.00	\$106,377.50 **
S K & O	79	Ties & Ballast Rail and Switches	\$261,236.55 <u>\$ 65,871.05.</u> \$327,107.60	\$158,000.00
STILLWATER CENTRAL	240	Rail Ties & Crossing Ties & Ballast 1500 Ties	\$643,999.56 \$154,552.00 \$715,809.17 <u>\$ 75,426.40</u> \$1,589,787.13	\$480,000.00
TULSA SAPULPA RAILWAY	20	Switches & Rail	\$ 92,172.11	\$ 40,000.00
TOTALS			<u>\$3,679,787.18</u>	<u>\$952,857.50</u>

- * \$276,000.00 earned credit taken over a three year period at \$ 92,000.00 per year.
- ** System Miles qualified this railroad for \$358,000 but was unable to fund that size project.

Oklahoma Film & Music Office

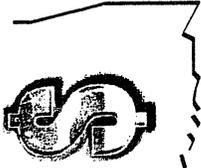
“Oklahoma Film Enhancement Rebate”



Wednesday, October 12, 2011

OklahomaFilm.org -- 800.766.FILM

Oklahoma



Incentives

The Oklahoma Film Enhancement Rebate

- As of July 1, 2009, up to 37% on Oklahoma expenditures to qualifying companies filming in the state
- Capped at \$5 million per year
- The rebate is extended to film, television and commercial productions. It is not transferable
- Company must have a minimum budget of \$50,000 and spend \$25,000 in Oklahoma
- The minimum budget requirement is cumulative

The 35-37% rebate cannot be used in conjunction with the POP tax exemption

Point of Purchase Tax Exemption

- Qualified productions do not pay sales tax on goods and services in Oklahoma

Tax Credit for Construction of Oklahoma Film & Music Facilities

- Tourism Development Act offers companies a construction tax credit of 10-25%. Minimum expenditures for a 10% credit lowered July 1, 2009 to \$100,000 for a music production facility and \$350,000 for a film production facility \$500,000 minimum remains for a 25% tax credit

History of the Rebate Program

2001-2004 Rebate Funding

- May 2001 15% rebate program initial seed money from legislature \$150,000.00
 - FY02 Legislative appropriation \$ 44,000.00
 - Assoc. of Central OK Govt. (ACOG) Funding (initial amount) \$ 70,000.00
 - Assoc. of Central OK Govt. (ACOG) Funding (final amount) \$115,187.50
- Total Amount Funded 2001-2004 \$379,187.50

2001-2004 Rebate Payouts

Four Films Totaling \$379,187.50

2004-2005 Rebate Fund Depleted

New Program Introduced:

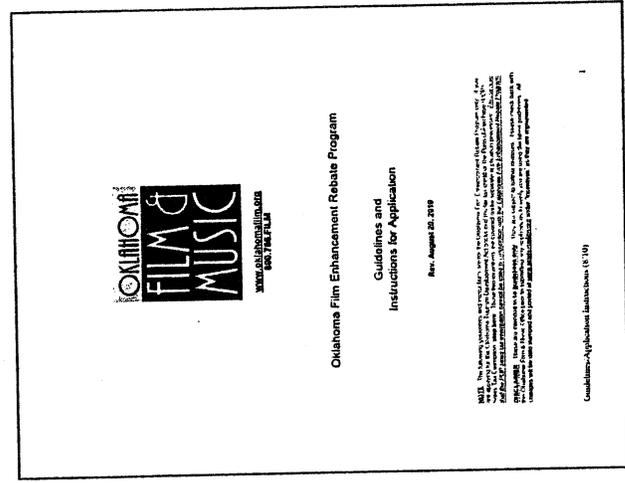
- 2005 15% rebate funded to \$5M per year with \$2M minimum spend
- 2006 \$2M budget minimum made cumulative for single company spend
- 2007 Minimum budget requirement lowered from \$2M to \$500,000
- 2008 Added additional 2% for use of Okla. music, music facilities, or musicians
- 2009 Rebate percentage increased to a base of 35% with minimum budget of \$50,000

Today

Seven films qualified for rebate monies in FY10; Five films in the queue for FY11, and six films in the queue for FY12

Oklahoma Film Enhancement Rebate: Guidelines and Instructions for Application

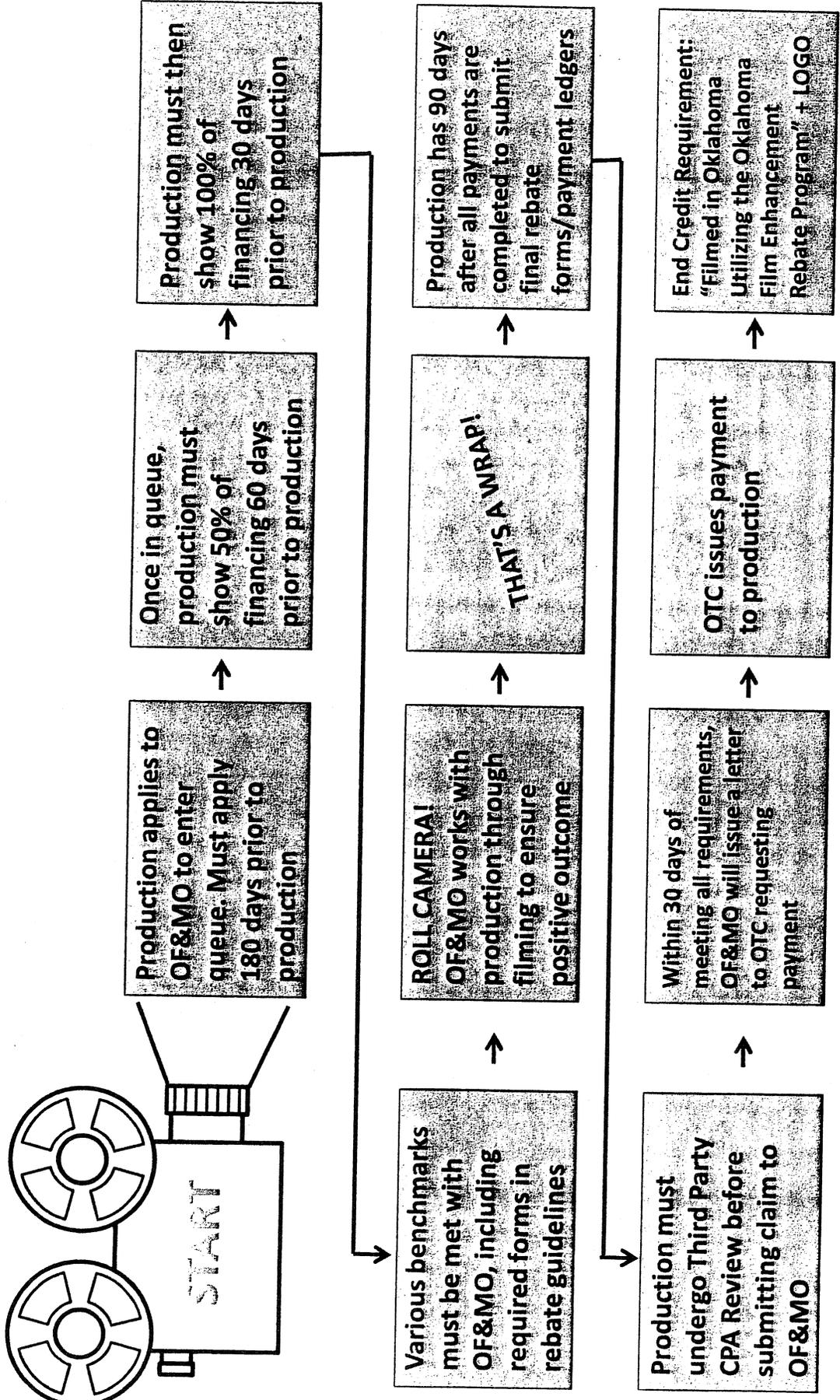
- In 2009, OF&MO created and implemented new guidelines for administering the Oklahoma Film Enhancement Rebate Program
- With the primary goal of adding another layer of fiscal responsibility and transparency to the program, the guidelines include a new Third Party Review requirement for all productions submitting final rebate applications, to be conducted in accordance with the standards established by the American Institute of Certified Public Accountants



Contents

SECTION 1. Eligibility Requirements..... Pg. 3
SECTION 2. Percentages of the Program 2A. Percentages and Cuts 2B. Qualifying Disbursements 2C. Third Party Final Rebate Review Requirement 2D. Budget Review and Payroll Timeline 2E. Budget Review and Payroll Timeline 2F. Budget Review and Payroll Timeline 2G. Credit Photography-Obstacles, Restrictions 2H. Special Date for the Oklahoma Film Enhancement Rebate Program SECTION 3. Pre-qualifying and Final Approval for the Rebate 3A. Required Documentation for Final Approval 3B. Required Documentation for Final Approval 3C. Required Documentation for Final Approval 3D. Requirements After Principal Photography SECTION 4. Required Forms Form A - Project Information Form B - Project Eligibility Form C - Project Budget Form D - Statement of Budget Form E - Budget Review Form F - Summary of Final Expenditures Form G - Certification of Final Expenditures Form H - Certification of Final Expenditures Form I - Final Rebate Application SECTION 5. Requesting Examples to Open Records Act..... Pg. 10 SECTION 6. Oklahoma Statutes..... Pg. 11 6A. Oklahoma Film Enhancement Rebate Program Statutes 6B. Oklahoma Statutes 6C. Oklahoma Statutes 6D. Oklahoma Statutes 6E. Oklahoma Statutes SECTION 7. Oklahoma Film & Music Office Administrative Rules..... Pg. 14 SECTION 8. Agreed Upon Procedures for Third Party Rebate Reviews..... Pg. 14	
Conditions-Application Instructions # 10)	

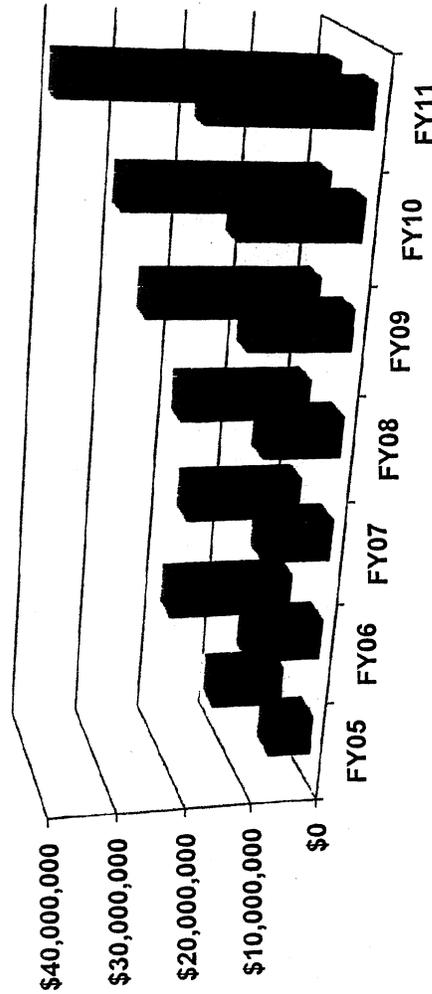
Rebate Claim Process



OKLAHOMA FILM & MUSIC OFFICE

FY05-FY10 Economic Impact

- 300% increase from FY05 to FY10
- 350% increase projected by FY11



■ Direct Dollars
■ Impact Dollars

Projected FY11 Totals:
\$20.7M in direct dollars
\$35.6M in impact

FY 2005 Totals:
\$6.5M in direct dollars
\$11M in impact

FY 2006
Feature Films: 8
Reality Shows: 1
Television Programs: 23
Docs/Industrials: 186
Commercials: 554
FY 2006 Totals:
772 productions
\$11M in direct dollars
\$18.92M in impact

FY 2007
Feature Films: 8
Reality Shows: 1
Television Programs: 21
Docs/Industrials: 191
Commercials: 302
FY 2007 Totals:
523 productions
\$10.1M in direct dollars
\$17.4M in impact

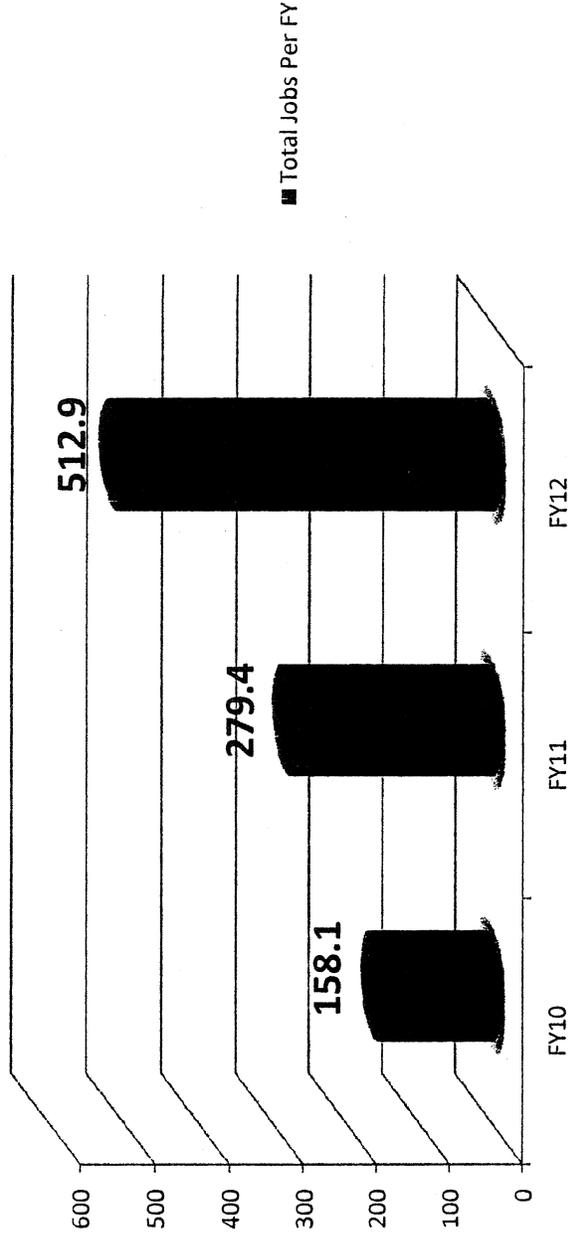
FY 2008
Feature Films: 8
Reality Shows: 2
Television Programs: 15
Docs/Industrials: 124
Commercials: 231
FY 2008 Totals:
379 productions
\$12.06M in direct dollars
\$20.74M in impact

FY 2009
Feature Films: 10
Live Television/I-MAG/
Industrials/New Media: 566
Recorded Television : 35
Documentaries: 9
Commercials: 969
FY 2009 Totals:
1,589 productions
\$14.9M in direct dollars
\$25.6M in impact

FY 2010
Feature Films: 15
Live Television/I-MAG/
Industrials/New Media: 540
Recorded Television: 55
Documentaries: 11
Commercials: 1192
FY 2010 Totals:
1,813 productions
\$17.7M in direct dollars
\$30M in impact

Jobs vs. Economic Impact

Total Jobs Created Due to Filming in Oklahoma



Source: Oklahoma City University's Meinders School of Business

Oklahoma Film Enhancement Rebate Applications

FY12 Rebate Queue

FISC YR	TITLE	EST. OK SPEND	PCTG	EST. PAYOUT
FY12	CHEROKEE WORD FOR WATER	\$1,582,568	37%	\$585,550
FY12	YELLOW	*\$11,200,000	37%	\$3,746,990
FY12	JUST CRAZY ENOUGH	\$175,000	35%	\$61,250
FY12	INTO THE GREAT WIDE OPEN	\$600,000	37%	\$288,235
FY12	HOME RUN	\$822,000	37%	\$304,140
FY12	SO THIS IS CHRISTMAS	\$706,800	35%	\$247,380

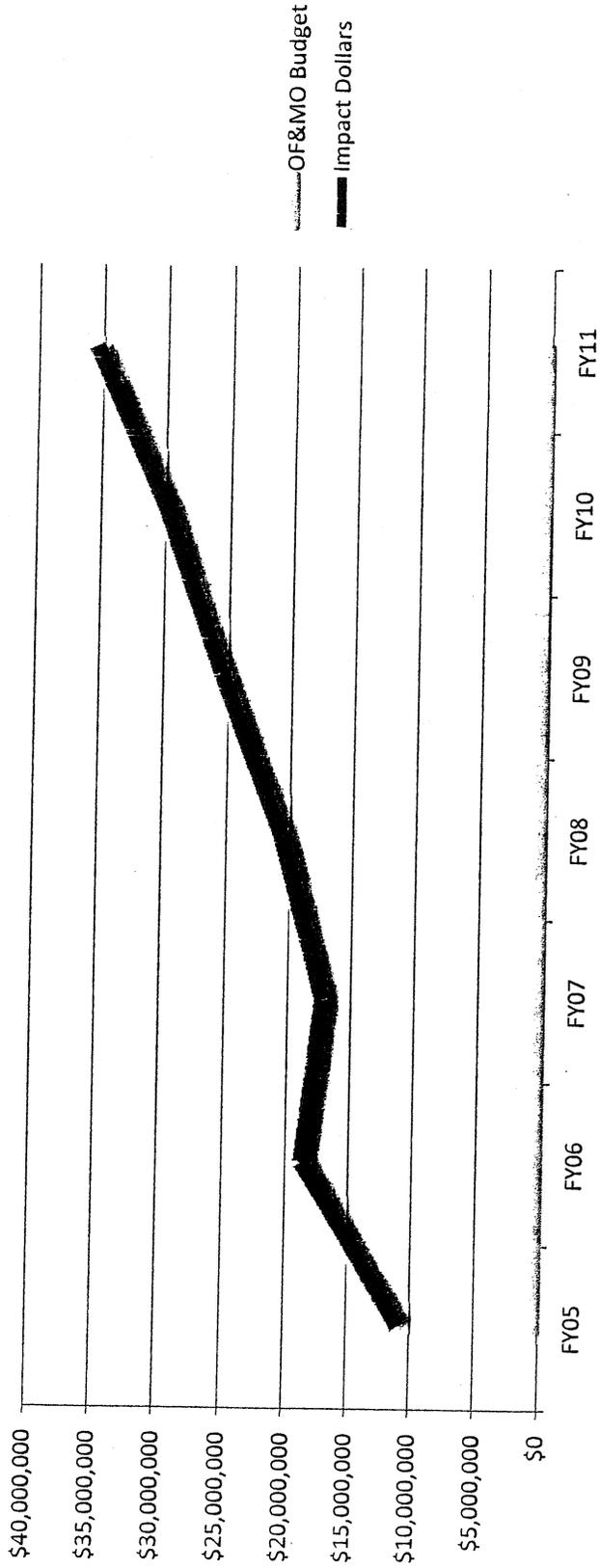
ESTIMATED TOTAL DIRECT OKLAHOMA SPEND \$15,086,368

OKLAHOMA FILM PRODUCTION MULTIPLIER 2.53

*Production spent \$1M more than anticipated

OF&MO Budget vs. Production Economic Impact

FY	OF&MO Budget	Production Impact Numbers
FY05	\$386,855	\$11,000,000
FY06	\$389,052	\$18,920,000
FY07	\$465,502	\$17,400,000
FY08	\$498,895	\$20,800,000
FY09	\$542,000	\$25,650,000
FY10	\$534,600	\$30,000,000
FY11	\$513,319	\$35,604,000



OKLAHOMA FILM & MUSIC OFFICE

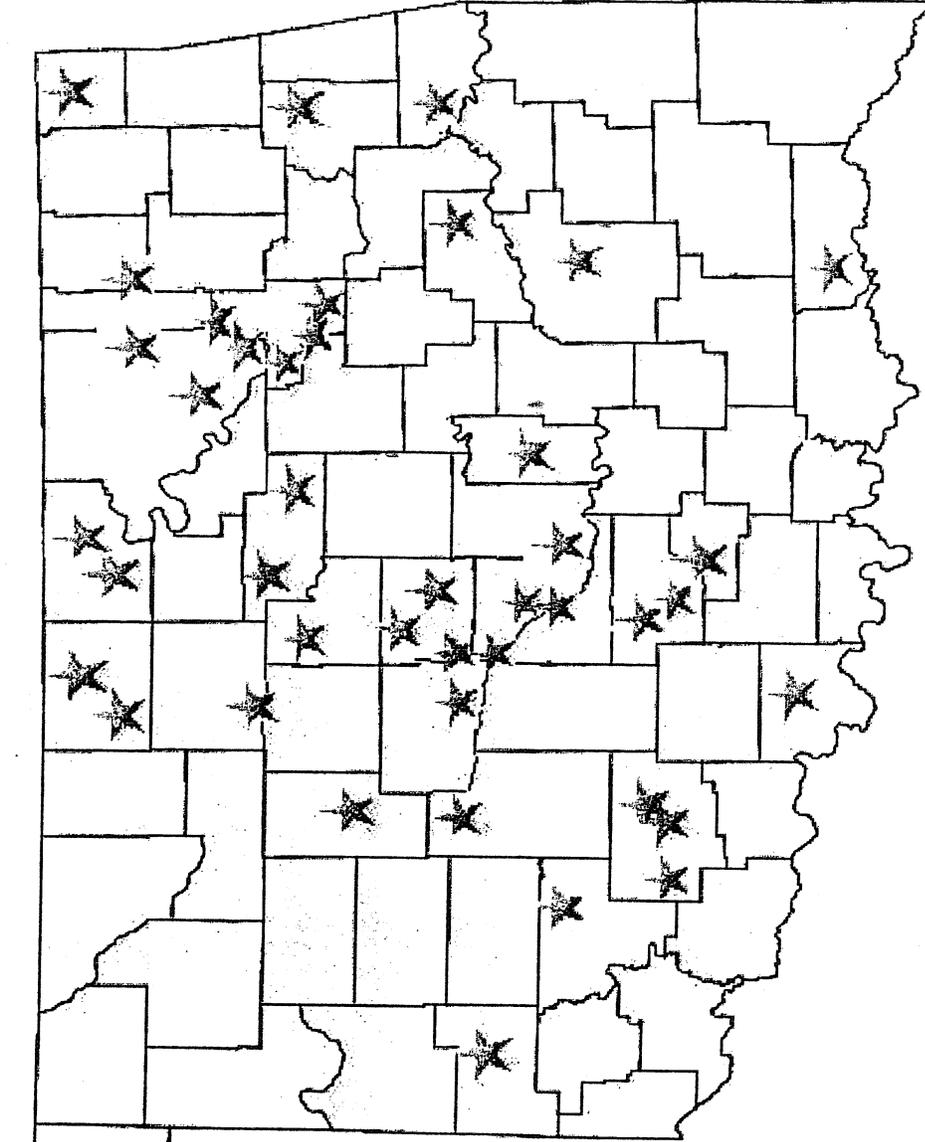
“The Statewide Impacts of the Oklahoma Motion Picture and Video Production Industry”

October 2011

By Oklahoma City University’s Meinders School of Business

- Production industry multiplier 1.46
- Production industry multiplier including film-related tourism 2.53
- Full-time Equivalent jobs created in FY10 by films using rebate* 158*

Oklahoma Film Locations

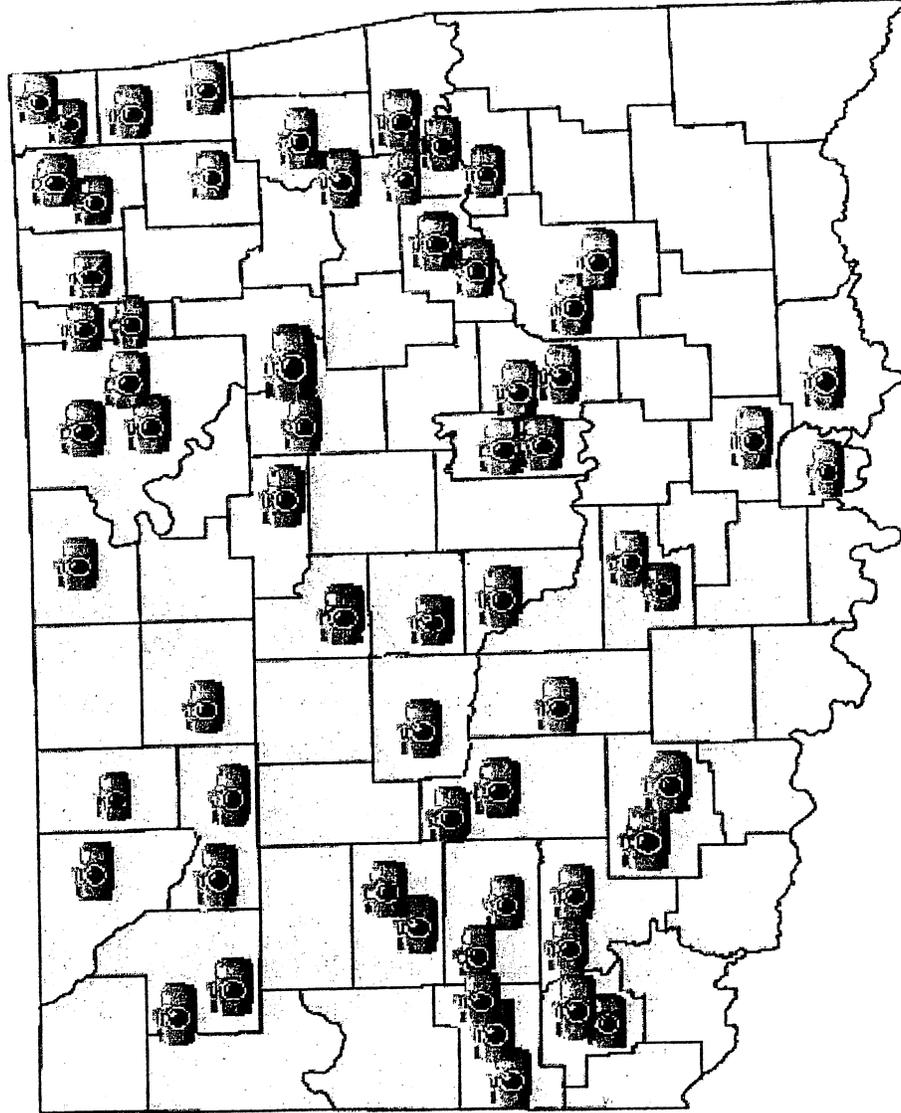


Locations:

- ✦ Oklahoma City
- ✦ Guthrie
- ✦ Norman
- ✦ Tahlequah
- ✦ Edmond
- ✦ Lawton
- ✦ Tulsa
- ✦ Stillwater
- ✦ Collinsville
- ✦ El Reno
- ✦ Ft. Sill
- ✦ Sayre
- ✦ Broken Arrow
- ✦ Waurika
- ✦ Bartlesville
- ✦ Arcadia
- ✦ Kingfisher
- ✦ White Eagle
- ✦ Seminole
- ✦ Mountain View
- ✦ McAlester
- ✦ Sand Springs
- ✦ Skiatook
- ✦ Pawhuska
- ✦ Hinton
- ✦ Ponca City
- ✦ Vian
- ✦ Enid
- ✦ Nash
- ✦ Checotah
- ✦ Davis
- ✦ Pauls Valley
- ✦ Holdenville
- ✦ Wewoka
- ✦ Cordell

✦ The stars indicate areas in Oklahoma where films have been shot

Recent Scouting Locations for Potential Projects



Locations:

- Cushing
 - Drumright
 - Sapulpa
 - Pawhuska
 - Bartlesville
 - Dewey
 - Nowata
 - Vinita
 - Welch
 - Fairland
 - Afton
 - Miami
 - Wyandotte
 - Grove
 - Locust Grove
 - Tahlequah
 - Fort Gibson
 - Holdenville
 - Wewoka
 - Seminole
 - Webbers Falls
 - Quartz Mtns Conference Center
 - Woolaroc Museum
 - Tall Grass Prairie Reserve
 - Great Salt Plains State Park
 - Wichita Mtns Wildlife Refuge
 - Glass Mountains
 - Fort Supply
 - Beaver Dunes State Park
 - Black Mesa State Park
- Vian
 - Eufaula
 - Krebs
 - Stuart
 - Porum
 - Kansas
 - Stigler
 - Alva
 - Ames
 - Guymon
 - Hardesty
 - Beaver
 - Woodward
 - Boise City
 - Ft. Sill
- Texola
 - Erick
 - Sayre
 - Elk City
 - Canute
 - Mangum
 - Quartz Mtns
 - Lone Wolf
 - Granite
 - Hobart
 - Cordell
 - Clinton
 - Weatherford
 - Custer City
 - Hydro
 - Calumet
 - Hinton
 - Chickasha
 - Pauls Valley
 - Wynnewood
 - Norman
 - Oklahoma City
 - Guthrie
 - Enid
 - Ponca City
 - Durant
 - Kingston
 - Tishomingo
 - Stroud
 - Lawton

- Camera icons indicate locations OF&MO has scouted recently
- For every scout, OF&MO contacts each area's Chamber of Commerce or CVB for assistance of some kind
- Rural and Urban areas equally attractive to filmmakers

OklahomaFilm.org -- 800.766.FILM

Case Study:

Sustainable Industry in Oklahoma, Not Having to Relocate

"I was planning to move my faith-based production company to Michigan until Oklahoma increased its rebate to 35% in 2009. Since then, our Tulsa-based company has produced two films in Oklahoma using the Oklahoma Film Enhancement Rebate Program, hiring primarily Oklahoma crew. Our films could not and would not have been made in Oklahoma without the rebate program."

Tracy Trost
Trost Moving Pictures, LLC

Case Study:

Immediate and Future Economic Impact for Private Businesses

“Owned and supported by Oklahoma City’s Green family, (Hobby Lobby and Mardel’s) EGM/Gray Hour is a state of the art editing and post production facility that will be able to retain permanent personnel and is positioned to create additional high paying tech jobs as a direct result of the Oklahoma Film Enhancement Rebate Program.”

**Dave Hanon
EthnoGraphic Media and Gray Hour, OKC**

Case Study:

Creating Jobs and Subsidizing Existing Jobs

"During the production of YELLOW, I was able to hire a trim carpenter from the Northeastern part of the state who had been out of work for a few months. By putting him to work on the production in Norman and Pauls Valley, he was able to work 60 and 70 hours per week for several weeks of the production earning good wages. He was able to save enough to buy a new truck which he needed to get to other carpentry jobs."

Stacey Witter, Witter Construction, OKC

"Most of us are not full time people and have several part time jobs to support our music, art, dance, acting. That is the way it has always been in Oklahoma. You have to leave the state if you want to work full time in these fields, unless you teach. With the help of OFMO, many people are given hope that they can actually have a career in their field with out leaving. If nothing else, it helps to supplement the income of many of us part timers. If OFMO continues to bring movie making to our state we have a better chance of working year round at our craft. When we have more money to spend, we spend more so everyone wins."

Margee Aycock, Actor and Musician, Tulsa

Case Study:

Filming Impact of Communities Around Oklahoma

“For Fiscal Year 11, lodging was up 27% over Fiscal Year 10 in Bartlesville. While perhaps not all of this was due to the Terrence Malick film, the production had a significant impact on the numbers.”

Maria Swindell Gus
The Bartlesville Convention and Visitors Bureau

“The Task Force needs to know how important some of these incentives programs are to our state and how the Terrence Malick film had a great impact on our little city. Not only did it bring attention, it also brought commerce. Our city was booming for almost a month just from that one shoot. The coffee shop, restaurants, gas stations, convenience stores and other little shops were busy. The crews would come back on the weekend to visit and shop. The production compensated all the downtown businesses and made contributions to the churches and sponsored the Christmas Parade of Lights in 2010. Two commercials were shot in Pawhuska because of the Malick film.”

Mike McCartney
Pawhuska Chamber of Commerce

Net Win for Oklahoma

Creating an Industry and Diversifying Oklahoma's Economy

- **Rural = Urban.** Film and television production is an equal-opportunity economic developer with just as much interest in smaller or rural communities as urban centers
- **Creates Jobs.** Its newly created quality jobs help retain Oklahoma's young creative class
- **Attracts and Retains.** These jobs help attract expatriate talent back to the state
- **Green Industry.** Production is an environmentally friendly industry; department heads adhere to specific environmental standards
- **Increases Tourism.** Attracts visitors to filming sites in the state

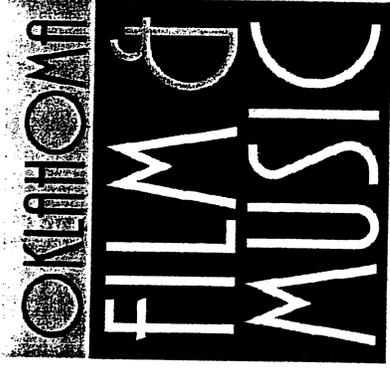
Awareness

- **Shapes Perception.** The film and television industries enhance and modernize the perception of our state
- **Advances Image.** These industries foster awareness of our state's beauty and culture
- **Increases Reach.** Celebrities in Oklahoma create earned media opportunities



Five Reasons Not to Repeal the Oklahoma Film Enhancement Rebate Program

Also known as the Compete with Canada Act



Oklahoma Film Industry Overview

Oklahoma's return on investment in film incentives is 3 to 1. In FY12, \$5 million invested in 6 films will return \$15 million* in direct dollars to Oklahoma's economy.

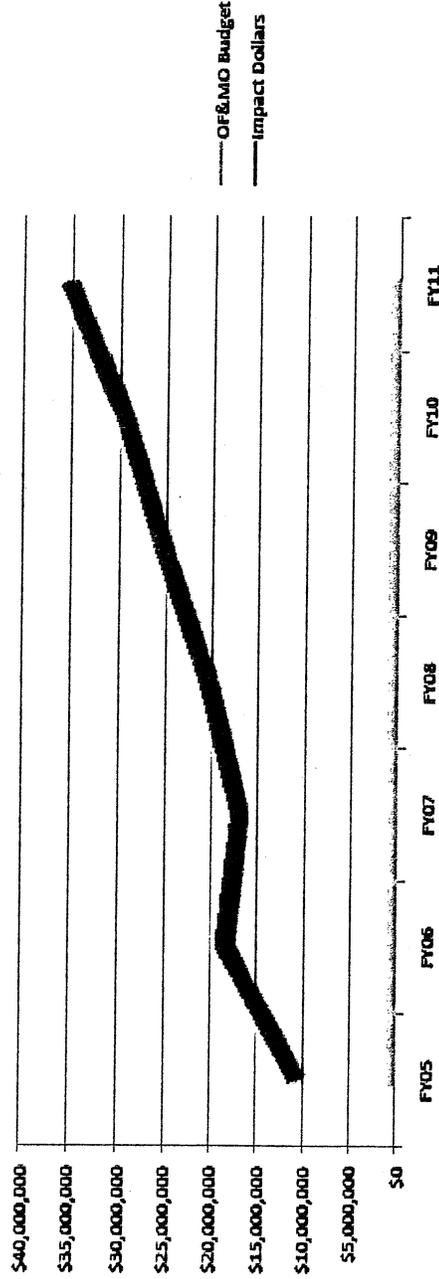
*Based on rebate applications in process.

An October 2011 OCU Meinders School of Business report, "*The Statewide Impacts of the Oklahoma Motion Picture and Video Production Industry*", cites a multiplier of 2.53 to determine economic impact for Oklahoma film production and film related tourism. The multiplier increases production impact for the six films utilizing the rebate in FY12 to \$38 million. That figure does not include commercials, industrials, reality shows or other productions that are not utilizing the rebate.

OKLAHOMA FILM & MUSIC OFFICE

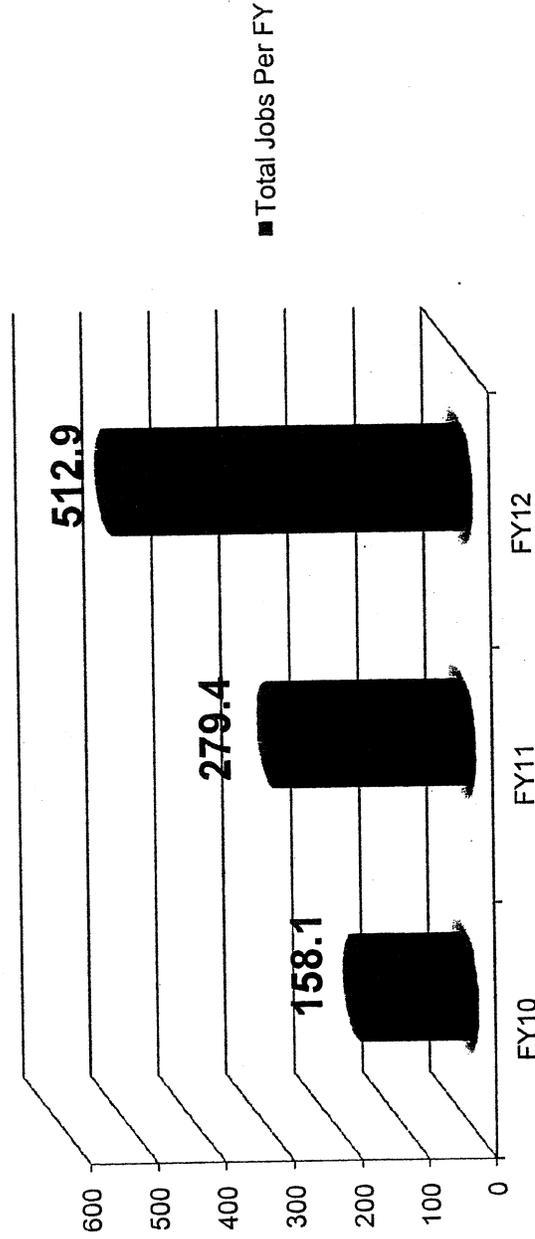
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FY11	\$513,319	\$35,690,000



Reason #1: Jobs vs. Economic Impact

Total Jobs Created Due to Filming in
Oklahoma



Source: Oklahoma City University's Meinders School of Business

- While Oklahoma's film industry is still in its infancy and has yet to create permanent, full-time jobs, it is creating a series of temporary jobs that are portable – similar to jobs in construction and oil and gas.

- Film locations are spread across the state; the jobs move with the productions, which benefits even our smallest communities at a time when many are experiencing economic challenges.

- The State is not required to frontload the film industry by footing the bill for workforce training and infrastructure. Both are created as production companies infuse new money into our economy.

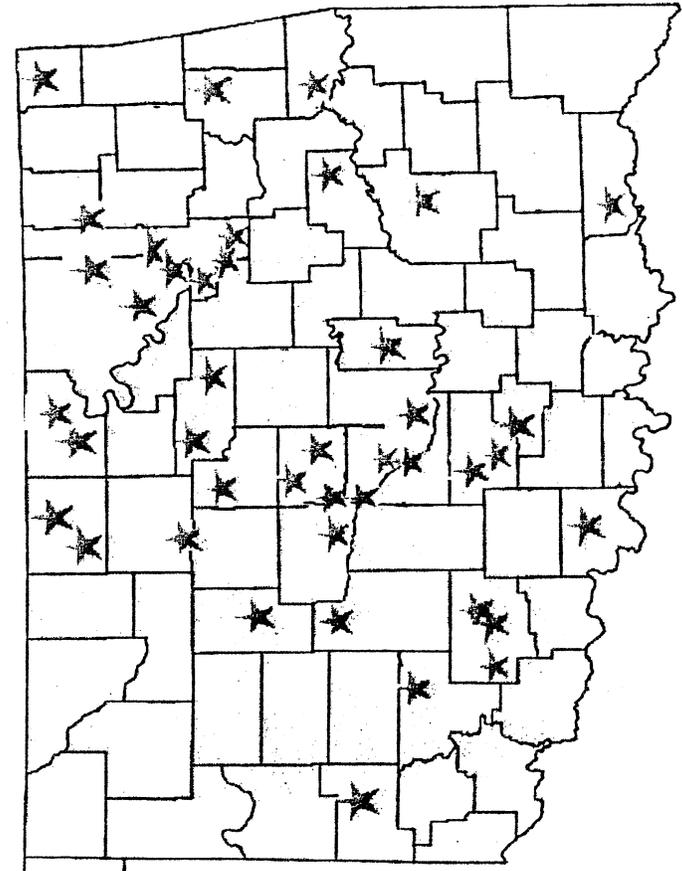
Reason #2: Impact on Local Economies

- In 2011 alone, films have been shot in Stillwater, Pauls Valley, Tulsa, Guthrie, Pawnee, Oklahoma City, Norman, McAlester, Perry, Okmulgee, Bartlesville, Dewey and the Tall Grass Prairie Preserve in Osage County.
- The “Cherokee Word for Water” crew is currently filming in Tahlequah, Stilwell, Bell and various locations in Adair County.
- “The Task Force needs to know how important some of these incentives programs are to our state and how the Terrence Malick film had a great impact on our little city. Not only did it bring attention, it also brought commerce. Our city was booming for almost a month just from that one shoot. The coffee shop, restaurants, gas stations, convenience stores and other little shops were busy. The production compensated all downtown businesses and made contributions to the churches and Christmas Parade. Two commercials were shot in Pawhuska because of the Malick film.”

- Mike McCartney, The Pawhuska Chamber of Commerce

OKLAHOMA FILM & MUSIC OFFICE

Oklahoma Film Locations



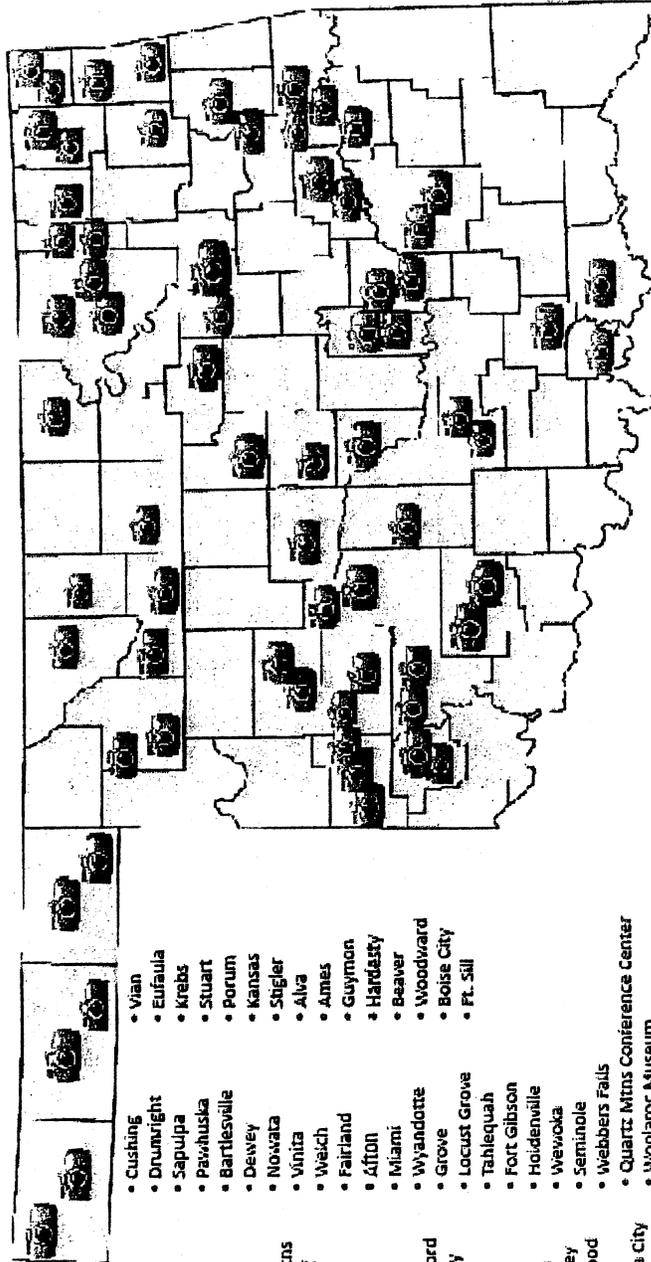
Locations:

- x Oklahoma City
- x Guthrie
- x Norman
- x Tahlequah
- x Edmond
- x Lawton
- x Tulsa
- x Stillwater
- x Collinsville
- x El Reno
- x Ft. Sill
- x Sayre
- x Broken Arrow
- x Waurika
- x Bartlesville
- x Arcadia
- x Kingfisher
- x White Eagle
- x Seminole
- x Mountain View
- x McAlester
- x Sand Springs
- x Skiatook
- x Pawhuska
- x Hinton
- x Ponca City
- x Vian
- x Enid
- x Nash
- x Checotah
- x Davis
- x Pauls Valley
- x Holdenville
- x Wewoka
- x Cordell

x The stars indicate areas in Oklahoma where films have been shot

OKLAHOMA FILM & MUSIC OFFICE

Recent Scouting Locations for Potential Projects



Locations:

- Texola
- Erick
- Sayre
- Elk City
- Canute
- Mangum
- Quartz Mtns
- Lone Wolf
- Granite
- Hobart
- Cordell
- Clinton
- Weatherford
- Custer City
- Hydro
- Calumet
- Hinton
- Chickasha
- Pauls Valley
- Wynnewood
- Norman
- Oklahoma City
- Guthrie
- Enid
- Ponca City
- Durant
- Kingston
- Tishomingo
- Stroud
- Lawton
- Vian
- Eufaula
- Krebs
- Stuart
- Porum
- Kansas
- Stigler
- Alva
- Ames
- Guyton
- Hardisty
- Beaver
- Woodward
- Boise City
- Ft. Sill
- Cushing
- Drumright
- Sapulpa
- Pawhuska
- Bartlesville
- Dewey
- Nowata
- Vinita
- Weich
- Fairland
- Afton
- Miami
- Wyandotte
- Grove
- Locust Grove
- Tahlequah
- Fort Gibson
- Hoidenville
- Wewoka
- Seminole
- Webbers Falls
- Quartz Mtns Conference Center
- Woolaroc Museum
- Tall Grass Prairie Reserve
- Great Salt Plains State Park
- Wichita Mtns Wildlife Refuge
- Glass Mountains
- Fort Supply
- Beaver Dunes State Park
- Black Mesa State Park

- Camera icons indicate locations OF&MO has scouted recently
- For every scout, OF&MO contacts each area's Chamber of Commerce or CVB for assistance of some kind
- Rural and Urban areas equally attractive to filmmakers

OklahomaFilm.org -- 800.766.FILM

Reason #3: Diversification of Oklahoma's Economy

Oklahoma has weathered the recent economic downturn better than most states because of three major factors: state real estate prices weren't overinflated, conservative banking practices and industrial diversification. *The film industry is a very small part of that diversification, but it's growing.*

“Filmmaking is a multibillion-dollar industry. And the greatest thing about it is that so much of it is done by people who don't take up permanent space and aren't necessarily feeding off your infrastructure.”

-- Chad Burris, founder of Indion Entertainment Group, a finance company that works with film; "Film Industry Scouting Tulsa For New Projects," TulsaBusiness.com, April 25, 2011

Reason #4: Entrepreneurship & Industry Development

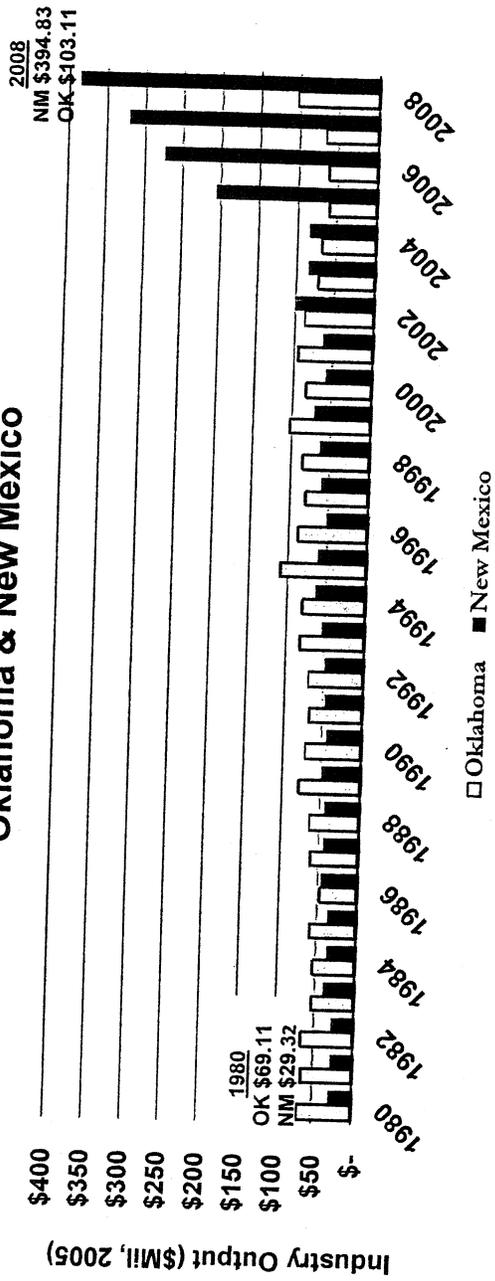
EXAMPLES

- **EthnoGraphic Media** – owned by the Green family (Hobby Lobby & Mardel's) EGM is a state of the art editing and post production facility. It is an example of a privately owned industry facility that will retain permanent personnel and is positioned to create additional high paying tech jobs.
- **Trost Moving Pictures** – is a Tulsa-based production company specializing in direct to DVD faith-based films. Tracy Trost was planning to move his company to Michigan until Oklahoma raised its incentive to 35%. The crews are primarily Oklahomans.
- **Stacey Witter & Associates** – Stacey is a builder who has constructed hundreds of homes and restaurants in the state. YELLOW was his first film as a construction coordinator.

Reason #5: Eliminating or Cutting Incentives Will Gut the Oklahoma Film Industry

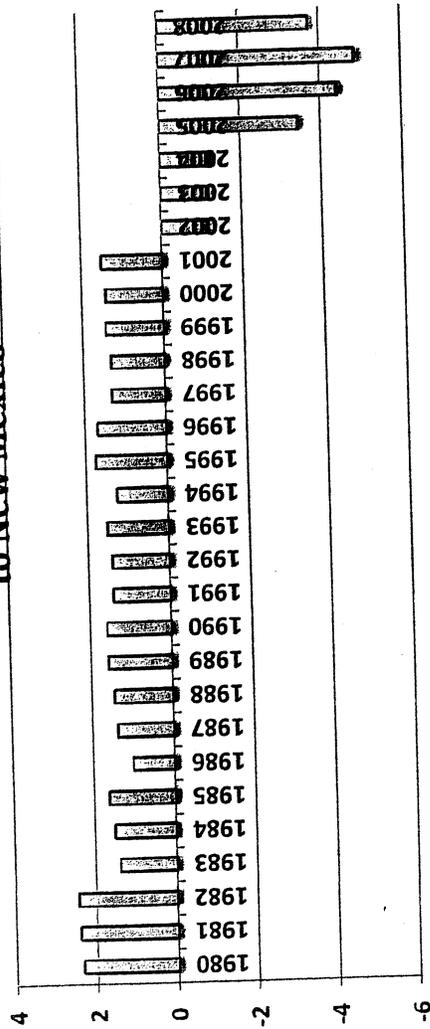
Prior to the implementation of New Mexico's incentives program in 2002, Oklahoma had a larger film industry. NM is now outpacing us. Film Production is business. Productions will not come to our state if we reduce or eliminate our program. They will go where they get the best deal.

Figure 2: Real Film Industry Production Oklahoma & New Mexico



Source: Bureau of Economic Analysis

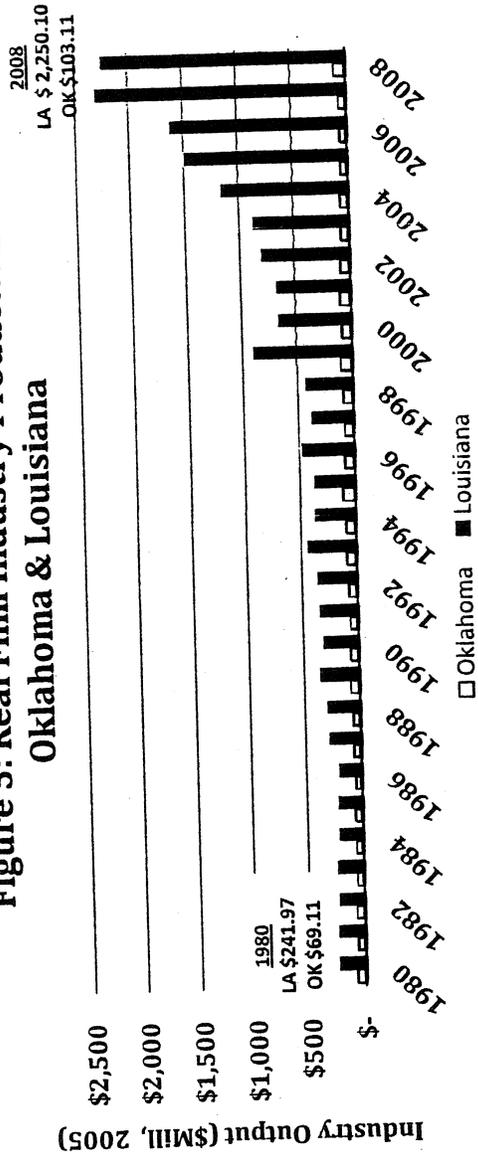
Figure 4: Size of Oklahoma Film Industry Relative to New Mexico



Source: Bureau of Economic Analysis;
Bureau of Labor Statistics

Similarly Louisiana's film industry has seen tremendous growth with the expansion of their incentives program. Incentives equal business.

Figure 5: Real Film Industry Production Oklahoma & Louisiana



Source: Bureau of Economic Analysis;
Bureau of Labor Statistics

Perfect Examples: When the coffers are empty, films go to other states

Production for Oklahoma City Thunder star Kevin Durant's upcoming movie has been moved out of Oklahoma because Oklahoma has run out of tax incentive money for filmmakers for the year.

"...by losing the... project, both Oklahoma City's economy and its growing status as a bustling city on the rise, has been dealt a blow."

-- "Kevin Durant film will be shot in Baton Rouge, not OKC," *The Oklahoman*, August 28, 2011

"Kevin Durant and his new movie will shoot in Baton Rouge, Louisiana and the economic growth for that community continues to grow by leaps and bounds every year. Will Oklahoma ever figure it out?"

-- "Oklahoma City Loses Kevin Durant's Movie Production Due to Lack of Incentives," *Oklahoma City Thunder Examiner*, September 2, 2011



Perfect Examples: When the coffers are empty, films go to other countries

OF&MO researched and scouted extensively June – September 2011 for the Dreamworks feature, *Robopocalypse* to be directed by Steve Spielberg. It is set in futuristic Oklahoma. At that time, Dreamworks was not concerned with incentives, perhaps because Mr. Spielberg owns the company.

In September, Fox Studios came in as a financial partner on the project with Dreamworks and within 24 hours, the film was relocated to Canada based on incentives.



Conclusions

- Abandoning the Oklahoma Film Enhancement Rebate Program equates to ceding established Oklahoma jobs and industry to neighboring states and countries.
- Retaining the Oklahoma Film Enhancement Rebate Program equates to growing an industry in its infancy and creating portable jobs that move around the state boosting state and local economies.



Oklahoma Film Enhancement Rebate Program

[68 O.S. §§ 3621 – 3626]

The *Compete with Canada Act* (68 O.S. § 3621 et seq.) governs the Oklahoma Film Enhancement Rebate Program. The Office of Oklahoma Film and Music Commission is authorized to approve claims for rebates based on documented expenditures that are directly attributable to the production of a film, television production or television series in Oklahoma. The rebate is generally capped at thirty-five percent (35%) of eligible expenditures, although this percentage can increase to thirty-seven percent (37%) for certain music productions. Further, the maximum amount of rebates eligible to be paid in any one fiscal year is Five Million Dollars (\$5,000,000).

- The rebate is extended to film, television and commercial productions.
- The company must have a minimum budget of \$50,000 and spend \$25,000 in Oklahoma.
- The company must provide proof of complete financing prior to commencement of principal photography. If the film is not bonded, no rebate money will be released until evidence is provided that all Oklahoma crew and vendors have been paid, along with evidence that there are no liens against any production company in the state of Oklahoma.
- General liability insurance with minimum coverage of \$1 million, and workers' compensation policy pursuant to state law are required.

The Oklahoma Tax Commission does not review, audit or approve claims for the film rebate. Upon notification of approval from the Office of the Film and Music Commission, the Tax Commission issues payment for all approved claims from funds in the Oklahoma Film Enhancement Rebate Program Revolving Fund

Senate Bill 318 (emerg. eff. July 1, 2009), amending Section 3624, provided that no claim for rebate for expenditures made on or after July 1, 2009, shall be paid prior to July 1, 2010. As a result, in FY10, \$617,701 in film rebates were approved, but not paid until FY11.

In FY11, a total of \$2,681,535 in film rebates was paid (\$617,701 from FY10 and \$2,063,834 from FY11). The Office of the Film and Music Commission pre-qualified \$5,238,048 in FY12 rebate monies before the fiscal year even began. They expect \$238,048 in FY12 rebate overages to be paid from FY13 funds as of July 1, 2012.

Film and Music Profit Reinvestment Credit

68 O.S. §2357.101

The Film and Music Profit Reinvestment Credit is a nonrefundable income tax credit of twenty-five percent (25%) of the profit from the investment in an existing film for a production company that reinvests to pay for production costs for a new film.

Tax Year	# of Returns Filed	Credits Claimed	Credits Used
2007	8	\$40,947	\$24,714
2008	11	\$38,895	\$25,152
2009	17	\$60,487	\$27,250

Tourism Promotion Credit
[68 O.S. §§ 2357.34 – 2357.40]

The Oklahoma Tourism Development Act provides for income or sales tax credits to investors constructing tourism film or music production facilities in the state.

On the construction of music production facilities, investors can receive:

- 10% state income tax credit on a construction project with a minimum expenditure of \$100,000
- 25% state income tax credit for projects with a minimum expenditure of over \$1 million

On the construction of film production facilities, investors can receive:

- 10% state income tax credit on a construction project with a minimum expenditure of \$350,000
- 25% state income tax credit on a construction project with a minimum expenditure of \$1 million.

Credit cannot exceed Oklahoma taxpayer's liability. Credit is non-assignable and non-transferable.

The 2009 – 2010 Tax Expenditure Report indicates no Tourism Promotion Credits were claimed.

Motion Picture and Television Production Companies Sales Tax Exemption
[68 O.S. § 1357(23)]

A point of purchase tax exemption is allowed to qualified productions on sales taxes paid for property or services to be used in productions. There is no minimum budget or expenditure requirement to take advantage of this incentive

This sales tax exemption cannot be used in conjunction with the 35-37% Oklahoma Film Enhancement Rebate Program.

The amount of exempt state sales tax for FY 11 was \$42,435.

**Credit for Eligible Taxpayer's Qualified Railroad Reconstruction
or Replacement Expenditures**
68 O.S. §2357.104

The Credit for Qualified Railroad Reconstruction or Replacement Expenditures is a nonrefundable income tax credit equal to fifty percent (50%) of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures. The amount of the credit is limited to the product of Six Thousand Dollars (\$6,000.00) and the number of miles of railroad track owned or leased within this state by the eligible taxpayer as of the close of the taxable year provided the taxpayer may only claim one third (1/3) of the credit in any one taxable period.. The credit may be carried over for five (5) succeeding taxable years. This credit is transferable.

- An "eligible taxpayer" means any Class II or Class III railroad.
- A "Class II and Class III railroad" means a railroad that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.
- "Qualified railroad reconstruction or replacement expenditures" means expenditures for:
 - Reconstruction or replacement of railroad infrastructure including track, roadbed, bridges, industrial leads and track-related structures owned or leased by a Class II or Class III railroad as of January 1, 2006, or
 - New construction of industrial leads, switches, spurs and sidings and extensions of existing sidings by a Class II or Class III railroad.

Tax Year	# of Returns Filed	Credits Claimed	Credits Used
2007	4	\$373,618	\$90,853
2008	6	\$407,902	\$389,745
2009	21	\$1,322,660	\$806,200



Oklahoma City University

Steven C. Agee
Economic Research & Policy Institute

The Statewide Impacts of the Oklahoma Motion
Picture and Video Production Industry

October 7, 2011

Economic Research & Policy Institute
Oklahoma City University
2501 N. Blackwelder
Oklahoma City, OK 73106

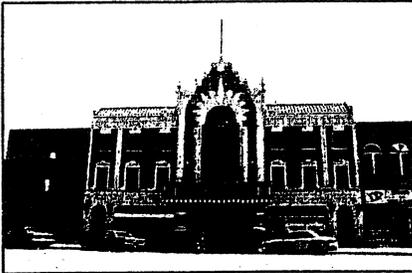
Executive Summary

The state of Oklahoma was the first state to create a film incentive program aimed at attracting production to the state. However, the first program included no funding and was largely ineffective as other states quickly followed suit, but with funded programs. Current rebate levels are competitive, however, with funding limited to \$5 million, the state still lacks the competitive package necessary to attract significant quantities and sizes of film projects. This study presents the estimated economic impacts of the film rebate program and to some extent, the Oklahoma film industry.

- The Oklahoma Film Enhancement Rebate Program was updated in 2005 to provide a 15% rebate on most local production expenditures with a cap of \$5 million in total reimbursements. As a result, the Oklahoma Motion Picture and Sound Recording Industry (NAICS 51211) began recovering previous levels of production such that in 2008, the industry produced \$103 million (chained 2005 dollars) worth of direct output up from its low of \$60 million in 2005 (the industry low since 1987).
- The rebate program was updated again in 2009 increasing the direct rebate to 35% - 37% with the use of Oklahoma musicians. In 2010, seven projects participated in the rebate program spending more than \$4.6 million within the state. These productions received \$1,051,048 in rebates yielding an effective rebate percentage of 22.4%. The low rebate percentage resulted from the lack of significant organic industry resources.
- The \$4.6 million in direct expenditure from participating projects yielded statewide economic impacts of nearly \$11.8 million supporting 157 full-time equivalent jobs. These impacts stemmed from the production activity and film-related tourism that occurs post release. The production multiplier for the industry is 1.46 indicating that every \$1 of industry expenditure yields \$1.46 in economic impacts. With the increase in film-related tourism, this multiplier may be as high as 2.53.

I. Introduction

The Oklahoma Film Industry has a storied tradition of involvement with motion picture production. From the early years when "The Grapes of Wrath" recreated the John Steinbeck narrative of "Okies" leaving the embittered dust bowl ravaged land to the 1992 production of "Far and Away" describing the joy of the great land runs which gave migrants their claim to the title Okies, the film industry has used the state narrative as inspiration.



Wild West was filmed in Ponca City in 1925. Other films include Alien Zone (1978), Twister (1996) and Barking Water (2008).

The use of Oklahoma as narrative for the film industry is only a minor piece of the relationship between the state and film. Many Okies may not know that some of their favorite motion pictures throughout the years were filmed in their own back yard. In 1925, the silent western "Wild West" thrilled the residents of Ponca City at the 101 Ranch. The mid-twentieth

century saw a variety of films using Oklahoma as backdrop, including "Tulsa" (1941), "Around the World in Eighty Days" (1956) and "Stark Fear" (1961). The latter half of the twentieth century saw a dramatic increase in filming activity in the state. In the 1970s, legendary films such as "Dillinger" (1973) and "Where the Red Fern Grows" (1974) found a home in Oklahoma. "Dillinger" was filmed in multiple locations including Enid and Oklahoma City while "Where the Red Fern Grows" was primarily shot in Tahlequah. The '80s culminated with the Academy Award winning drama "Rain Man" (1988).



Guthrie has become a favorite of movie directors. Films shot here include: Rainman (1988), Twister (1996), The Hunt (2005), Fingerprints (2006), Rainbow Around the Sun (2006), The Killer Inside Me (2009) and Bringing Up Bobby (2010).

Residents of Guthrie saw a mini-film boom as the Tom Cruise film was followed eight short years later by the thriller "Twister" (1996).

When film and video production comes to town, local expenditure follows. Production companies bring many workers who spend their dollars at local hotels, restaurants and hardware stores. They also hire local talent and production workers.

In regional economic parlance, this type of expenditure is called export expenditure because the ultimate purchasers of the goods and services aren't local. Since Hoyt (1941) and Isard (1960), it has been recognized that local production for export (export production) provides a base of economic activity from which other producers build. From the local gas station to the video and audio production businesses, dollars are circulated throughout the local economy. Local support industries such as retail, food and restaurant, and hospitality services require vibrant export industries to thrive. Local film and video production offers an important component of the economic base necessary to maintain these other local industries.

This study seeks to assess the value of the base of film and video production within the state of Oklahoma. A secondary focus of the study is the impact of the Oklahoma Film Enhancement Rebate Program. Industry and rebate program history are discussed in Section 2, a brief overview of the methodology used in this report is given in Section 3, a discussion of the relationship between the film industry and state tourism is discussed in section 4, results of the study are reported in Section 5, and summary conclusions are given in Section 6.

II. Background

In the 1990s, the United States saw a great deal of film production moving to Canada. Favorable exchange rates coupled with Canadian tax incentives designed to lure productions prompted US studios to send feature film and television series production across the border. Before long, other countries were following suit and America's century-long stronghold on production looked to become a thing of the past.

From 1999-2003, three states, Oklahoma, New Mexico and Louisiana, passed legislation to keep production in the US by incentivizing film and television production on a statewide basis. In 2001, Oklahoma passed the Compete with Canada Film Act¹. This program made it legal to provide a cash back rebate to films meeting certain requirements, including in-state spending requirements. The new law was regulatory but the mandate remained unfunded and the program did not take off as intended.

In 2002, New Mexico used the Oklahoma legislation as a template for a similar program. In the first year, two companies applied for credits in New Mexico. Since 2003, productions have spent \$1.2 billion dollars in New Mexico, and in return, the state has processed \$223.9 million in tax credits.² An economic impact study performed in New Mexico in 2008 using the IMPLAN model and based on the most comprehensive data available at that time (2006) showed an initial spending of \$152.78 million and found the total impact of that spending to result in an increase in state product of \$344.8 million.³

In 2005 the Oklahoma Legislature provided \$5 million per annum to fund the cash back rebate program to attract film and video production. The Oklahoma Film Enhancement Rebate (OFER) program provided a direct 15% rebate for expenditures on Oklahoma goods and services, wages and fees to incentivize increased film production within the state and the development of the local industry including local talent, production crews, equipment providers and other related services. By that time, however, more than 35 states were offering film incentives. Further, film programs in

¹ It was called the "Compete with Canada Film Act" due to the large numbers of projects that were leaving the

² <http://www.bizjournals.com/albuquerque/print-edition/2010/12/03/Debate-over-NM-film-incentives-heats-up.html>

³ www.nmlegis.gov/lcs/lfc/.../film%20credit%20study%20TP&JP_08.pdf

both New Mexico and Louisiana had become so successful that local infrastructure flourished in both states. With strong and proven tax incentive programs, new sound stages, deepening crew bases, equipment houses, and other film support service companies, both states quickly became production hubs. Sandwiched between these two states and their rapidly developing film economies, Oklahoma was at a disadvantage in spite of its 15% rebate given that it had neither the industry infrastructure nor the deep crew base required to obtain the full value of the rebate.

Slowly but surely, with the few feature films being recruited to Oklahoma using the 15% rebate and a strong statewide economy, the local freelance community began to see somewhat steadier employment, while developing their skills on projects that utilized the rebate. From FY05 to FY10, state production revenues increased from \$6.5 million in direct spend (FY05) to \$17 million (FY10)⁴.

In 2009, the state took the program one step further by increasing the rebate to 35%, with an additional 2% available to incentivize the use of music by Oklahoma musicians in film, bringing the rebate up to a competitive 37%. In response, feature film production increased from eight feature films in FY07 to 15 feature films in FY10. At present, the program remains capped at \$5 million in payments per fiscal year (July 1-June 30).

While Oklahoma is catching up to New Mexico and Louisiana in the incentives offered, a disadvantage remains given the lost time to develop the necessary industry infrastructure. Nearly every state provides incentives to attract film and video production activity. After Oklahoma was the first state in the nation to provide legislative incentives in 2001, most states in the U.S. soon followed. By July of 2009, 47 states, including the District of Columbia, had some level of incentives available to attract film and/or video production. Indeed, each of the six states that surround Oklahoma has targeted incentive programs.

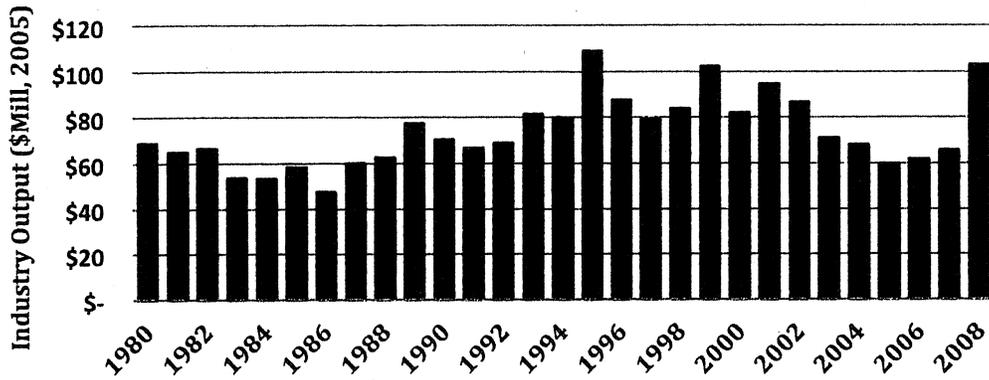
Real industry output⁵ steadily increased in Oklahoma from the early 1960s and reached its peak in 1995 (Figure 1). In the early 2000s, this trend reversed leading Governor Keating to sign the initial rebate legislation in 2001. However, that initial

⁴ Source: Oklahoma Film & Music Office

⁵ Real Industry Output is defined as the total value of all goods and services produced by the industry per annum in constant year dollars.

unfunded legislation wasn't enough to stem the longer-term trend as the industry continued to decline

**Figure 1: Real Oklahoma Film Industry Production
1980 - 2008**

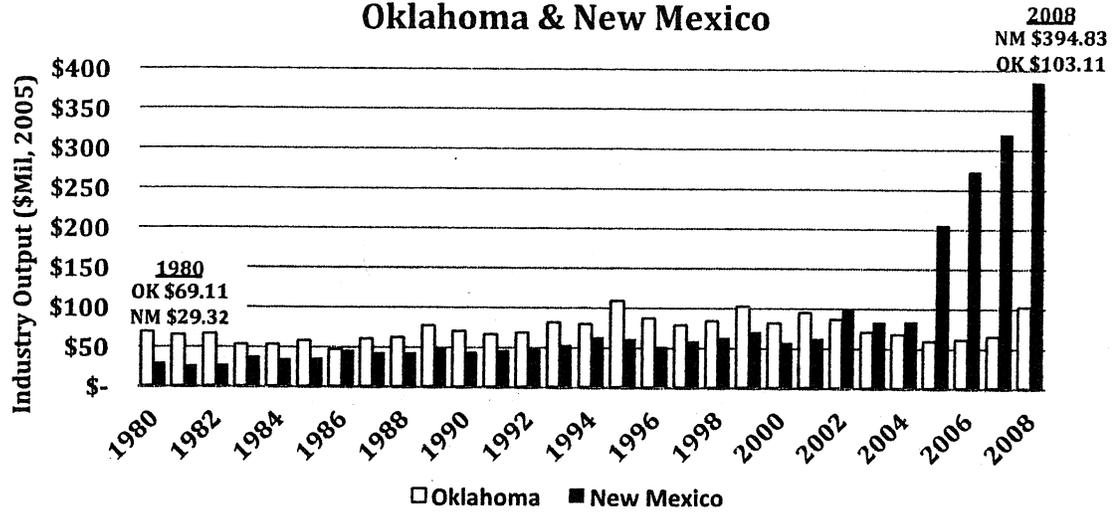


Source: Bureau of Economic Analysis, NAICS 51211- Motion Picture and Sound Recording

Most states now have incentive programs, with varying levels of success at attracting significant industry activity. In the central U.S., the two programs that are the most successful in increasing their industry base and attracting new production are New Mexico and Louisiana due in large part to their aggressive industry courting in the early part of the this century. While Oklahoma was the first to pass incentive legislation, without funding, producers took their work to other states to take advantage of their attractive incentives. Figure 2 compares the film industries in Oklahoma and New Mexico. The Oklahoma film industry outpaced the New Mexico industry until the passage of the New Mexico incentive legislation in 2002. Since that time, the Oklahoma industry has stagnated while the same industry in New Mexico has flourished. The New Mexico industry is now nearly four times as large as the Oklahoma industry with annual production of \$384.83 million to Oklahoma's \$103.11 million.⁶

⁶ Source: U.S. Bureau of Economic Analysis

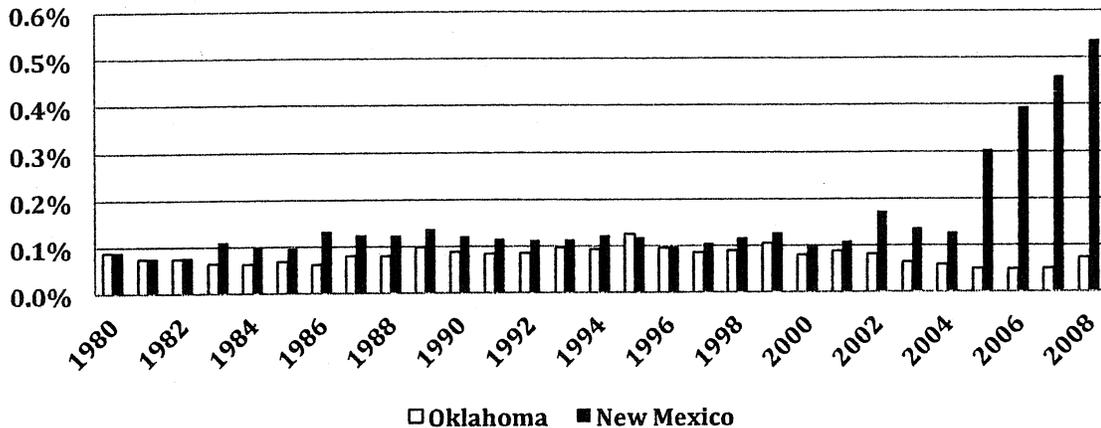
**Figure 2: Real Film Industry Production
Oklahoma & New Mexico**



Source: Bureau of Economic Analysis, NAICS 51211- Motion Picture and Sound Recording

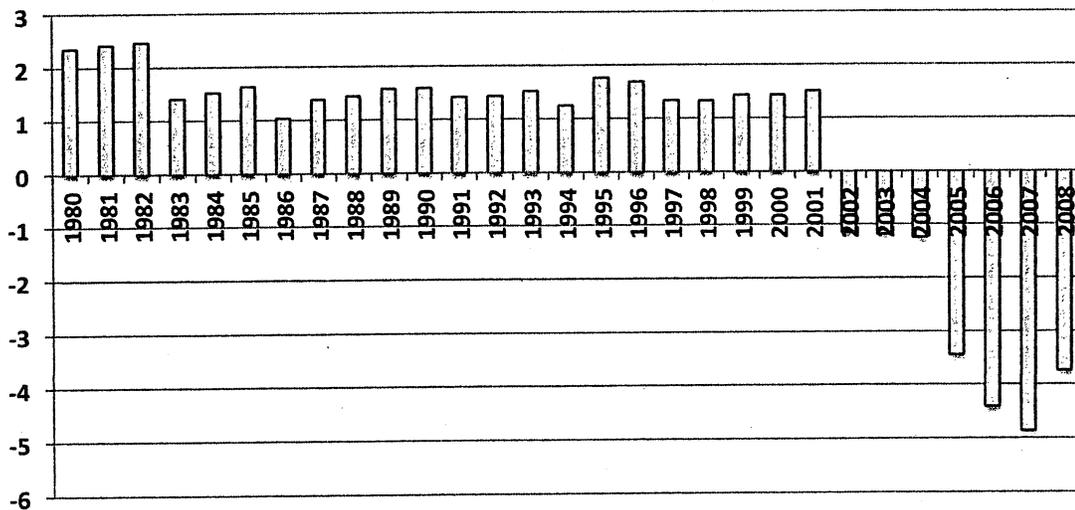
The film industry's contribution to overall economic activity in New Mexico has also increased dramatically since the inception of the tax credit system. In 2000, the industry contribution was virtually identical in both states, with the film industry accounting for .01% of overall economic activity in New Mexico and 0.08% in Oklahoma. By 2005, the contribution of the industry had declined to 0.05% in Oklahoma (Figure 3). According to U.S. Bureau of Economic Analysis reports on state production, the film industry constituted 0.53% of New Mexico's economy in 2008 and only 0.07% of Oklahoma's economy.

Figure 3: Real Industry Production as a Share of Statewide Output Oklahoma & New Mexico



Source: Bureau of Economic Analysis

Figure 4: Size of Oklahoma Film Industry Relative to New Mexico

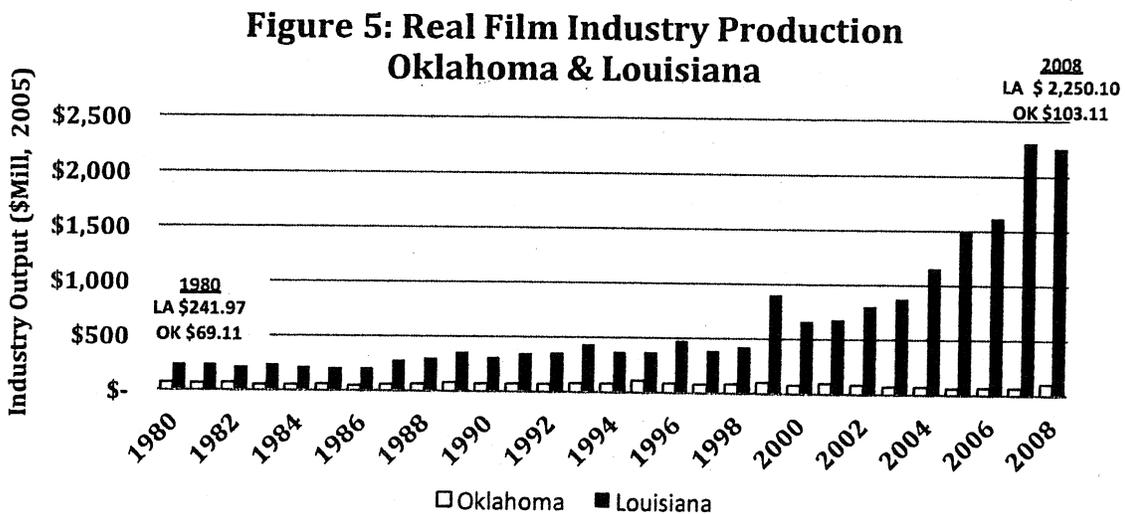


Source: Bureau of Economic Analysis, Bureau of Labor Statistics

To better illustrate the transition in regional film activity in the last ten years, consider the comparison of industry production in Oklahoma and New Mexico (Figure 4). In 1980, film and television production in Oklahoma was over 2 times that of New Mexico. As recently as 2001, Oklahoma film production was estimated to be 1.5 times

that of New Mexico. With an effective and funded incentive program in place, New Mexico film production in 2008 is estimated to be nearly 4 times that of Oklahoma.

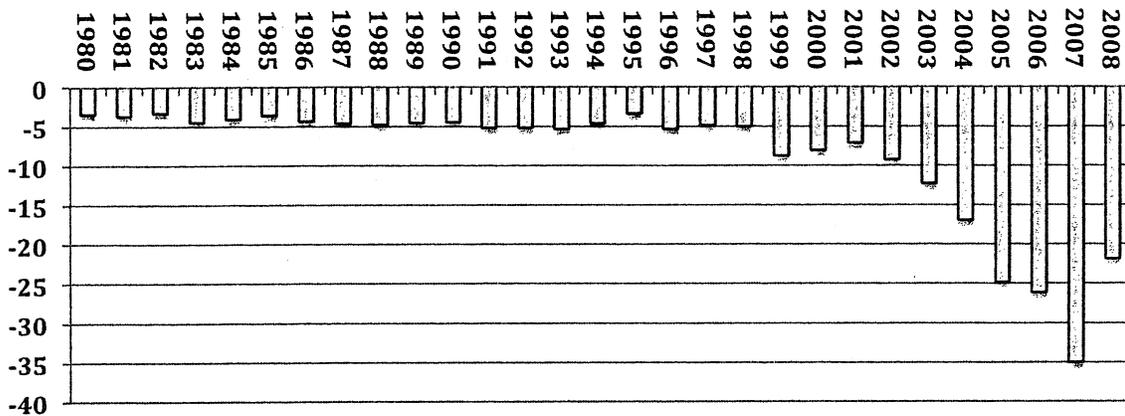
Similar gains have been experienced in Louisiana (Figure 5). While the economy of Louisiana is nearly five times the size of Oklahoma's economy, the industry size differential and the growth rate of the industry in Louisiana is still astonishing. Like New Mexico, the Louisiana industry began its accelerated ascension in 2002 upon passage of their initial incentive legislation. Today, the film industry in Louisiana has grown to \$2.25 billion dollars having experienced an 830% increase in real industry production since 1980. Oklahoma, by contrast, has seen real industry production increase by 49% over the same period to \$103.11 million.



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

The change in the relative size of the industries in Oklahoma and Louisiana are better illustrated below (Figure 6). From 1980 through 2000, the Louisiana film industry was approximately 5 times the size of its Oklahoma counterpart. However, with the aggressive industry courting and fully funded development program, by 2007 real film production in Louisiana was 35 times greater than that of Oklahoma.

Figure 6: Size of Oklahoma Film Industry Relative to Louisiana



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

The states of New Mexico and Louisiana have been extremely aggressive at passing attractive incentive programs for the Film and Video industry. While the program in Oklahoma offered an unfunded rebate program in 2001, New Mexico quickly offered a fully funded 15% tax credit that was increased in 2005 – 2006 to 25%. Louisiana currently offers a 30% transferable tax credit and an additional 5% labor credit for using local talent. Together, New Mexico and Louisiana reaped the “first mover” benefits that occurred in the early 2000s. As a result, Oklahoma has only recently become competitive with the two early adopters. However, even though the current rebate program provides healthy rebate percentages, it is limited in two ways: First, the \$5 million cap on total annual incentives creates a ceiling on the size of projects that can film in Oklahoma. With a rebate of 37%, it only takes one film with a total local expenditure of \$13 million to use the entire statewide budget. Thus, at the margin, Oklahoma is only attractive to smaller, independent films. Second, while the industry infrastructure has been building in New Mexico and Louisiana, it has remained largely stagnant in Oklahoma. Filming projects require the use of local workers in order to obtain the full rebate. Larger projects (or multiple concurrent projects) have difficulty finding sufficient local industry infrastructure and are forced to bring in workers from outside the state. This outside spending does not qualify for the rebate program and thus drives down the rebate percentage.

III. Methodology

To estimate the annual impacts of the OFER program, fiscal year 2010 data on project expenditures, the most recent available data, were analyzed in the context of the broader Oklahoma economy. Oklahoma Film and Music Office (OFMO) personnel supplied detailed expenditure data for all projects granted rebates for fiscal year 2010. The rebate program allows for a 35% rebate on all Below-The-Line (BTL) expenditures which include Oklahoma workers and goods and services. It also applies to 25% of all Above-The-Line (ATL) expenditures including Oklahoma and non-Oklahoma sources. ATL expenditures include payments to top salary employees (actors, directors, etc.) through their finance companies. However, income earned within the state is still subject to state income tax.

In FY 2010, the Film & Music Office processed paperwork for 7 projects that participated in the rebate program. Expenditure and rebate data for each project is given in Table 1. The data tells an interesting story. The smaller projects involved much less expenditure and thus rebated expenditure. Most of these projects were rebated nearly the maximum eligible amount. According to the Film & Music Office, larger features bring a larger percentage of their crew from outside the state due to an insufficiently sized crew base within the state.

Table 1: Expenditure & Rebates: FY 2010

Project	Total Expenditure	Amount of Rebate	% of Expenditure Rebated
THE KILLER INSIDE ME (Feature)	\$2,938,509	\$440,763	15.00%
LITTLEST PET SHOP (TV Pilot)	\$50,000	\$17,500	35.00%
EXTREME HOME MAKEOVER (EPS)	\$591,409	\$206,993	35.00%
Animal Planet (6 EPS)	\$119,702	\$41,896	35.00%
A CHRISTMAS SNOW (Feature)	\$365,349	\$135,179	37.00%
HEAVEN'S RAIN (Feature)	\$577,741	\$191,217	33.10%
NEW BALANCE (Commercial)	\$50,000	\$17,500	35.00%
Total FY 2010	\$4,692,710	\$1,051,048	22.40%

Source: Oklahoma Film & Music Office

The expenditure data above was input into a statewide Input-Output model using IMPLAN software to estimate the Oklahoma impacts⁷. All impacts are summarized and presented in the subsequent section of this report.

IV. Film Tourism

The impacts of the industry are felt both through the direct expenditures of the filming agencies and the indirect expenditures of supporting industries as they manage the increase in demand for their goods and services resulting from the original project. Additional impacts occur due to a "reputation effect" that results from the free advertising the state receives as a result of the reach of the final product. While it is difficult to imagine that tourists travel to Oklahoma in significant quantities to view filming locations, the advertising the state receives as a result of the filming that occurs serves to increase the reputation of the state and increases the rate of travel for tourists who come for other reasons. This spillover effect helps to attract business tourism (conferences, etc.) and consumer tourism. In a similar study produced for the New Mexico State Film Office by Ernst & Young, it was estimated that film-related tourism

⁷ For a detailed discussion of Input-Output models, see Appendix A in this report.

accounted for 5.5% of total New Mexico tourism expenditures in 2008⁸. Based on these findings, they used a lagged decay function to assign impacts to current film production. Following their decay and discounting methodology and assigning tourism expenditures per film production expenditure dollars, we arrive at the film-related tourism estimates in Table 2.

Table 2: Film-Related Tourism Expenditures by Year

Film Expenditures in 2010 (Qualified and Non-Qualified)	\$4,692,710
Direct Tourism Effects	
2011	\$1,448,531
2012	\$874,839
2013	\$528,749
2014	\$244,155
Cumulative Total	\$3,096,273

Source: Oklahoma Film & Music Office, Oklahoma Department of Tourism

Following Wiersma, et al (2004), we estimated the indirect and induced effects of these additional tourism expenditures by categorizing the expenditures into five IMPLAN categories (Table 3). Due to the lack of a similar survey of Oklahoma tourist information, we used their weighting to determine the division of expenditure data.

Table 3: Estimated Direct Expenditure from Film Related Tourism

Tourism Sectors	Budget Weight	2011	2012	2013	2014
Eating & Drinking	0.28	\$405,589	\$244,955	\$148,050	\$68,363
Accommodations	0.15	\$217,280	\$131,226	\$79,312	\$36,623
Recreation	0.18	\$260,736	\$157,471	\$95,175	\$43,948
Retail	0.25	\$362,133	\$218,710	\$132,187	\$61,039
Transportation Services	0.14	\$202,794	\$122,477	\$74,025	\$34,182
Total	1	\$1,448,531	\$874,839	\$528,749	\$244,155

Source: Steven Agee Economic Research & Policy Institute, Meinders School of Business, Oklahoma City University

⁸ "Economic and Fiscal Impacts of the New Mexico Film Production Tax Credit," Ernst & Young, January 2009.

V. Results

Total direct expenditures by projects participating in the rebate program were reported at \$4,692,710 in 2010. Including all spillover and multiplier effects, this initial expenditure is estimated to have generated a total impact of nearly \$6.8 million and supported 90.7 FTE jobs (Table 4 & Table 5). However, the film industry and the associated media coverage given to individual projects and celebrities serve as a source of tourism advertising for the state. When tourism impacts estimated to be attributable to the 7 FY10 projects are included in the impact analysis, the total estimated impact to Oklahoma production is just over \$11.8 million, supporting 158 full-time equivalent positions.

Table 4: Total Output Impacts from Projects Participating in the Rebate Incentive

	Direct	Indirect	Induced	Total
Initial Film Expenditures	\$4,692,710	\$903,231	\$1,201,203	\$6,797,144
Tourism Impacts			\$5,032,852	\$5,032,852
Total Output Impacts	\$4,692,710	\$903,231	\$6,234,055	\$11,829,996

Table 5: Total Employment Impacts from Projects Participation in the Rebate Incentive Program

	Direct	Indirect	Induced	Total
Initial Film Expenditures	71.4	8.7	10.6	90.7
Tourism Impacts			67.4	67.4
Total Employment Impacts	71.4	8.7	78.0	158.1

The film industry multiplier for Oklahoma is estimated to be approximately 1.46, suggesting that every \$1 million of film expenditures eventually generates \$1.46 million of Oklahoma production through the spillover, or secondary production process. It is important to consider two realities in this discussion, however. First, including tourism related impacts, and there is little doubt that the two industries are related, the multiplier increases to 2.52, suggesting that every \$1 million of film recording expenditures generates a total of \$2.52 million in Oklahoma production through the

multiplier process. Of even greater significance is the reality that the multiplier is not fixed, but rather a result of the structure of the economy. In other words, efforts to stimulate industry activity in the state would contribute to an infrastructure base in the state where is presently does not exist. Thus, the structure of the state's economy in regards to this industry would change and the multiplier would actually increase by allowing more of the secondary spending to take place in Oklahoma. For economically young industries, the multiplier grows with the structure of the economy.

VI. Conclusion

Attracting film projects has become a highly competitive enterprise. Beginning in the early part of this century, states began passing new incentive legislation. Now, nearly every state has an incentive program to lure film producers. Some states like New Mexico and Louisiana have had formidable success and managed to grow their industry organically. This existing base provides an additional lure to producers who are now able to locate local talent and support goods rather than importing from outside the state.

Unfortunately, the story has been slightly less dramatic in Oklahoma. As New Mexico and Louisiana were attracting new industry growth, the industry began to decline in Oklahoma. However, in 2009, the Oklahoma legislature increased the available rebate incentive for statewide film production to 37% with music incentives. This higher rate has begun to attract more projects to the state. In the current environment, we would expect to see continued industry growth given the current rebate structure. However, the current \$5 million cap may prove to be too little for many films causing their continued location in other states.

Appendix A: Input-Output Models

Input-Output (I-O) models have a long history in regional science. The I-O framework was developed by Wassily Leontief in the late 1920s and early 1930s⁹. Isard (1960) contributed an early detailed discussion of regional and interregional I-O models. Other detailed discussions can be found in Miernyk (1965) and Bulmer-Thomas (1982). I-O models are used frequently for impact analysis because of their underlying structure that captures the interdependencies between industries and regions. As such, it will be used to estimate the dependency between areas within the study region.

I-O models use a fixed coefficient expenditure matrix to approximate dollar flows through a local economy. The expenditure matrix is estimated from economic flows at a given period in time. By effectively stopping the economy in time, I-O models allow the researcher to observe the magnitude of industry and institutional linkages within an economy. Specifically, I-O models begin with estimated dollar flows from industries to households and government sectors and vice versa. These frozen flows between industries and institutions (households, government, and foreign trade) provide a quantifiable measure of the inter-industry linkages in the economy. Finally, production is assumed to occur in fixed proportions, so that an increase in the final demand from any industry requires a proportional increase in the final demand of all supporting industries.

With the linkages modeled, prices assumed constant, and production assumed to occur in fixed proportions, impact analysis proceeds by tracing the initial effect of a change in the demand for a specific industry's output through the system of inter-industry relationships. For example, a new office park construction presents itself in the model as a change to the final demand for construction output. The "snapshot" of the economy reveals that increasing the output from the construction sector requires construction firms to increase their demand for materials and labor used in construction. Likewise, these support industries must increase purchases from their suppliers and hire additional workers to accommodate the original increase in demand.

⁹ Leontief published his seminal work in *The Review of Economics and Statistics* in 1936.

Thus the total impact to the economy is the direct increase in construction activity plus the indirect increase in supporting activities. Finally, note that workers in the construction and supporting industries have increased income as a result of the original project, and spend that income in accordance with personal consumption expenditure data. Thus the aggregate impact of the original project is the *direct* increase in construction activity plus the *indirect* increase in supporting activities plus the *induced* increase in consumption by households. For any project, I-O models measure the total impact as the sum of direct, indirect, and induced effects.

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SPECIAL REPORT

January 2010
No. 173

Film Tax Incentives & Credits: Blockbuster Support for Lackluster Policy

By
William Luther
Adjunct Scholar
Tax Foundation

Introduction

In the last decade, state governments have “gone Hollywood,” or tried to, by enacting dozens of movie production incentives (MPIs), including tax credits for film production. Hollywood might be expected to wield influence in the California state legislature, but it is more surprising to see movie and TV executives throwing their weight around in Louisiana, Massachusetts, Michigan, New Mexico, and South Carolina. All these states and most others have enacted MPIs. Those who were

quickest and most generous have landed productions. Other states are left empty-handed despite having offered embarrassingly generous tax abatements to attract filmmakers.

Based on fanciful estimates of economic activity and tax revenue, states are investing in movie production projects with small returns and taking unnecessary risks with taxpayer dollars. In return, they attract mostly temporary jobs that are often transplanted from other states. States claim to boost job training

Key Findings

- *Forty-four states now offer significant movie production incentives (MPIs), up from five states in 2002, and twenty-eight states offer film tax credits.*

In the face of state budget pressures and preposterously generous incentives in Louisiana and Michigan, states may curtail or even terminate their MPI programs. Kansas and Iowa have suspended theirs. Kansas for two years to save revenue and Iowa briefly to investigate corruption.

MPIs have often escaped routine oversight about benefits, costs and activities.

Spurious research is common in campaigns for film tax credits, often featuring dramatic job creation claims. A recent study concluded that Pennsylvania's film tax credit produces net benefits of \$4.5 million by assuming that any business interacting with the film industry would not exist but for the credit. MPIs create mostly temporary positions with limited options for upward mobility.

The MPI experience demonstrates that a politically connected industry can grow if the state greatly reduces its taxes, but states should have a tax system that operates as a welcome mat to all industries, not just those politicians have picked.

with MPIs, but these tax incentives often encourage individuals to gain skills that are only employable as long as politicians enact ever-larger subsidies for the film industry. Furthermore, the competition among states transfers a large portion of potential gains to the movie industry, not to local businesses or state coffers. It is unlikely that movie production incentives generate wealth in the long run. Most fail even in the short run. Yet they remain popular.

Florida Governor Charlie Crist (R), Michigan Governor Jennifer Granholm (D), New Mexico Governor Bill Richardson (D), Oregon Governor Ted Kulongoski (D), Ohio Governor Ted Strickland (D), and Texas Governor Rick Perry (R) in particular have strongly pushed for MPIs to encourage film production in their states. In California, a state that avoided offering credits until very recently, Governor Arnold Schwarzenegger hopes that they will lure back productions now moving to other states. In the rare case when the executive branch rejects the use of MPIs, as Indiana Governor Mitch Daniels (R) did in 2008, or strongly questions them as Iowa Governor Chet Culver (D) and Rhode Island Governor Don Carcieri (R) have done recently, their concerns are overridden with resounding support from the state legislature and incentive beneficiaries.¹

Politicians are not alone. While the occasional letter to the editor warns otherwise, most citizens view state-funded film production in a positive light, a win-win for everyone. This report describes the various incentives that states have enacted, explains their undeserved popularity, and makes an argument for their immediate discontinuance.

How State Legislatures Try to Lure the Big Stars

Louisiana was the first state to adopt an MPI. In 1992, it enacted a tax credit for "investment losses in films with substantial Louisiana content."² By 2009, 44 states, the District of

Columbia, and Puerto Rico offer movie production incentives. (See Maps 1 and 2.) Every state has at least a government film office dedicated to helping productions navigate red tape, many with snazzy websites and elaborate presentations.

Of the six states without movie production incentives, three lack at least one of the major taxes that the credits would be taken against: Nevada does not tax corporate or individual income, Delaware levies no sales tax, and New Hampshire has no tax on wages or general sales. Among the other three states with no MPIs—Nebraska, North Dakota, and Vermont—legislation has been considered to implement credits. Nebraska's LB 282, introduced in January 2009 for instance, would provide tax credits of up to 25 percent of qualifying expenditures. Alabama, Arkansas, California, Ohio, and Texas enacted film tax credit or rebate legislation for the first time in 2009.

Not all the legislative action during the next few years will be in states with no MPIs. States with MPIs are in a heated competition to match other states' increasingly generous incentive packages, and in some states, existing incentives are set to expire. Given that so many states are considering (or reconsidering) movie production incentives, it is important for legislators and taxpayers to know the different types of incentives, their relative strengths and weaknesses, and which states have adopted various versions of this counterproductive tax policy. (See Table 1 for a listing.)

Tax Credits

Twenty-eight states offer movie production incentives in the form of a tax credit that removes a portion of the companies' income tax. To qualify for a tax credit, a production company typically has to spend a certain amount of money in the state, employ a minimum number of local workers, or invest in local infrastructure. The value of the tax credit they get is often a percentage of those local expenditures, local wages or local investments.

1 Schneider, Mary Beth. "House votes to override veto of tax-incentive bill for films." *Indianapolis Star*, January 9, 2008; Crumb, Michael J. "Iowa AG: State lifting film tax credit suspension." *Associated Press*, November 25, 2009; Gregg, Katherine. "State tax officials want to limit film tax credits." *Providence Journal*, March 11, 2008.

2 Louisiana Act 894 (H.B. 252) (1992).

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Table 1

States Offering Movie Production Incentives by Type as of December 2009

	MPIs	Tax Credit	Cash Rebate	Grant	Sales Tax Exemption	Lodging Exemption	Fee-Free Locations
Alabama	X	X			X	X	
Alaska	X	X			[No Tax]		
Arizona	X	X			X		
Arkansas	X		X				
California	X	X			X	X	X
Colorado	X		X			X	
Connecticut	X	X			X	X	
Delaware					[No Tax]		
Florida	X		X		X		
Georgia	X	X			X		
Hawaii	X	X					
Idaho	X		X		X	X	
Illinois	X	X				X	
Indiana	X	X				X	
Iowa *	X	X				X	X
Kansas	X	X				X	
Kentucky	X	X			X	X	
Louisiana	X	X					
Maine**	X		X		X	X	X
Maryland	X		X		X		
Massachusetts	X	X			X		
Michigan	X	X	X			X	
Minnesota	X		X		X	X	
Mississippi	X		X		X		
Missouri	X	X					
Montana	X	X			[No Tax]	X	
Nebraska						X	
Nevada		[No Tax]				X	
New Hampshire		[No Tax]			[No Tax]		
New Jersey	X	X			X	X	
New Mexico	X	X			X	X	
New York	X	X			X		
North Carolina	X	X			X	X	
North Dakota						X	
Ohio	X	X				X	
Oklahoma	X		X		X		
Oregon	X		X		[No Tax]	X	
Pennsylvania	X	X				X	X
Rhode Island	X	X					
South Carolina	X		X		X	X	X
South Dakota	X	[No Tax]	X		X	X	
Tennessee	X	X		X	X	X	
Texas	X	[No Tax]	X	X	X	X	
Utah	X	X	X		X	X	
Vermont					X	X	
Virginia	X			X	X	X	
Washington	X	[No Tax]	X		X	X	
West Virginia	X	X			X	X	X
Wisconsin	X	X			X		
Wyoming	X	[No Tax]	X			X	
District of Columbia				X			
Puerto Rico	X	X				X	X
TOTAL States	44	28	17	3	28	33	6

*As of November 24, 2009, Iowa has suspended new registration for incentives pending a criminal investigation into the handling of past film tax credits.

**Maine's wage rebate is effectively a cash rebate and is considered as such in this table.

Source: Tax Foundation, Entertainment Partners

Missouri, for example, offers a tax credit equal to 35 percent of eligible local production expenditures. To qualify, productions shorter than 30 minutes must spend \$50,000; longer films must spend \$100,000.

Twenty-six of the 28 states and Puerto Rico make their tax credits transferable or refundable; three states do both. (See Table 2.)

Table 2
Type of Tax Credit Offered by State as of December 2009

	Tax Credits	
	Transferable	Refundable
Alabama		X
Alaska	X	
Arizona	X	
California*		
Connecticut	X	
Georgia	X	
Hawaii		X
Illinois	X	
Indiana		X
Iowa	X	
Kansas		
Kentucky		X
Louisiana**	X	X
Massachusetts**	X	X
Michigan***	X	X
Missouri	X	
Montana		X
New Jersey	X	
New Mexico		X
New York		X
North Carolina		X
Ohio		X
Pennsylvania	X	
Rhode Island	X	
Tennessee		X
Utah		X
West Virginia	X	
Wisconsin		X
Puerto Rico	X	
TOTAL States	14	15
(Both: 3, Neither: 2, Either: 26)		

*California allows transferable credits only for "independent films" and between affiliates

**Louisiana and Massachusetts allow production companies to choose between transferring credits and refunding them. Credits are only partially refundable in both states.

***Tax credits in Michigan are either refundable, transferable business tax credits or non-refundable, non-transferable income tax credits. The state charges a 0.5% application and redemption fee.
Source: Tax Foundation, Entertainment Partners

Because the credits are so generous, their value often exceeds the movie production company's tax liability to the state. California and Kansas are the only states that offer credits but do not pay film production companies more than their tax obligation. Puerto Rico offers to pay half of the eligible credit before shooting even begins.

Brokers facilitate the sale of tax credits by the production companies, taking a cut of between 25 and 30 percent. These brokers break the credits down into smaller amounts and resell them to companies that use them like coupons on their tax returns, leaving the original production company with between 70 and 75 percent of the face value. This reduces the per-dollar effectiveness of the film tax incentives.³ Not all transferrable credits are transferred, but when they are, filmmakers receive only about three quarters of the value; the rest goes to brokers and their customers.⁴

Fifteen states have refundable tax credits, allowing film production companies to sell excess tax credits directly back to the state. Some states only refund a percentage of the credit's value in much the same manner as a broker. Others have let the companies get the full benefit of every credit, even though it means paying production companies with money from other taxpayers.

Louisiana, Massachusetts, and Michigan allow production companies to choose between transferring credits and cashing them in for a partial refund. Thus, the state performs the function of brokers in other states but takes a smaller cut. Companies compare the benefits and costs of transferring and refunding credits: if brokers can provide the service at a lower cost than the state, moviemakers transfer them; otherwise, they accept the partial refund.

Cash Rebates

Once states committed themselves to transferable or refundable tax credits, which pay a film production company more than its tax liability,

3 Grand, John. "Motion Picture Tax Incentives: There's No Business Like Show Business." *State Tax Notes*, March 13, 2006. 791-803.

4 This fact should not be misconstrued to suggest that brokers are not providing a valuable service. They are, in fact, making credit redemption cheaper for moviemakers. In their absence, moviemakers would use far more resources trying to locate end users in order to redeem credits. The point being made, rather, is that some portion of the credit must be used to offset the cost of redemption as opposed to encouraging production.

the obvious question arises: Why not just give them cash? Credits and cash are economically equivalent, but cash rebates avoid the transaction cost of credits. Every dollar spent by the state is a dollar received by the film production company, cutting out brokers and making the subsidy more efficient. Eighteen states have done just that.

Cash rebates for moviemakers work exactly as one would expect: production companies are reimbursed for a portion of their qualified expenses. Just as with tax credits, the value of a rebate is often a percentage of eligible expenditures.

For example, South Carolina currently offers cash rebates valued at 20 percent of all wages paid to local actors and stunt performers for projects with over \$1 million in expenditures. Additionally, production companies can obtain rebates for 30 percent of qualifying local expenditures.

Grants

Another way to provide film production subsidies is the traditional grant. Texas, Tennessee and the District of Columbia offer grants to filmmakers. In D.C., eligible films can obtain a grant valued at the lesser of 10 percent of the qualified expenditures or 100 percent of the sales and use taxes paid to the District on qualified expenses. More generously, Texas gives grants for 5 to 15 percent of qualified expenditures or 8 to 25 percent of wages paid to local workers; an additional 2.5 to 4.25 percent is available if one quarter of filming days are spent in "underused areas." Grants in Tennessee range from 13 to 17 percent of qualifying local expenditures.

Miscellaneous Red Carpet Treatment

State governments can be creative when competing to host movie productions. It is not surprising that states have gone beyond credits, cash rebates and grants. States offer filmmakers a variety of targeted and exclusive freebies, such as miscellaneous tax exemptions, fee-free locations, free use of office furniture, and

services like emergency response or traffic control at little or no cost.

Exemptions from General and Selective Sales Taxes

Thirty states offer exemption from sales tax as an incentive for filmmakers. Additionally, lodging taxes are exempt in 32 states if cast and crew members stay at hotels for a period of time greater than 30 days. Unlike sales tax exemptions, though, which are specifically targeted at film production companies, lodging exemptions are available to anyone staying in the state for more than 30 days. Nonetheless, many film office websites include the lodging exemption in the promotional material about their film production incentives.

Forgiven Fees and Even Free Whitewater

If a private organization or company wants a city or state government to stop traffic and provide police officers, they ordinarily pay fees and taxes. That is often not the case for film production companies that want to shoot on location. Almost every state has a film office that caters to the needs of moviemakers. As the Nevada Film Office boasts, tax dollars are spent to save "production hours, effort, manpower and guesswork" by scouting locations, defining and managing logistics, acting as an intergovernmental liaison, and gathering resources so that filmmakers "can stay on time and on budget."⁵ With seven employees and more than 600 projects a year, this can be a pricey venture; the Nevada Film Office's budget in 2009 was more than \$700,000.⁶

At least six states offer fee-free locations. The most unusual of these comes from West Virginia. River On Demand™ is "a complimentary service made possible by the drawdown of the Summersville Lake by the U.S. Army Corps of Engineers, Huntington District," that allows filmmakers "to choose between raging whitewater and calm water."⁷

While most states do not offer complex river control technology in their incentive packages, the more pedestrian fringe benefits

5 Nevada Film Office. <<http://www.nevadafilm.com>>. Accessed June 2, 2009.

6 Ryan, Cy. "1.4 million hole found in governor's budget." *Las Vegas Sun*, March 19, 2009.

7 "Incentives." West Virginia Film Office. <<http://www.wvfilm.com/incentives.htm>>. Accessed August 2, 2008.

that state governments have been throwing in to lure film production companies—police officers directing traffic and emergency crews on standby—unquestionably help the film's bottom line at the expense of state taxpayers. And they do so in a non-transparent manner, without the public attention that film tax credits get. Such incentives are often buried in the budgets of other departments. As a result, legislators often overlook them when debating bills. Policymakers and citizens should be aware that the final cost of movie production incentives is higher than those reported by state film offices.

Why Movie Production Incentives Don't Work But Are Still Popular

When measuring the effectiveness of their tax incentive programs, most states measure job creation. When deciding how much to pay a company to move in or expand, state officials usually base their decision on how many people the company plans to hire, how high the salaries will be, how permanent the jobs are likely to be, and what product the company produces.

But a growing economy is more than just new jobs. Improving standards of living and increased wealth is achieved by increasing productivity and developing and employing new technologies, and this can occur even with a stable workforce. If fewer individuals can be more productive and achieve the same results with less labor, displaced labor then finds a new end, such as developing a product yet to be produced or discovering cost-saving technology. Merely counting added jobs, therefore, does not prove that tax incentives make a state and its residents better off.

Of course, some jobs are more glamorous than others. Hollywood epitomizes glamour. From politicians' point of view, bringing Hollywood to town is the best of all possible photo opportunities—not just a ribbon-cutting to announce new job creation but a ribbon-cutting with a movie or TV star.

Boosting Economic Development

Every state has one or more government departments devoted to economic development. Their mission is to market the state's advantages to multi-state businesses, hoping those firms will expand or build new operations in state.

Many state economic development offices go beyond mere marketing and red-tape cutting to offering specialized incentive packages. When a company shows interest, the negotiation begins. The economic development office works with state and local officials to craft a package of incentives to reward the firm, which may include free road construction and other infrastructure, exclusive and expedited permitting and zoning, and of course, tax incentives. The firms play coy, solicit bids from other states, and eventually pick a "winner" where they will locate or relocate a facility. Economic development officials boast that they helped their state secure the new jobs.

Politicians correctly note that the motion picture industry is a lucrative one. According to Job Bank USA, a typical camera operator earns between \$22,640 and \$56,400 a year. Film and video editors average a little more: their median annual earnings in 2004 were \$44,711.⁸ To be sure, film productions require a large staff: hair and makeup artists, production assistants, grips, gaffers, audio technicians, boom operators, and extras—just to name a few. Many of these positions pay quite well. And politicians can gain favor with voters if they appear to be bringing good jobs to their state.

Creating Jobs, Shifting Jobs

The scenario, as politicians describe it, is rosy for individuals and businesses. Newly employed film production workers will spend their wages at the local supermarket, restaurant and gas station. These businesses will then be able to expand their production, meeting the new demand. In the end, the wealth generated by job growth is expected to multiply throughout the community. Also, film production

8 "Salary, Wages, Pay: Television, Video, and Motion Picture Camera Operators and Editors." *Job Bank USA*. <<http://www.jobbankusa.com>>. Accessed August 1, 2008.

companies will buy locally to qualify for tax credits, helping existing in-state firms grow their business and expand employment.

While the imagery associated with putting the unemployed to work is quite compelling, the reality of the situation is somewhat different. Most film production jobs are filled by out-of-state residents specializing in particular areas of audio or visual production.⁹ Additionally, producing a film is a relatively short-term venture in comparison to other investment projects. Since most of these positions are not permanent, “workers are left unemployed” after the production ends unless a steady stream of films is present.¹⁰

In many cases, therefore, state officials are creating temporary positions with limited options for upward mobility. Of course, those visitors pay for lodging, spend their wages, and generally contribute to the economy, but that isn't the sort of economic benefit that ordinarily makes a compelling case for a massive tax subsidy.

When evaluating job creation, legislators should acknowledge that some jobs might be destroyed in the creation of film production jobs. A hairstylist might go from serving the public to crimping and curling on film sets. Earnings might be higher on the film set, and that's a plus, but it's one job shifted, not one just created. If some of the jobs “created” by film tax incentives are offset by jobs lost elsewhere in the state—that is, if some are just shifts in production to the movie industry from another sector—job creation estimates will be skewed. If tax incentives merely allow those already employed to upgrade to a better job, the real gains from job creation are much lower than boosters suggest.¹¹

Empty Rhetoric on Economic Benefits

When it comes to evaluating whether MPIs increase wealth in state, studies are often lacking.¹² Even when studies are available, though, estimates are typically fanciful.

Consider the 11 “facts” offered by the Alabama Film Office in support of MPI legislation.¹³ Five of the facts point to the supposed successes in Louisiana. Two note that Alabama has less generous incentives and a smaller film industry than other states. Two suggest the film industry is growing. And two make unsupported claims such as, “With the right incentives, Alabama's Entertainment industry will create high-quality, high paying jobs and the fiscal impact can be beneficial to the State economy.” Key phrases like “high-paying” and “high-quality” are vague and subjective, as is what constitutes the “right incentives.” The only “supporting facts” backed up by policy studies—or any source for that matter—are those documenting the Louisiana experience.¹⁴

If the heart of the argument for film credits in states like Alabama is the perceived success of Louisiana, it is a weak argument indeed. For one, Alabama is not Louisiana; known and unknown factors contributing to success in Louisiana may be lacking in other states. Second, late adopters overestimate results by using figures from early-adopting states, as if the 30th state to do something will reap as many benefits as the first. The policy environment has changed substantially since Louisiana enacted MPI legislation, and states now face intense incentive-driven competition from other states. Asserting that Alabama will experience similar results without controlling for the new policy environment is irresponsible. Third, and most damaging to the case for

9 Some states require a specific percentage of those employed in the production of the film to be residents of the state granting the credit. To our knowledge, there is no information available on how this affects where moviemakers and production crewmembers choose to live.

10 Grand (2006).

11 Bartik, Timothy J. 1994. “Jobs, Productivity, and local development: What implications does economic research have for the role of government?” *National Tax Journal* 47 (4): 847-861.

12 Hinkley, Sarah and Fiona Hsu with Greg LeRoy and Katie Tallman. 2000. “*Minding the Candy Store: State Audits of Economic Development*” *Good Jobs First*. Institut on Taxation and Economic Policy.

13 “Alabama Entertainment Industry Incentive Act of 2009 Highlights.” *Alabama Development Office*. <<http://www.ado.alabama.gov/content/media/publications/filmoffice/AEILA%2008%20Highlights%20V3%20PDF%20031308.pdf>>. Accessed October 1, 2009.

14 “Supporting Points for Film Legislation.” *Alabama Film Office*. <<http://www.alabamafilm.org/AEILA%202008%20Highlights%20V5%20031908.pdf>>. Accessed August 5, 2008.

Iowa Film Tax Credit Scandal: A Warning for Other States

By Joe Kristan, CPA, Des Moines, Iowa

In 2007, Iowa began offering a 25% credit for film investors and a 25% credit for production companies—both transferable, both uncapped—for money spent in Iowa to make movies. In addition, service providers were exempted from income taxes and sales taxes on qualified film production. This unlimited subsidy to the film industry was amazingly uncontroversial; only 3 out of 150 legislators voted “no.”

The state film office—really one guy, Thomas Wheeler—promoted this as “half-price filmmaking.” As one of the most generous state film subsidies, it attracted lots of interest. The eagerness of the film people to take free money prompted the state officials to declare the program a success. Newspaper articles and stories talked about all the stars visiting, all of the wonderful parties and fabulous restaurant meals crews were buying, and the wonderful business hipster t-shirt shops were doing.

But just as the parties were getting good, Iowa’s tax revenues collapsed. In April 2009 the legislature enacted a cap on certain tax credits, including the film credit, effective for the fiscal year beginning July 1; the Department of Economic Development (DED) limited the film credits to \$50 million. This led to a rush of applications, with films potentially generating \$363 million in credits getting them in under the wire. This would be about 6% of Iowa’s \$6 billion annual budget.

Over the summer of 2009, state officials quietly began to look closely at “half-price filmmaking,” using an outside auditor (the administration and the state auditor are from different parties, so the administration didn’t want him involved). At 4:56 p.m. on a Friday in September, Governor Culver announced the resignation of the DED director and made the first public disclosure of a scandal.

- A Mercedes and a Range Rover were purchased for producers to keep with film credit funds.
- Not a single film’s expenses were adequately documented. Only two of 18 even submitted receipts.
- Contracts were amended to increase credits after approval.
- Large payments were made to relatives of filmmakers with credit funds.
- Payments were made outside of Iowa, when only payments in Iowa qualified.

Wheeler was fired and a criminal investigation opened. The AG’s office said the credits were being granted based on a misreading of Iowa law. The credit was suspended, leaving productions in limbo. After the state lost a lawsuit, though, the credit program was re-opened on a limited basis.

The outside auditor’s report described a film office in chaos, with fragmentary records, no support staff, and almost no documentation to support the giveaway that could amount to \$121 per Iowan. Credits were claimed for non-cash expenses such as “consideration” for having your name in the credits, and even for the costs of brokering the credits. They were also issued in advance of expenses. Strawman Iowa LLCs were used to claim credits for non-Iowa expenses.

The scandal has led to the appointment of a committee to review Iowa’s 30-odd economic development tax credits and public demands to increase oversight of the film tax credit program in particular. Officials and citizens in other states should also consider such steps, since the problems with Iowa’s tax credit program could easily be found in other states.

MPIs, several in-depth studies of Louisiana’s film credits show them to have failed the state’s economy.¹⁵

MPIs are certainly generating wealth for one group of citizens: the movie industry. According to Ellis and Rogers, “The nature of competition forces [the locality] to give the firm, in the form of incentives, *all* of the benefit of the firm being in the locality.”¹⁶ While further empirical research is necessary to solidify a claim this strong, it is reasonable to assume most of the benefits that states compete for and claim as trophies are actually captured by the movie industry.

To some extent, evaluating the wealth generated by MPIs depends on which level of government one is observing. From a national perspective, even boosters would probably admit that little if any wealth is created by these programs. Jobs created in New Mexico are offset by those destroyed in California. Rather than creating wealth, MPIs just shift production from one state to another.

Short-sighted state officials may not be expected to worry too much about neighboring states’ job counts, but what goes around comes around. By committing tax dollars and state effort into securing film jobs, state officials miss the chance to use those resources instead for lowering tax burdens for all industries. Because MPIs are a field crowded with state competitors, committing huge resources may have little payoff.

Officials should acknowledge that moving 100 jobs from one state to another does nothing for the nation’s economy except enrich the film industry at the expense of other state taxpayers.

Misusing the Multiplier

How can one industry’s economic development be compared to another’s? Economists use multipliers to measure the differing economic impact of growth in various industries. The

Albrecht, Greg. March, 2005. “Film and Video Tax Incentives: Estimated Economic and Fiscal Impacts.” *Louisiana Legislative Fiscal Office*; and Perilloux, Gary. June, 2009. “Some want to up production credit to compete with other states.” 2theadvocate.com. <<http://www.2theadvocate.com/news/business/47113387.html>>. Accessed October 1, 2009.

16 Ellis, Stephen and Cynthia Rogers. 2000. “Local economic development as a prisoners’ dilemma: The role of business climate.” *Review of Regional Studies* 30 (3):315-330.

basic idea is that a dollar of spending generates additional demand within a region or locality. Industries whose purchases cycle back through the local economy have a higher multiplier. On the other hand, expenditures made outside the locality are considered a "leakage" and do not contribute to the multiplier effect. If a government gives \$1 million to a company whose activity results in \$2 million in output during a given time period, the multiplier is 2.0.

Admittedly, the multiplier gives no thought to any activity outside of the local economy. Despite this limitation, the multiplier of each industry is an important measure for state and local governments as they determine the most effective ways they can spend the taxes they have already collected.

By this measure, movie production offers little economic bang for the taxpayer's buck — when compared to other industries. Film production has an economic impact multiplier of 1.92. This is only slightly larger than a new hotel, 1.91, and much less than automotive manufacturing, 2.25, and nuclear power plants, 2.51. So while South Carolina officials boast that their incentives program generated \$2.38 in economic activity for every dollar spent in 2006 and 2007, this is less impressive when one realizes that many other industries achieve larger multipliers with invested funds.¹⁷

It is undisputed that some states have built a large movie industry by offering MPIs. Louisiana had only two film productions before ramping up incentives in 2002, but now 60 projects are underway.¹⁸ However, there is also evidence that MPIs encourage entrepreneurs to act haphazardly. A recent study conducted for Louisiana Economic Development by Chicago-based Economic Research Associates states, "An additional 15 sound stages in Louisiana could be supported over the next 10 years."¹⁹ The economic incentives offered by

the state have prompted developers to overinvest in sound stages relative to other things. Seven new developments underway when the study was released would add 32 more sound stages to the state. Assuming development proceeds as planned, the tax system will subsidize the creation of 17 sound stages beyond that which the state will need or be able to support.

The flood of dollars from MPIs can induce spending on what would otherwise be considered a poor investment. At an estimated \$150 million, *The Curious Case of Benjamin Button* was deemed "too risky" by industry giants Paramount and Warner Bros. Nonetheless, lobbying efforts and film incentives eventually landed the film in Louisiana.²⁰ This might be chalked up as a success if one assumes government officials possess sufficient knowledge to pick winners and losers. But they don't. Even though this particular film turned out to be profitable, that may not be the case next time. Capitalism operates with risk and reward, of course, but here much of the risk is borne by the taxpayer.

State Pride, Tourism, and Censorship

State pride is no doubt a big motivator for the adoption of MPIs by legislators. Seeing the picturesque Rocky Mountains on the silver screen pleases Colorado residents, and bustling city streets in full-color, high definition reinforces the Big Apple culture. And it can be disenchanted to see a movie that is set in your state but shot elsewhere. In signing a bill boosting his state's film tax incentives in 2004, then-Governor of Illinois Rod Blagojevich noted that the 2002 musical film *Chicago* was shot in Toronto.²¹ A major reason for the re-enactment of Minnesota's film cash rebate program was the out-of-state filming of *Leatherheads*, *Juno*, and *Gran Torino*, all set or originally set in Minnesota. Louisiana's first-in-the-nation film tax credit was explicitly to support films highlighting Louisiana.

17 Hefner, Frank. "Impact Analysis for Film Production in South Carolina." *S.C. Coordinating Council for Economic Development*, April 29, 2008.

18 Hamilton, Gaye. "Business Incentives: Attracting Arts and Entertainment Industries." *National Conference of State Legislatures 34th Annual Legislative Summit*, N Orleans. July 22, 2008.

19 "Trends in Film, Music, and Digital Media." 2006. *Economic Research Associates*. Louisiana Economic Development. <<http://www.louisianaforward.com/uploads/pdf/ERA%20Trends%20Paper.pdf>>.

20 Perilloux, Gary. "State film industry growing." *The Advocate*. March 7, 2007.

21 Chase, John. "Illinois Governor Approves 25 Percent Tax Credit for Filmmakers." *Chicago Tribune*, August 19, 2003.

Travel and tourism departments view movies as a type of “free advertisement” which help “shape perceptions about the state.”²² Increased tourism, of course, can lead to increased tax revenue from sales and hotel taxes and provide a boost to local economic activity. But while tourism is expected to be positively correlated with movie productions, there is no reason—or evidence—that this correlation is very large or powerful. Consider State Senator LeRoy Loudon’s observation of *About Schmidt’s* role in Nebraska tourism as recorded by Leslie Reed:

“That one with that old guy touring across the United States in his RV... it showed the archway over Interstate 80 at Kearney,” Loudon said. “That was national, worldwide recognition for that archway and it didn’t make a nickel’s worth of difference.”²³

Although Loudon’s remarks are not a substitute for future research, it does suggest the burden of proof falls on those making claims that movie productions lead to a booming tourism industry. While some tourism might result, one should certainly ask, “How much?” and “At what cost?”

State pride is commendable but it is wishful thinking that places like Lansing, Michigan will become the next Hollywood. However, that’s what a series of TV spots pushed by Governor Jennifer Granholm (and starring actor Jeff Daniels) describe as happening if the struggling state keeps its film tax incentive program. Lured by film production credits, the argument goes, the rich and famous will flock to Michigan, boosting the state’s economy and image in a single effort. The probability of such a transformation actually occurring is extremely small, but the dreams of Tinsel Town can die hard for citizens and statesmen.

In addition to the dollar value of tax credits and other giveaways, there is a hidden cost

to providing movie production incentives. States using MPAs to generate “free advertisement” for travel and tourism departments often include a stipulation in their production incentives package: filmmakers must portray the state in a positive light.

In Hawaii, for example, films using “Hawaiian terminology in the title” and promoting “Hawaiian scenery, culture, or products” are eligible for 33 percent more funding than similar films that do not.²⁴ Along the same lines, Nebraska State Senator Chris Langemeier expressed concern in debate that, as one reporter recalls, “Unscrupulous out-of-state filmmakers might collect Nebraska tax incentives and then give a poor portrait of the state.”²⁵

New Mexico takes it one step further. Films receiving the MPAA’s “R” rating are only eligible for credits if deemed “acceptable” by the Private Equity Investment Advisory Committee—a reviewing board composed of the State Investment Officer and four members appointed by the Governor. Films must also not be “harmful to children” or “likely to outrage any of New Mexico’s various cultural communities.”²⁶ In Canada, only films deemed to be “sufficiently Canadian” are eligible for public funding, which has opened the door for the Ministry of Heritage to push for further restrictions on violent or suggestive films.²⁷

Requiring films to pass a sensitivity test before being granted a credit subsidizes government-approved opinion with taxpayer dollars. Insisting that films portray a state positively is tantamount to discouraging films that expose corruption or advocate for change in a state. The cost, then, of so-called “free advertisement” for travel and tourism departments is some degree of censorship.

22 Grand (2006).

23 Reed, Leslie. “Tax Incentives for Films Get Mixed Reviews.” *Omaha World-Herald*, January 31, 2008.

24 Grand (2006).

25 Reed (2008).

26 Propp, Wren. “State Council Keeps Movie Money Clean.” *Albuquerque Journal*, May 25, 2003.

27 Henschman, Joseph. “Canada Proposes Expanding Censorship for Film Tax Credit Recipients,” *Tax Foundation Tax Policy Blog*, June 6, 2008, <<http://www.taxfoundation.org/blog/show/23263.html>>.

Raising Tax Revenue and “Paying for Itself”

Champions of MPIs and other tax incentives are often not content to claim that the economic activity of an incoming firm will create jobs or benefit the economy in general. They also claim that despite exceedingly generous tax subsidies, MPIs will raise tax revenue. State lawmakers reason that when the film production company sees the incentive package and agrees to operate in that state, any tax revenue generated by their activity only occurs because of the incentives.

Therefore, even if the entire corporate tax liability of a film production company is zeroed out by tax credits, ancillary taxes might save the day. Those would include state income taxes paid by employees, property taxes paid on in-state production and post-production facilities, local and state sales and use taxes, and any other means of generating revenue not covered by tax credits.

For example, assume the motion picture industry in a state spends \$10 million a year, with that money multiplying into economic activity worth \$20 million, and taxes on that activity generate \$4 million a year in tax revenue. If the state then offers \$5 million in film tax incentives, it might see ancillary activity boosted to \$30 million and tax revenue on that activity rise to \$6 million. States facing that result will typically report that \$5 million in credits “created” \$30 million in economic activity and \$6 million in tax revenue, making it sound like a no-brainer. But much of that activity and revenue pre-existed the credits.

Unpleasantly surprising to lawmakers, studies find that states lose money by offering tax credits for film production. A 2008 study prepared by Dr. Frank Hefner, Director of the Office of Economic Analysis at the College of Charleston, for the South Carolina Coordinating Council for Economic Development, found that film incentives returned 19 cents in taxes for each dollar paid out in rebates.²⁸

Therefore, the South Carolina film credits scheme generated a net loss in revenues equal to 81 percent of expenditures on rebates.

This confirms the 2005 findings of Greg Albrecht, Chief Economist at the Louisiana Legislative Fiscal Office. Albrecht claims, “The State may expect to recoup 16-18 percent of the tax revenue it obligates to the [movie production incentives] program.”²⁹ His estimate suggests Louisiana, like South Carolina, is losing around 83 cents of each dollar it shells out in incentives.

It should be noted that Louisiana and South Carolina have been two of the most ambitious states offering MPIs. That these states were unable to generate sufficient economic activity to break even with generous incentive packages should raise serious doubts for other states.

A 2009 report by the Pennsylvania Legislative Budget and Finance Committee looking at that state’s \$75 million film tax credit and grant program estimated that the state loses \$58.2 million on the program.³⁰ If one assumes, however, that all film activity and related industries in Pennsylvania (some \$500 million worth) would disappear if the credit were repealed, there is a “net fiscal gain” of a modest \$4.5 million. The authors of the study strongly suggest, therefore, that the credit “pays for itself” even though the amount is modest even under generous assumptions, and even though much of the \$500 million worth of “film-related activity” would exist without the credit.

There are two main reasons for this disappointing revenue picture, and why targeted film tax credits fail to expand economic activity the way general tax reductions do. For some film productions, states are paying companies to do what they would have done anyway. There is a roughly finite number of big studio productions in the United States each year, and movies would have to be shot somewhere even if there were no movie production incentives.

28 Hefner, Frank. (2008).

29 Albrecht, Greg. “Film and Video Tax Incentives: Estimated Economic and Fiscal Analysis.” *Legislative Fiscal Office*, March 2005.

30 <<http://lbfc.legis.state.pa.us/reports/2009/35.PDF>>

Unfortunately, it is impossible to determine in advance which ventures will depend on incentives and to what degree. So in some cases, legislators are offering unnecessary incentives. When state legislatures produce tax revenue estimates of film production activity, however, they necessarily assume that no films would be made in the absence of incentives.

Second, ancillary taxes are insufficient to cover the cost of incentives because film productions are exempt from many of them. For example, a major ancillary tax is the general sales tax. As long as a film production company is on location, much of what it will buy is from local vendors. However, only 11 of the 44 states offering tax credits, grants or cash rebates collect sales and use taxes for film production expenses.³¹ That leaves 29 states without an important way to recoup revenue lost to the corporate credit. With few remaining sources of revenue, states end up in the red.

The Political Approach to Local Economy

Boosting the economy is a top priority to many politicians, and one might wonder why such “boosting” is always needed. Stephen Walters and Louis Miserendino claim that economic development projects—from building sports stadiums to handing out incentives packages—are typically an attempt to “make up for absent private investment flows.” Ironically, they find that poor policy is the primary reason for capital flight.³²

Politicians in states with poor tax climates—excessive taxes on sales, income and property—and burdensome business regulations face declining tax revenues and economic activity as private investment flees. In response, they dole out incentives packages that exempt select projects from the unattractive policies and encourage development for specific firms.

Of course, funding these new efforts requires further tax increases, which, in turn, discourage further investment. This accelerated decline is then used to justify further incentives and tax increases to fund them.

Rather than addressing the underlying problem and encouraging growth and development primarily by reducing tax burdens across the board and removing cumbersome regulations, which is politically challenging, politicians focus on what's easy: industry-specific incentives. In fact, Calcagno and Hefner conclude, “[I]t is rational for politicians to target firms with [direct financial incentives] regardless of economic benefit.”³³ This implies that from a political perspective, economic development is secondary at best and confirms Ellis and Rogers in their conclusion that political motivations can negatively affect local economic development.³⁴

Economic development by targeted tax incentives rather than by a low and neutral tax system allows politicians to direct resources to special interest groups and take credit for development, even though it is less than what might have occurred otherwise. The alternative, which is to correct poor tax policies that deter economic activity, decentralizes the process and leaves development decisions to entrepreneurs.

Walters and Miserendino describe what is lost when officials choose to keep a broken tax system and pursue targeted incentives:

Imagine the creative energy that would have been unleashed if, for the last half-century, entrepreneurs knew that the city tax collector would not confiscate the value they would create in turning around a decaying neighborhood with new shops or condos. Imagine the infusions of capital that would have occurred if every

³¹ Other potential ancillary taxes are similarly negated by particular incentives packages.

Walters, Stephen J.K. and Louis Miserendino. “Baltimore’s Flawed Renaissance: The Failure of Plan-Control-Subsidize Redevelopment.” *Perspectives on Eminent Domain Abuse*, Volume 3. Institute for Justice. June 2008.

³³ Hefner, Frank and Peter T. Calcagno. 2007. “State Targeting of Business Investment: Does Targeting Increase Corporate Tax Revenue?” *Regional Analysis and Policy*, 37 (2): 90-102.

³⁴ Ellis and Rogers (2000).

investor... got the same incentives extended to well-connected players involved in planners' chosen redevelopment areas.³⁵

Film Industry's Rent-Seeking

While many politicians support film incentives, moviemakers are often the ones leading the charge. By his own account, Mike Binder, a prominent member of the film industry for over 30 years, "personally advocated for [Michigan's new tax credit bill] with Gov. Jennifer Granholm and the Legislature."³⁶

Economists label as "political rent seeking" any attempt by the private sector to obtain extraordinary profits beyond what the market would provide, by controlling the legal environment. Unlike trade, which is mutually beneficial, "[p]olitical rent seeking tends to be a negative sum game."³⁷ That is, while trade expands the economy in total, rent seeking shrinks it.

The film industry has been successful in seeking these "economic rents." Per-production tax credits mean money in the pockets of moviemakers and studio owners. Since the benefits are concentrated on a relatively small industry with the same business practices, beneficiaries can organize easily to demand political favoritism under tax law.³⁸

For example, Shreveport Mayor Cedric Glover and film industry advocates met with Louisiana legislators in June of 2008 requesting a special legislative session focused specifically on film industry tax credits.³⁹ Considering how small the film industry is compared to other employers in Louisiana, this is a demonstration of the film industry's power in Louisiana. With so much to gain, production companies are willing to spend significant resources to solicit politicians and gain political favor.

In Iowa in 2009, the state became mired in litigation as tax credit beneficiaries sued the state after Governor Chet Culver suspended the film tax credit program (see sidebar on page 9). The suspension occurred after allegations of little or no vetting of recipient projects, missing invoices for 20 out of 22 recipient projects, credits provided for ineligible broker fees and product placement deals, and improper administration that led to credits being provided for out-of-state expenses. Culver has convened a panel to provide information as to whether the tax credit program should continue.

While the benefits of MPIs are concentrated, the costs are dispersed among a much larger group: taxpayers statewide. That makes organizing against film credits difficult. Action is often forgone entirely because gains from policy change to individual taxpayers are so small. New York, for example, allotted \$65 million for film credits in 2008. But with a population over 18 million, the giveaway amounts to only \$3.43 a person—not even enough to cover a Nathan's Famous hot dog meal. Since the harm to each individual taxpayer is very small, film industry interests have been able to get politicians to pander to their wants at the expense of the many.

An Arms Race of Incentives

In 2002, Louisiana passed legislation to ramp up its movie production incentives.⁴⁰ Dubbed by *Variety* as "the other LA," the Bayou State offered three specific programs: a sales tax exemption, a labor tax rebate of up to 20 percent, and an investment tax credit of up to 15 percent.⁴¹

Film companies immediately flocked to the state. *Runaway Jury* starring Dustin Hoffman, Gene Hackman and John Cusack

35 Walters and Miserendino (2008).

36 Binder, Mike. "Give film industry tax credit a chance to grow state jobs." *Detroit Free Press*, June 18, 2008.

37 Ross, Kelley L. "Rent-seeking, Public Choice, and the Prisoner's Dilemma." *The Proceedings of the Friesian School*, Fourth Series, 2008.

38 Gwartney, James D., Richard L. Stroup, Russell S. Sobel, and David Macpherson. "Economics: Private and Public Choice." *Thomson South-Western*. 11th ed. 134-137.

39 Kent, Alexandyr. "Mayor, movie industry talk tax credits," *Shreveport Times*, June 10, 2008.

40 Grand (2006).

41 "Louisiana. (U.S.)." *Variety*, October 28, 2002.

was shot entirely in Louisiana. Disney's *The Haunted Mansion* was shot partly in Louisiana. Both films were released in 2003. Television production boomed as well. The Academy of Television Arts and Science nominated Louisiana-based projects for 11 Emmys in 2005.⁴²

But a booming production industry was not the only thing Louisiana managed to encourage. State legislatures across the nation saw the apparent success and followed suit. Seeking to outbid Louisiana, states began to offer bigger and better MPI packages.⁴³

The next six years saw an explosion of movie production credits nationwide. While several states offered modest incentives before 2002, more and more have begun to exempt filmmaking purchases from sales tax and offer tax credits or cash rebates. The number of states offering tax credits, cash rebates, or grants grew to 44 by 2009, up from 5 in 2002. More than a dozen states added movie production expenses to their list of sales tax exemptions in the same period. California even entered the fray in 2009 with a 20 percent credit for large productions and a 25 percent credit for small ones; coupled with proximity to Hollywood infrastructure, it is likely to overwhelm what other states can reasonably offer in the near future.

It is not only the quantity of MPIs offered that increased; they have also grown in magnitude. States entering the game late were behind and they knew it. Early adopters had developed infrastructure and economies of scale that made production cheaper. To catch up, late adopters have sought to overcome this disadvantage by offering even larger incentives.

Michigan, for example, now offers credits worth 30 to 50 percent of personnel expenditures and up to 42 percent of production expenditures, besting even Puerto Rico's 40 percent credit. As a relative latecomer to the film tax credit game, Michigan needed a very generous incentive to draw in productions, so

generous in fact that it will cost an estimated \$150 million in the current fiscal year. As part of it, the state grants credits for 25 percent of infrastructure investments in an explicit effort to catch up with states like Louisiana and New Mexico. But what are they really "catching up" to? The academic research suggests they're merely outdoing each other in a contest of who can funnel the taxpayers' money into the film industry fastest. Michigan, realizing this, is considering scaling back or even eliminating its incentives as part of addressing its budget shortfall.

Each year, legislators have gone back to the drawing board to outdo the incentives of neighboring states and give their home state an edge in attracting movie production. But this just encourages other states to increase their incentives in response. As a result, the cost of encouraging film production goes up each year. Incentives that would have lured filmmakers less than a decade ago now fall short and taxpayers are left facing bigger and bigger bills to support the production incentives "arms race."⁴⁴

Potential Solutions

If MPIs are as ineffective as this study suggests, what can be done to stop them?

Unilateral Moratorium

Since states are losing money at present—in the form of lower tax revenues and stifled economic growth—some might very well decide to stop subsidizing the movie industry regardless of what other states do. The competition between states at this point is so intense that states can understandably conclude that trying to outdo Louisiana and Michigan in generosity isn't worth it.

States that offer few natural economic advantages to the film industry would certainly lose their tax-induced movie production jobs if they repealed their MPIs, but they would free up resources for other, more long-lasting

42 Randolph, Ned. "LA works up for 11 Emmys." *The Advocate*, July 16, 2005.

43 For an observation of actual bidding between states, see Suzanne Robitaille's *BusinessWeek Online* piece, "Lights, Camera — Tax Breaks!"

44 Ellis and Rogers (2000).

economic activity. Each state that takes this step will take pressure off other states to offer ever more generous incentives.

In the past year, tough economic times have led states to re-evaluate programs and tighten their budgets. As a result, some states are being more realistic about the purported effects of movie production incentives. Pennsylvania required its MPIs to be renewed by the legislature, which ultimately did so in 2009 after a bitter debate on the benefits and costs of the program. Rhode Island officials placed curbs on its MPIs in 2008 after criticism of the \$52 million cost threatened outright repeal. Connecticut's program was strongly challenged by critics, and barely avoided a low cap being placed on the size of the credits. Kansas suspended its MPIs for 2009 and 2010 and Iowa is considering repeal after a brief suspension.

Of course, the peculiar nature of the film industry makes MPIs popular despite their failings, and overturning the present system will prove to be a difficult task.

Multilateral Moratorium

One possible solution is for all states currently offering incentives to cooperate in doing away with MPIs, through some sort of multi-state compact. By agreeing to compete exclusively with broad-based tax cuts, for example, states can continue to encourage growth and development without all of the shortcomings associated with industry-specific incentives.

If states are not experiencing gains—and academic studies of film credits suggest this is the case—there is reason to believe such an effort could work. As with any cartel, of course, there is the danger that voluntary action is unlikely to last if one state can benefit by cheating. Once one state breaks the pact, competitive forces drive the others to follow suit. Any such compact must take this into account.

Federal Action

Melvin Burstein and Arthur Rolnick of the Federal Reserve Bank of Minneapolis have

suggested that Congress use its Commerce Clause power to end “the economic war among the states” and prevent states from “using financial incentives to induce companies to locate, stay, or expand in the state.”⁴⁵ The Commerce Clause is originally in the Constitution precisely for the purpose of empowering the federal government to prevent states from harming the free flow of goods in a national market. Such action must not deter “good” competition based on broad-based lower tax burdens or better services, since that is at the heart of our system of federalism.

Federal action would overcome the credible commitment problem that plagues a voluntary multilateral moratorium. State officials could request Congress to enforce a multilateral pact or Congress could impose a moratorium on the states. Either would effectively end MPIs. Or course, a federal solution would be unprecedented and may well usher in additional problems not considered here.

Conclusion

While broad-based tax competition often benefits consumers and spurs economic growth and development, industry-specific tax competition transfers wealth from the many to the few.

Movie production incentives are costly and fail to live up to their promises. Nonetheless, they remain popular with state officials and many of their constituents. Some of the MPIs' negative results may eventually cause this support to wither, particularly in tough economic times. Among these failures, the two most important are their failure to encourage economic growth overall and their failure to raise tax revenue.

From the movie industry's perspective, the increasing censorship that accompanies many incentives may eventually drive a wedge between film producers and state officials. Until then, filmmakers will continue to enjoy the bounty while taxpayers are left with the bill.



SPECIAL REPORT
(ISSN 1068-0306) is published at least 6 times yearly by the Tax Foundation, an independent 501(c)(3) organization chartered in the District of Columbia.

4–20 pp.
Single copy: free
Multiple copies: \$5 each

The Tax Foundation, a nonprofit, nonpartisan research and public education organization, has monitored tax and fiscal activities at all levels of government since 1937.

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Editor and Communications Director, Bill Ahern

Copy Editor, Alicia Hansen

Tax Foundation
National Press Building
529 14th Street, NW, Suite 420
Washington, DC 20045-1000

(202) 464-6200

www.TaxFoundation.org
TF@TaxFoundation.org

⁴⁵ Burstein, Melvin L. and Arthur J. Rolnick. 1995. “Congress Should End the Economic War Among the States.” *Federal Reserve Bank of Minneapolis 1994 Annual Report* 9 (1):3-19.

June 2, 2011

No. 272

More States Abandon Film Tax Incentives as Programs' Ineffectiveness Becomes More Apparent

By

Joseph Henchman

Film tax credits fail to live up to their promises to encourage economic growth overall and to raise tax revenue. States claim these incentives create jobs, but the jobs created are mostly temporary positions, often transplanted from other states. Furthermore, the competition among states transfers a large portion of potential gains to the movie industry, not to local businesses or state coffers.

In 2010, a record 40 states offered \$1.4 billion in film and television tax incentives. All told, states have provided nearly \$6 billion for such programs over the past decade. 2010 will likely stand as the peak year, since many governors and legislators are ending their programs, preferring to use the money for other priorities or leave it with taxpayers. Recent eliminations or suspensions:

- Arizona ended its program after 2010 and efforts to renew it have not advanced.¹
- Arkansas appropriated no funds for its program for 2011.
- Idaho appropriated no funds for its program for 2011.
- Iowa suspended its program in 2009 after widespread fraud and abuse was discovered.² Another film producer was sentenced to 10 years in prison this week related to that scandal.³
- Kansas has suspended its program.⁴
- Maine appropriated no funds for its program for 2011.
- New Jersey suspended its program,⁵ although some legislators are pushing for its reinstatement.⁶

Joseph Henchman is Vice President of State & Legal Projects at the Tax Foundation.

¹ David Madrid, "Arizona Film Projects in Danger if Tax Incentive Expires," *The Arizona Republic*, May 26, 2010, <http://www.azcentral.com/arizonarepublic/local/articles/2010/05/26/20100526arizona-film-tax-credit.html>.

² Richard Verrier, "Iowa Film Tax Credit Program Racked by Scandal," *Los Angeles Times*, January 19, 2011, <http://articles.latimes.com/2011/jan/19/business/la-fi-ct-onlocation-20110119>.

³ Joe Barrett, "Tax-Credit Fraud Puts Filmmaker in Prison," *Wall Street Journal*, May 18, 2011, http://online.wsj.com/article/SB10001424052748704281504576329721447700398.html?mod=googlenews_wsj.

⁴ "Film Production Credit," *Kansas Department of Revenue*, last update October 28, 2010, <http://www.ksrevenue.org/taxcredits-film.htm>.

- Washington legislators just dropped their program as part of a budget deal.⁷

That will bring the number of states with programs down to 35 as of next year. Additionally, existing programs are being pared back or challenged:

- Alaska legislators may not renew their program.⁸
- Connecticut reduced the generosity of its credit.⁹
- Georgia's tax review commission recommended eliminating the program.¹⁰
- Hawaii legislators rejected an effort to expand their program.¹¹
- Michigan will greatly reduce its film tax credit as part of a business tax overhaul. Michigan's program was among the most generous, providing a 42% subsidy for qualified film and television productions. Proponents are pushing for its reinstatement but at a less generous level.¹² Gov. Rick Snyder (R) had called for ending the program altogether.¹³
- Missouri's tax credit review commission recommended ending the program.¹⁴
- New Mexico capped its program,¹⁵ compromising with Gov. Susanna Martinez (R) who had sought to scale back or end it.¹⁶
- Rhode Island Gov. Lincoln Chaffee (I) is seeking to end that state's program.¹⁷
- Wisconsin appropriated just \$500,000 for its program after concluding that providing tax credits to even a blockbuster production would likely have a negative fiscal impact.¹⁸

⁵ Paul Tyahla, "Roll Closing Credits On New Jersey's Film Subsidy," *Common Sense Institute of New Jersey*, March 3, 2011, <http://www.csinj.org/2011/03/roll-final-credits-on-film-subsidy/>.

⁶ Associated Press, "N.J. Assembly to Vote on Bill Reinstating Tax Credit for Film Industry," *NJ.com*, January 9, 2011, <http://www.nj.com/news/index.ssf/2011/01/nj-assembly-to-vote-on-bill-re-1.html>.

⁷ Jordan Schrader, "Lawmakers Kill Film, Newspaper Tax Breaks in Waning Hours," *Tacoma News Tribune*, May 27, 2011, <http://www.thenewtribune.com/2011/05/27/1682224/lawmakers-kill-3-industries-tax.html>.

⁸ Becky Bohrer, "Alaska Film Tax Credit Program Faces Doubts in House," *Anchorage Daily News*, April 14, 2011, <http://www.adn.com/2011/04/14/1809849/film-tax-credit-program-faces.html>.

⁹ Brian Lockhart, "Budget Tightens Film Credits," *Danbury News Times*, May 9, 2011, <http://www.newstimes.com/news/article/Budget-tightens-film-credits-1371324.php>.

¹⁰ Chris Joyner, "Film Industry Pushes to Keep Georgia Tax Credit," *Atlanta Journal-Constitution*, March 1, 2011, <http://www.ajc.com/news/georgia-politics-elections/film-industry-pushes-to-857482.html>.

¹¹ Brian Perry, "Lawmakers Sorry Film Tax Credit on Cutting Room Floor," *Maui News*, May 14, 2011, <http://www.mauinews.com/page/content.detail/id/549416/Lawmakers-sorry-film-tax-credit-on-cutting-room-floor.html?nav=10>.

¹² Christopher Brennan, "Effort to Keep Movie Subsidy is Heating Up," *Livingston Daily*, May 25, 2011, <http://www.livingstondaily.com/article/20110525/NEWS01/105250324/Effort-keep-movie-subsidy-heating-up>.

¹³ Josh Brown, "Two GOP Governors Plan to Spare Film Tax Credits," *Washington Times*, March 20, 2011, <http://www.washingtontimes.com/news/2011/mar/20/two-gop-governors-plan-to-spare-film-tax-credits/>.

¹⁴ Kelsey Volkmann, "Tax Credit Cuts Would Save Missouri \$220M," *St. Louis Business Journal*, November 30, 2010, <http://www.bizjournals.com/stlouis/news/2010/11/30/missouri-tax-credit-commission-to-make.html>.

¹⁵ "\$45 Million Cap on New Mexico Film Credit May Help Industry, Not Kill It," *Runaway Production Research*, March 7, 2011, <http://www.stop-runaway-production.com/2011/03/07/satistics-show-45-million-new-mexico-film-incentive-cap-may-help-not-kill-industry/>.

¹⁶ "Susana Martinez's Proposal to Scale Back Film Tax Incentives," KRQE News, *New Mexico Film, Photography and Music Network*, January 12, 2011, <http://www.nmseen.us/index.php?do=/Viber/blog/susana-martinez-s-proposal-to-scale-back-film-tax-incentives/>.

¹⁷ David Klepper, "Filmmakers Urge RI Not to End Film Tax Credit," *Bloomberg Businessweek*, March 25, 2011, <http://www.businessweek.com/ap/financialnews/D9M6B5O00.htm>.

¹⁸ Jack Craver, "Is the Wisconsin Film Tax Credit Worth It?" *Isthmus Daily Page*, May 5, 2011, <http://www.thedailypage.com/daily/article.php?article=33419>.

On the other hand, some states are betting more on these programs:

- California's new film tax credit faces some debate over its renewal, but it will likely continue.¹⁹
- Minnesota Gov. Mark Dayton (DFL) put money for their "Snowbate" program back in the budget,²⁰ after his predecessor Gov. Tim Pawlenty (R) sought to end the program.²¹
- Some Nevada legislators are pushing to create a film incentive program, which will be tough since the state has no corporate income tax to give a credit from.²²
- After early indications that he might challenge the program, Ohio Gov. John Kasich (R) sought no changes.²³
- Pennsylvania Gov. Tom Corbett (R) worked to save the film tax credit from budget cuts.²⁴
- Utah made its film tax credit more generous.²⁵
- Virginia Gov. Bob McDonnell (R) worked with legislators to add a new film tax credit.²⁶
- Wyoming Gov. Matt Mead (R) signed a five-year extension of that state's program.²⁷

In short, while film incentive programs were once universally applauded as great economic development tools and tourism boosters, their merits are now being rigorously debated. (Check out this debate that the Midwest is talking about this week.)²⁸ At a minimum, film incentive programs should be required to report how many dollars in incentives were provided per each Full-Time Equivalent (FTE) job created by qualified productions. Programs should be reviewed periodically for their effectiveness by legislative oversight or a third party.

For more information, see our full report on this topic, "Movie Production Incentives & Film Tax Credits: Blockbuster Support for Lackluster Policy."²⁹

¹⁹ Joseph Henchman, "FilmWorks Blog Criticizes Tax Foundation on Industry's Dependence on Film Tax Credits," *Tax Foundation Tax Policy Blog*, April 26, 2011, <http://www.taxfoundation.org/blog/show/27240.html>.

²⁰ Minnesota Management and Budget, "Governor's Recommendations: Economic Development," <http://www.mmb.state.mn.us/doc/budget/narratives/gov11/explore.pdf>.

²¹ Frank Jossi, "That's a Wrap: Final 'Snowbate' Film Ends Shooting," *All Business Finance & Commerce*, Mar. 23, 2010, <http://www.allbusiness.com/government/government-bodies-offices-legislative/14205508-1.html>.

²² Joe Schoenmann, "Assembly Movie Bill in Danger of Hitting Cutting Room Floor," *Las Vegas Sun*, May 12, 2011, <http://www.lasvegassun.com/news/2011/may/12/movie-bill-danger-hitting-legislatures-cutting-room/>.

²³ Dave Larsen, "Arts Keep 80% of Funding; Film Tax Credits for Movies Stay," *Dayton Daily News*, March 16, 2011, <http://www.daytondailynews.com/news/ohio-news/arts-keep-80-of-funding-film-tax-credits-for-movies-stay--1109011.html>.

²⁴ "Film Tax Credit Saved in Deep Budget Cuts," *KDKA Pittsburgh*, March 9, 2011, <http://pittsburgh.cbslocal.com/2011/03/09/pennsylvania-film-tax-credit-saved/>.

²⁵ Sean P. Means, "Utah Raises Its Motion-Picture Tax Incentive," *The Salt Lake Tribune Movie Cricket Blog*, March 29, 2011, <http://www.sltrib.com/sltrib/blogsmoviecricket/51522539-66/utah-incentive-film-motion.html.csp>.

²⁶ "McDonnell touts film incentives," *HamptonRoads.com*, June 2010, <http://hamptonroads.com/2010/06/mcdonnell-touts-film-incentives>.

²⁷ "Wyoming Film Incentives Extended," *Wyoming Film Office Blog*, February 17, 2011, <http://filmwyoming.blogspot.com/2011/02/wyoming-film-incentives-extended.html>.

²⁸ "Beckmann vs. Albom Slugfest," *The Michigan View*, May 18, 2011, <http://www.detnews.com/article/20110518/MIVIEW/105180360/1467/opinion01/Beckmann-vs.-Albom-slugfest>.

²⁹ Will Luther, "Movie Production Incentives & Film Tax Credits: Blockbuster Support for Lackluster Policy," *Tax Foundation Special Report* No. 173, January 14, 2010, <http://www.taxfoundation.org/publications/show/25706.html>.

Year	States with Film Incentive Program	Incentive Amounts Offered
1999 and earlier	4	\$2 million
2000	4	\$3 million
2001	4	\$1 million
2002	5	\$1 million
2003	5	\$2 million
2004	9	\$68 million
2005	15	\$129 million
2006	24	\$369 million
2007	33	\$489 million
2008	35	\$807 million
2009	40	\$1.247 billion
2010	40	\$1.396 billion
2011	37	\$1.299 billion

Source: Tax Foundation

© Tax Foundation
National Press Building
529 14th Street, N.W., Suite 420
Washington, DC 20045
202.464.6200
www.TaxFoundation.org

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June 29, 2011

Motion Picture Association Attacks Tax Foundation Critique of Film Tax Subsidies

by Joseph Henchman

Earlier this month, we reported that 37 states will offer film tax incentives in 2011, a drop from 40 states in 2010 and the first such drop since the trend began over a decade ago. The aggregate dollars paid out by states has also dropped, from \$1.396 billion to \$1.299 billion. I made the prediction that 2010 will remain the peak year, which was noted approvingly by, among others, *The Economist* magazine.

Why is this happening? I think it's a mix of two reasons: (1) every impartial study of film tax incentives has indicated that they are ineffective economic development tools, have a poor return for job creation, and do not pay for themselves, and (2) legislators are weighing priorities in tight state budgets, and are willing to let go of a program that is being hammered by experts on the left and the right. Even Michigan, which was leading the pack by paying 42 cents to qualified film and television productions for every dollar they spent, has thrown in the towel. Eight other states zeroed out their programs, and eight states made moves to scale back their programs. (On the other hand, our report noted, six states renewed or expanded their programs.)

Within a day of our study's release, the Motion Picture Association of America (MPAA) responded on their blog:

Pure and simple: film and tax incentives create jobs, expand revenue pools and stimulate local economies. That's why a study released by the Tax Foundation yesterday strained credulity and provided a host of prejudged conclusions about the value of film and television tax credits in bolstering jobs and local economic development.[...]

Two recent studies that performed cost/benefit analyses confirmed the economic benefits of production tax incentives to New York and Michigan. Michigan's report, sponsored by the Detroit, Ann Arbor, Traverse City and Grand Rapids Convention & Visitors Bureaus indicated that the incentive created nearly 4,000 full-time equivalent jobs for Michigan residents in 2010 at an average salary of \$53,700 per year, and generated roughly \$6 per dollar of net credit cost. The New York report showed a 1.9 return on the state's investment (ROI).

In locations with uninterrupted film tax credit programs there have been continuing investment and job growth. In Massachusetts, for example, only 10 films were produced over seven years with \$67 million of direct investment. Once the credit was enacted the Commonwealth had 26 films in three years with a

startling \$676 million of direct investment to the state.

I cut part of it out in the quote above, but their first four paragraphs were an attack on our motivations in putting out the report (yes, this rather dry report is the one they claim is full of bias). I thus feel justified in noting that most or all of the benefits of these film tax incentive programs accrue to the film and television production industry. Hence, the MPAA's panicked denials that there is any downward trend or any legitimate argument against their subsidies. I also put aside their implication that we did not report on states expanding or renewing their credit programs, because we did.

I now turn to specific critiques.

Michigan Film Incentive Costs \$90,000+ Per New Job

Their Michigan study, conducted by Ernst & Young but commissioned by and paid for by state economic development officials that push the film tax incentive program, found that the credits cost \$73 million in 2009 and created 797 full-time equivalent (FTE) jobs, for a cost of \$91,593 per new job. In 2010, the study found the incentives cost \$117 million and created 1,039 full-time equivalent jobs, for a cost of \$112,800 per new job. Only by taking credit for all economic activity remotely related to film production can you reach the numbers the MPAA cites, and even then, the Ernst & Young study finds a net cost of \$34 million in 2009 and \$60 million in 2010, unrecouped by higher tax collections from ancillary activity or reduced unemployment costs.

Note that Michigan's film office was essentially forced against its will to report cost-per-FTE-job figures, after a 2010 study commissioned by the bipartisan Senate Fiscal Agency criticized them for not doing so. That study, by the way, concluded that "film incentives represent lost revenue and do not generate sufficient private sector activity to offset their costs completely." Michigan recently scaled back its film tax incentive program.

New York Study's Astounding Return on Investment Ignores Opportunity Costs

The New York study, conducted by Ernst & Young but commissioned by and paid for by the New York film office and the MPAA itself, reaches its positive numbers only by taking credit for all economic activity remotely related to film production. This is problematic because it ignores the concept of "opportunity cost"—the fact that the money used for film subsidies, and the labor and resources used by them, would have been used for something else in the absence of the program.

Even if the displaced activity is less productive, it still means there's some amount of economic activity that would occur without the incentive program. E&Y's studies attribute all economic activity remotely related to film production to the film incentive program's existence. This is especially problematic for New York (and California), as they draw a significant number of film and television productions even without incentives. (A just released study from the Los Angeles County Economic Development Corporation makes the same critical error.)

Even those fanciful assumptions don't prepare the reader for E&Y's conclusion, which is more optimistic than what any on the left ever said about the stimulus or any on the right ever said about the Bush tax cuts. The report unbelievably calculates that \$214 million in credits in 2007 resulted in \$1.7 billion in production spending (and \$2.1 billion in indirect spending, for a total spend of \$3.8 billion), which in turn generated \$403 million in new tax revenue (190% of the credits). Put another way, the E&Y report claims that \$1.00 in credits generates \$17.75 in new economic activity, which in turn generates \$1.88 in new tax revenue. This means that if we gave \$1 trillion a

year in subsidies to the MPAA's members, we could solve our long-term budget problems.

In reality, it sounds like E&Y's report assumes what it is supposed to calculate. It's unclear whether the multipliers that they cite (that is, the ratio of dollars of activity generated to dollars spent) are calculated from the data, or assumed to produce the data. My guess is that it's the latter, as this is a common practice (and was used for the stimulus to show how, for example, many new jobs would be created for a given dollar of government spending). E&Y assumes that film production has an incredible multiplier in its calculations (2.77 for new job creation, 2.52 for new income, 2.26 for new productions), so the conclusion that proponents draw from it - that film production has an incredible multiplier - should be taken with a grain of salt.

Subsidizing Film Productions Leads to More Film Productions

The MPAA notes that states that pass new tax credit programs see a burst of new activity. There is no dispute between us here, for it is a truism. Subsidizing anything gets you more of that thing. The question is whether the benefits of a given amount of net new job creation and the net new investment exceed the cost. (I would note, however, that states must continuously increase the generosity of their programs or risk losing productions. It's a never-ending escalation that no state can truly win, making it unlikely that any permanent industry will result from it.)

One measure of that is whether the tax credit pays for itself in induced tax revenue collections, or more than \$1 generated for every \$1 spent. Aside from E&Y's studies paid for by economic development authorities and the MPAA, every other study has found film tax credits generate less than 30 cents for every \$1 of spending:

- Arizona's Department of Commerce calculated 28 cents on the dollar.
- Connecticut's Department of Economic Development found a 7 cent return on every \$1 spent.
- Two studies in Louisiana found between 13 and 18 cents on the dollar.
- Massachusetts' Department of Revenue found it got 16 cents on the dollar.
- Michigan's Senate Fiscal Agency found 11 cents on the dollar.
- New Mexico's Legislative Finance Office found 14 cents. (E&Y did a New Mexico study too, calculating \$1.50 on the dollar, but having the same problems as their Michigan and New York studies.)
- Pennsylvania's Legislative Budget & Finance Committee found 24 cents on the dollar.

Of the above studies, only Massachusetts's study did not assume that all film and television production occurred because of the credit. So all the other numbers should be considered on the high end.

The MPAA blog closes with the statement that "[n]ew investment in film and digital media production is, on balance, revenue positive." The evidence does not support that statement.

Film tax credits do not pay for themselves. While some benefits accrue to in-state filmmakers and suppliers, on the whole they are a net transfer from taxpayers to out-of-state production company beneficiaries.

For more information on film tax incentives, please see our larger report on the topic.

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State Film Production Incentives & Programs

In the last decade, tax incentives for film and entertainment productions have spread across the country. State officials have used the programs to lure film makers to their states for many reasons including job creation and tourism promotion. Currently, 45 states and Puerto Rico offer motion picture incentives (states without film incentives are: Delaware, Nebraska, Nevada, New Hampshire and South Dakota). These incentives include tax credits, rebates and exemptions.

The following table outlines state film incentive programs. State names contain links to state film offices and commissions.

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
Alabama	A qualified production company is entitled to a 25 percent rebate of all state certified expenditures and 35 percent of all payroll paid to residents of Alabama for the state certified production. Expenditures for a project must equal or exceed at least \$500,000 but must not exceed \$10 million.
Alaska	Applicants can qualify for up to 44 percent in a transferable tax credit on qualified production expenditures. Eligible projects are broadly defined as film, documentary, commercials and video projects. The state requires a minimum of \$100,000 in qualified expenditures. The state has no personal income or sales taxes.
Arizona	A qualified applicant can obtain the following exemptions or credits: The transaction privilege tax exemption on: purchased machinery, equipment and other tangible personal property, job printing, embossing, engraving and copying, leased or rented lodging space, sales of catered food, drink and condiments, and construction contracts for buildings and other structures. The use tax exemption on machinery, equipment and other tangible personal property. A qualified company can receive a non-refundable tax credit for a motion picture production. Expenditures must be directly attributable to the production and are equal to 20% if the qualifying production costs are \$250,000 to \$1 million. In cases where the qualifying production costs are more than \$1 million the tax credit is equal to 30%.
Arkansas	A qualified production is eligible for a rebate of 15 percent of all qualified costs. An approved production company may also receive an additional rebate of 10 percent for the payroll of below-the-line employees involved in the production who are full-time residents of the state.
California	Qualified taxpayers are allowed a credit against income and/or sales and use taxes, based on qualified expenditures. Credits applied to income tax liability are not refundable. Only tax credits issued to an "Independent film" may be transferred or sold to an unrelated party. Other qualified taxpayers may carryover tax credits for five years and transfer tax credits to an affiliate. Applicants may be

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
	eligible for a 20 percent or 25 percent tax credit depending on certain criteria.
<u>Colorado</u>	A qualified production is eligible for a 10 percent rebate for the below-the-line cost of producing a film, documentary or television program. In order to qualify for the rebate, the project must be produced and filmed in the state, and the production company must spend 75 percent of its below-the-line budget with Colorado businesses and hire 75 percent of its crew locally.
<u>Connecticut</u>	A qualified applicant is eligible for tax credits for the production of digital media and motion pictures. Production companies incurring expenses between \$100,000 and \$500,000 are eligible for a 10 percent credit, between \$500,000 and \$1 million are eligible for a 15 percent credit, and over \$1 million are eligible for a 30 percent credit. For income years starting Jan. 1, 2010, the minimum expenditure increases to \$100,000 and makes the credit amount dependent on the production's total expenses or costs. The state also offers a tax credit for infrastructure costs, and exemptions for property, sales and hotel taxes.
<u>Delaware</u>	No film incentive program. The state does not levy a sales tax.
<u>Florida</u>	Qualified productions are eligible for 20% transferable tax credit. An additional 5% credit can be obtained for certified off-season productions and another 5% credit for certified family friendly productions.
<u>Georgia</u>	Qualified applicants are eligible for an across-the-board tax credit of 20 percent based on a minimum investment of \$500,000. An additional 10 percent Georgia Entertainment Promotion enhancement can be earned by including an imbedded animated Georgia logo on approved projects. The state also offers a sales and use tax exemption. Qualified companies can get an immediate point-of-purchase sales tax exemption that will save productions up to 8 percent on most below-the-line materials and service purchases or rentals.
<u>Hawaii</u>	Qualified applicants are eligible for three different tax incentives that may be applied to film and television productions: The refundable motion picture and digital media tax credit equals 15 percent of qualified production costs incurred on Oahu, and 20 percent on other islands (Big Island, Kauai, Lanai, Maui, Molokai). A non-refundable income tax credit applies to Hawaii residents who invest in qualified companies producing "performing arts products," including film, television, video, audio and animation products. The credit is equal to 80 percent of the investment amount, payable over five years. Royalties derived from performing arts products are excluded from a Hawaii taxpayer's income and not subject to state income tax.
<u>Idaho</u>	Qualified productions are eligible for the motion picture rebate program, although it is currently unfunded. The program provides a 20 percent rebate for qualifying productions on all goods and services purchased in Idaho, if at least \$200,000 is spent in the state and at least 20 percent of crew are Idaho residents (increasing to 30 percent over time). The state also has a rebate of the sales

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
	tax on tangible personal property (which excludes consumables such as food) when \$200,000 is spent on a wide variety of qualifying expenses.
<u>Illinois</u>	Applicants can qualify for a 30 percent tax credit on all qualified expenditures, including post-production. The credit can be carried forward five years from when it originally was issued by the film office. Applicants will receive an additional 15 percent tax credit on salaries of individuals who live in an economically disadvantaged area. The credit has no sunset date.
<u>Indiana</u>	Applicants are eligible for a refundable tax credit of up to 15 percent of investment in a qualified media production project.
<u>Iowa</u>	This program was suspended in 2009, but reinstated only for projects approved before the suspension.
<u>Kansas</u>	The 2009 Legislature suspended the film production income tax credit for two years.
<u>Kentucky</u>	Qualified motion picture and television production companies are eligible for a refund of the sales and use tax on expenditures made in connection with the production.
<u>Louisiana</u>	Qualified applicants are eligible for a 30 percent transferable credit for total in-state expenditures related to the production of a motion picture. An additional 5 percent labor tax credit can be earned on the payroll of Louisiana residents who are employed by a state-certified motion picture production. The tax credits are fully transferable and the state has no limit to the amount of tax credits that can be earned by a single production.
<u>Maine</u>	Applicants can qualify for the following assistance: A wage-tax rebate plan. The program offers producers of a certified media production a partial reimbursement of eligible employee wages. Generally, companies are reimbursed 10 percent of the amount paid as wages for non-Maine residents and 12 percent of the amount paid as wages for Maine residents. An income tax rebate for investors in media projects. A certified media production company may qualify for a non-refundable credit equal to the Maine income tax otherwise due on taxable income related to the certified media production. No state sales taxes on most production items, reimbursement on lodging taxes for long-term stays, and no state sales tax on purchases of most fuel and electricity for productions.
<u>Maryland</u>	A qualified film or television production may be entitled to claim a rebate in an amount up to 25 percent of the total direct costs incurred in the state while filming on-location. Employee salaries of \$1 million or more are excluded. The rebate is distributed in the form of a grant. To qualify, the production must incur at least \$500,000 in total direct costs in the state and at least 50 percent of the production's filming must occur in Maryland. In addition, the production must have nationwide distribution.
<u>Massachusetts</u>	Qualified studios, producers and filmmakers who shoot at least half of their movie or spend at least half of their production budget in the Commonwealth are eligible for a tax credit equal to 25 cents for every new dollar of spending they bring to Massachusetts.

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
Michigan	Film productions that qualify can obtain a refundable tax credit of up to 42 percent of the amount of a production company's expenditures (depending upon type) that are incurred while producing a film or other media entertainment project in the state. Qualifying expenditures made in a designated "core community" are eligible for a 42 percent credit; those made in a "non-core" community are eligible for a 40 percent credit (The Michigan Film Office has the list of qualifying "core communities" on their website).
Minnesota	Film productions that qualify can receive a reimbursement of 15 percent to 20 percent of in-state production expenditures. The incentive is available for feature films, national television or Internet, programs, commercials, music videos and documentaries. Also, qualified TV commercial productions (including post-production) are exempt from the state sales tax. The state has a hotel/lodging tax exemption in which all production personnel who stay in a hotel or other lodging under a lease agreement for 30 days or longer are exempt from the state lodging tax.
Mississippi	Qualified production companies are eligible for a rebate on expenditures and exemptions or reductions on sales and use taxes on eligible purchases. A production company that has an approved project is eligible for a 20 percent rebate of its base investment (local spending) in Mississippi. Also, an approved project is eligible for a 25 percent rebate on payroll paid to resident cast and crew whose wages are subject to Mississippi income tax withholding and for that portion of their salary for the project up to and including \$1 million. To qualify, the employee must live in Mississippi, or maintain a home there, and spend more than six months in the state. Additionally, a production company that has an approved project is eligible for a 20 percent rebate on payroll paid to non-resident cast and crew whose wages are subject to Mississippi income tax withholding and for that portion of their salary for the project up to and including \$1 million. Finally, items used directly in the production of a film are exempt from the state's 7 percent sales and use tax. Production equipment and machinery used directly in the filming and editing of a project may be taxed at the reduced rate of 1.5 percent.
Missouri	A qualified film production company is eligible for tax credits for up to 35 percent of the amount expended in Missouri for production or production-related activities. The credit equals up to 30 percent for qualifying out-of-state cast and crew when Missouri income taxes are withheld.
Montana	Applicants can qualify for the state's incentive package of 14 percent back on Montana crew and talent salaries and 9 percent return on production-related expenditures made in Montana. Also there is no state sales tax and production companies staying longer than 30 days at the same hotel/motel are exempt from the 7 percent bed tax. The state does not levy a sales tax.
Nebraska	No film credit/incentive program.
Nevada	No film credit/incentive program. The state does not levy a personal income tax.
New Hampshire	No film credit/incentive program. The state does not levy a sales tax and has a limited income tax on only interest and dividends.

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
New Jersey	The film production incentive was suspended for fiscal year 2011.
New Mexico	Qualified applicants are eligible for a 25 percent tax rebate on all direct production expenditures, including costs for a New Mexico crew. The rebate applies to feature and independent films, television, regional and national commercials, documentaries, video games and post-production. Non-resident actors and stunt performers qualify under a separate tax structure. Also, the state issues a certificate that is presented at the point of sale so that no gross receipts tax is charged. This incentive cannot be used in conjunction with the 25 percent tax rebate.
New York	Film companies may apply for a 30 percent to 35 percent fully refundable tax credit on qualified expenses while filming in the state. Refundable tax credits are available for qualified commercials. Also, certain production activities and expenses are exempt from state/local sales and use taxes.
North Carolina	Qualifying productions that spend more than \$250,000 in the state are eligible for a 25 percent tax credit on in-state purchases of goods and services, not to exceed \$20M (an approximate \$80M in-state spend).
North Dakota	Film companies may qualify for an income tax exemption available to primary sector businesses that add value to a product, process or service that creates new wealth. This exemption requires approval by the State Board of Equalization.
Ohio	Qualified applicants may receive a tax credit that is equal to 25 percent of non-wage and non-resident wage production expenditures and 35 percent of resident wage production expenditures.
Oklahoma	<p>Film companies may qualify for a rebate up to 37 percent on Oklahoma expenditures, capped at \$5 million a year. Additionally, the following film production programs are available:</p> <p>A tax credit for Oklahoma film and music projects gives state taxpayers who invest in projects produced in the state a 25 percent income tax credit on profits made when those profits are reinvested in another film or music project produced in Oklahoma. Credit cannot exceed the taxpayer's liability. Credit is non-assignable and non-transferable.</p> <p>The state offers state income tax credits to investors building film or music production facilities in the state.</p> <p>Qualified productions can receive a point of purchase tax exemption on sales taxes paid for property or services to be used in productions. There is no minimum budget or expenditure requirement. This exemption cannot be used in conjunction with the 37 percent rebate.</p>
Oregon	Qualifying film or television productions are eligible for a 20 percent cash rebate on production-related goods and services paid to Oregon vendors and a 10 percent cash rebate of wages paid for work done in the state by residents and non-residents. The labor portion of this rebate can be combined with the Greenlight Oregon program for an effective labor rebate of 16.2 percent. A production must directly spend at least \$750,000 in the state to qualify. There is no per production cap. Additionally, the Indigenous Oregon Production Investment Fund program provides rebates of 20 percent

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
	for goods and services and 10 percent of Oregon labor for films produced by Oregon filmmakers who spend a minimum of \$75,000 but not more than \$750,000 on their projects. The state has no general sales and use tax and lodging taxes are waived for rooms held longer than 30 days.
<u>Pennsylvania</u>	Film production companies that spend at least 60 percent of their total production budget in the Commonwealth are eligible for a 25 percent tax credit. Feature and TV films, TV talk or game show series, TV commercials, and TV pilots or episodes intended as programming for a national audience qualify.
<u>Puerto Rico</u>	Qualifying productions can apply for a tax credit equivalent to 40 percent of budget items paid to a Puerto Rico entity or resident or up to 50 percent of the cash invested as equity in the project.
<u>Rhode Island</u>	Film companies may apply for a 25 percent transferable tax credit for all in-state spending. It includes salaries for people working on the ground, in the state. The film/TV commercial/video game production must be filmed primarily in the state and have a minimum budget of \$300,000.
<u>South Carolina</u>	Productions that film in South Carolina can receive up to a 20 percent cash rebate on in-state employee wages and a 10 percent cash rebate up to \$3,500 on out-of-state employee wages. Salaries for out-of-state performing artists (including stunt performers) are eligible for the full 20 percent cash rebate. Additionally, the state offers up to a 30 percent cash rebate on in-state supplier expenditures if at least \$1 million is spent in the state. Productions spending more than \$250,000 in the state are exempt from sales and accommodations taxes and all film productions are eligible to use state properties for free.
<u>South Dakota</u>	No film credit/incentive program. The state does not levy a personal income tax.
<u>Tennessee</u>	<p>Production companies can qualify for two state incentive programs:</p> <p>Under the film and production incentive, applicants can receive 13 percent of total qualified production expenditures for a feature film, television program or commercial produced in the state; plus 2 percent more if at least 25 percent of the cast and/or crew are Tennessee residents ("day players" and extras are not included in determining the 25 percent); plus 2 percent more (maximum cash rebate of \$100,000) if the production company spends at least \$20,000 per production/per episode for music created by Tennessee residents or for recording music in the state.</p> <p>The Headquarters Location Incentive includes a 15 percent refund calculated upon qualified expenses that are necessary for the production of a theatrical film or television show produced in the state. In order to qualify, the production company must be headquartered in Tennessee and it or its subsidiary must incur at least \$1 million in qualified expenses in the state.</p> <p>The state has a limited income tax on only interest and dividends.</p>
<u>Texas</u>	Qualifying feature films, television programs, commercials, video games, and stand-alone post production/finishing projects can receive a payment of 5 percent to 15 percent of eligible in-state

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
	<p>spending upon completion of a review of their expenditures. Both live-action and animated projects are eligible. The state also offers up-front sales tax exemptions on most items rented or purchased for direct use in production, refunds of the 6 percent state occupancy tax on hotel rooms occupied for more than 30 consecutive days, and refunds on taxes paid on fuel used off-road. The state does not levy a personal income tax.</p>
<u>Utah</u>	<p>Qualifying productions will be rebated 20 percent on every dollar spent in the state, but must spend a minimum of \$1 million to qualify. Additionally, the state offers a tax exemption that allows film, television and video productions to take a sales tax exemption at the point of sale on machinery and equipment. Also, there is an exemption from the transient room tax. Accommodation charges for stays of 30 consecutive days or longer are exempt from sales and use taxes and all sales-related taxes.</p>
<u>Vermont</u>	<p>A qualified production company can obtain exemptions from hotel taxes, sales and use taxes. Performers can receive an income tax exemption limited to the amount they would pay in their home states.</p>
<u>Virginia</u>	<p>Film production companies may receive rebates subject to the Governor's Motion Picture Opportunity Fund. This rebate, at the governor's discretion, takes into consideration the length of filming, job creation, number of trainees hired and goods and services purchased. Additionally, there are exemptions on state sales and use taxes and state and local lodging taxes.</p>
<u>Washington</u>	<p>Film makers may receive assistance of up to 30 percent of total in-state qualified expenditures (including labor and talent personnel who are state residents) for selected commercial, television and feature film productions. The state also provides exemptions for sales and use taxes, and hotel/lodging taxes. Additionally, the state does not levy a personal income tax.</p>
<u>West Virginia</u>	<p>A qualified production company is eligible for transferable tax credits of up to 31 percent of qualified in-state spending (27 percent base plus 4 percent if 10 or more West Virginia residents are hired full time). Additionally, purchases and rentals of tangible personal property and purchases of services directly used in a production are exempt from the consumers' sales and service tax. Also, there is an exemption from state and local lodging taxes on stays in excess of 30 consecutive days at the same facility.</p>
<u>Wisconsin</u>	<p>Productions that film in the state are eligible for a fully refundable tax credit capped at \$500,000 per year in total expenditures. Included expenditures are a 25 percent credit on the salaries and wages paid to in-state residents making \$250,000 on the project or less (salaries and wages to nonresidents are not included); a 25 percent credit on production expenditures made in the state; and a 15 percent credit on film production company investments. Thirty-five percent of the project's total budget must be spent in the state to qualify.</p>
<u>Wyoming</u>	<p>Qualified production companies are eligible for a cash rebate of up to 15 percent on money spent in the state during a film shoot. The production company would have to spend a minimum of \$200,000 to qualify and meet additional criteria to determine the rebate</p>

State Film Production Incentives/Programs	
State/Jurisdiction	Film Production Incentive/Credit Program
	percentage between 12 percent and 15 percent. Additionally, the state does not levy a personal income tax.
<p>Key Terms and Definitions:</p> <p>Below-the-line: Refers to the technical elements of the production staff. Typically, these include labor costs of all crew, camera and equipment rentals, as well as all construction, wardrobe, and transportation costs.</p> <p>Source: State film office and commission websites. Check each state's program for further details, requirements and eligibility.</p>	

January 2011

Contact: statefiscal-info@ncsl.org

Denver Office

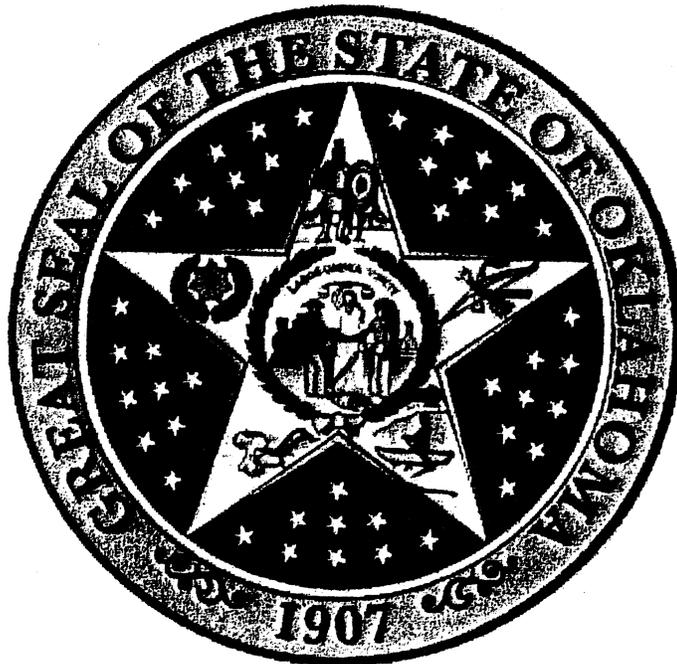
Tel: 303-364-7700 | Fax: 303-364-7800 | 7700
East First Place | Denver, CO 80230

Washington Office

Tel: 202-624-5400 | Fax: 202-737-1069 | 444 North Capitol Street,
N.W., Suite 515 | Washington, D.C. 20001

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**Report of Qualified Investments
in
Small Business Capital Companies
and
Rural Small Business Capital Companies**



Submitted by the Oklahoma Tax Commission

for Tax Year 2009

Tuesday, October 11, 2011

The following report for the “Small Business Capital Formation Incentive Act” (68 O.S. §2357.60 et seq.) and the “Rural Venture Capital Formation Incentive Act” (68 O.S. §2357.71 et seq.) is hereby submitted to the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate pursuant to the provisions of Sections 2357.65 and 2357.76 of Title 68.

The report provides the amount of credits actually claimed and allowed pursuant to the provisions of these Sections for the 2009 tax year. The report also provides statistical information on the 2009 qualified investments made by qualified small business capital companies and qualified rural small business capital companies, the expenditures made by the Oklahoma small business ventures and rural small business ventures as a result of these investments, and the number of jobs reported to be created in this state by the Oklahoma small business ventures and rural small business ventures.

The information provided herein is a compilation of the information submitted to the Tax Commission from the following sources.¹

- Small Business Capital Company Information Report (Form 527),
- Rural Small Business Capital Company Information Report (Form 526),
- 2009 Income Tax Returns, and
- Responses to Survey of Small Business Capital Companies and Rural Small Business Capital Companies.

Small Business Capital Formation Incentive Act

The Small Business Capital Formation Incentive Act provides credits against Oklahoma income taxes, privilege taxes levied against banking associations and credit unions, and insurance premium taxes² for qualified investments in qualified small business capital companies.

The credit provided in the Act is equal to twenty percent (20%) of qualified investments made in qualified small business capital companies which are subsequently invested in an Oklahoma small business venture by the qualified small business capital company.

The Act also provides a twenty percent (20%) credit for qualified investments made in Oklahoma small business ventures “in conjunction” with qualified investment in such ventures

¹ The Tax Commission expresses no opinion as to the accuracy of the data in this report since no audit of the companies’ responses and/or books and records has been conducted prior to this report.

² This report does not provide information regarding the amount of credits taken against the insurance premium taxes reported to the Insurance Commissioner of the State of Oklahoma.

made by a qualified small business capital company. To qualify for the credit, the “in conjunction” investment must be made by a shareholder, member or partner of a qualified small business capital company that has made a qualified investment in an Oklahoma small business venture.

In the 2009 calendar year, a total of thirteen (13) small business capital companies reported investments in seventeen (17) small business ventures. A total of \$43,961,675 was reported as invested in these ventures by the small business capital companies. There was also reported a total of \$21,642,967 of “in conjunction” investments made in the same business ventures.

Based on these reported investments, the potential amount of credits earned from these investments was \$13,120,928.

A review of 2009 income tax returns filed indicates that approximately \$17,885,509 of tax credits authorized by this Act was used to reduce the tax liability of 558 income tax filers.³

A survey of small business capital companies was conducted in August of 2011 regarding investments made in 2009⁴. The responses to the survey reported:

- \$42,004,031 spent to acquire tangible or intangible assets, and
- 21 jobs created in the state.

Rural Venture Capital Formation Incentive Act

The Rural Venture Capital Formation Incentive Act provides credits against Oklahoma income taxes, privilege taxes levied against banking associations and credit unions, and insurance premium taxes⁵ for qualified investments in qualified rural small business capital companies.

The credit provided in the Act is equal to thirty percent (30%) of qualified investments made in qualified rural small business capital companies which are subsequently invested in an Oklahoma rural small business venture by the qualified rural small business capital company. To qualify as a rural small business venture the venture must be located in a “nonmetropolitan area”. A “nonmetropolitan area” includes all areas of the state except a county having a

³ This report does not distinguish between 2009 credits earned and credits earned in a previous year and carried over to the 2009 tax return.

⁴ One small business capital company, reporting investments of \$14,604,581 and potential credits of \$2,920,916 during 2009, has not responded to the survey request.

⁵ This report does not provide information regarding the amount of credits taken against the insurance premium taxes reported to the Insurance Commissioner of the State of Oklahoma.

population in excess of one hundred thousand (100,000) persons according to the most recent Federal Decennial Census.

The Act also provides a thirty percent (30%) credit for qualified investments made in Oklahoma rural small business ventures “in conjunction” with qualified investment in such ventures made by a qualified rural small business capital company. To qualify for the credit, the “in conjunction” investment must be made by a shareholder or partner of a qualified rural small business capital company that has made a qualified investment in an Oklahoma rural small business venture.

In the 2009 calendar year, a total of eight (8) rural small business capital companies reported investments in twenty-six (26) rural small business ventures. A total of \$97,357,205 was reported as invested in these ventures by the rural small business capital companies. There was also reported a total of \$40,412,050 of “in conjunction” investments made in the rural small business ventures.

Based on these reported investments, the potential amount of credits earned from these investments was \$41,330,776.

A review of 2009 income tax returns filed indicates that approximately \$43,622,682 of tax credits authorized by this Act was used to reduce the tax liability of 973 income tax filers.⁶

A survey of rural small business capital companies was conducted in August of 2011 regarding investments made in 2009⁷. The responses to the survey reported:

- \$84,086,792 spent to acquire tangible or intangible assets,
- 78 jobs created in the state,
- 22 contract jobs created in the state, and
- 474 temporary jobs created in the state.

⁶ This report does not distinguish between 2009 credits earned and credits earned in a previous year and carried over to the 2009 tax return.

⁷ One rural small business capital company, reporting investments of \$22,849,000 and potential credits of \$6,854,700 during 2009, has not responded to the survey request.

APPENDIX

Summary Report Information by Year

Small Business Capital Companies	2007	2008	2009
Number of Capital Companies	16	11	13
Number of Small Business Ventures	15	13	17
Investment In Small Business Ventures	\$41,414,019	\$64,180,767	\$43,961,675
In Conjunction Investment In SBVs	\$23,400,000	\$16,234,108	\$21,642,967
Potential Credits	\$12,962,804	\$16,082,975	\$13,120,928
Credits per Filed Tax Returns	\$11,060,000	\$16,943,807	\$17,885,509
Expenditures by Small Business Ventures	\$27,273,974	\$60,923,588	\$42,004,031
Jobs Created	254	100	21
Part Time Jobs	3		
Construction Jobs	850		
Existing Jobs Maintained	40		
Rural Small Business Capital Companies	2007	2008	2009
Number of Capital Companies	20	11	8
Number of Rural Small Business Ventures	19	26	26
Investment In Rural Small Business Ventures	\$159,553,592	\$182,779,453	\$97,357,205
In Conjunction Investment In RSBVs	\$90,793,681	\$205,834,732	\$40,412,050
Potential Credits	\$75,104,182	\$116,584,256	\$41,330,776
Credits per Filed Tax Returns	\$37,406,000	\$73,423,260	\$43,622,682
Expenditures by Rural Small Business Ventures	\$142,519,290	\$270,941,615	\$84,086,792
Jobs Created	473	502	78
Temporary Jobs	41		474
Contract Jobs		6	22
Construction Jobs	175	42	
Existing Jobs Maintained		210	

Total - Small Business = 45,889,316
 Rural Venture = 154,454,942 = \$200,344,258
 775,185,921 - Earned = \$74,841,663⁰⁰ Remaining
 1428 - jobs created = \$192,000 per job

OCTOBER 26, 2011



House of Representatives State of Oklahoma

October 18, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

DATE: Wednesday, October 26, 2011

TIME: 10:00 a.m. - 4:00 p.m.

PLACE: House Chamber, State Capitol Building

- AGENDA:**
1. Welcome and Introductions
 2. Zero Emission Facility Tax Credit
68 O.S. Section 2357.32A
 3. Small Wind Turbine Manufacturing Tax Credit
68 O.S. Section 2357.32B

LUNCH BREAK

4. Coal Production Tax Credit
68 O.S. Section 2357.11
5. Other business and adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

Credit Summary

Zero Emission Facility	
Citation	68 - 2357.32A
First Enacted	2001
First Tax Year	2002
Last Tax Year	2015
Carryover Period	10 years
Moratorium Effect	Credits earned b/w 7/1/10 and 6/30/11 may not be claimed until 7/1/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	\$.005 per kilowatt-hour generated
Transferable for Value?	Yes, for 10 years
Applicable Tax Types	Income and rural cooperative tax
Cap	10 year cap on each facility

Credit Summary

Small Wind Turbine Manufacturers	
Citation	68 - 2357.32B
First Enacted	2002
First Tax Year	2003
Last Tax Year	2012
Carryover Period	10 years
Moratorium Effect	No credits claimed or earned b/w 7/1/10 and 6/30/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	\$25.00 per square foot of rotor swept area
Transferable for Value?	Yes
Applicable Tax Types	Income tax, insurance premium tax, insurance retaliation tax and bank privelege tax
Cap	None

Credit Summary

Coal Production	
Citation	68 - 2357.11
First Enacted	1988
First Tax Year	1989
Last Tax Year	2014
Carryover Period	5 years
Moratorium Effect	No credits claimed or earned b/w 7/1/10 and 6/30/12
Job Creation Requirement?	No
Job Creation Data Available?	No
Payroll Requirement?	No
Payroll Data Source(s)?	No
Capital Asset Purchase?	No
Equity Investment?	No
% or Dollar Amount	\$5.00 per ton for both purchase and extraction
Transferable for Value?	Yes
Applicable Tax Types	Income tax, insurance premium tax, insurance retaliation tax and rural cooperative tax
Cap	None

List of Speakers

Zero Emission Facility Tax Credit

Chris Knapp, The Wind Coalition, Apex Wind Energy

Small Wind Turbine

Mike Bergey, Bergey Wind

Coal

Clay Hartley, Phoenix Coal Company
Lundy Kiger, AES Shady Point
Bob Cooper, Farrell Cooper Mining

Opening Remarks by Rep. David Dank

Tax Credit Task Force

Oct. 26, 2011

Welcome back to our members and guests.

The three tax credits we will discuss today all have two things in common.

First, they are all connected to energy. We will discuss one related to coal and two that concern themselves primarily with wind power.

Second, all three of these tax credits are fully transferable, and in the case of the coal credits in particular, it is clear that most of them have historically been brokered to the insurance industry for redemption.

I want to begin by briefly discussing the transferability of tax credits in general.

You all know that this is a major concern. State policy has apparently created a whole new industry of brokering and buying and selling transferable tax credits, like a big swap meet with millions being traded back and forth.

I want every member of the task force to consider a couple of questions today:

Is it really good stewardship of tax dollars to have these tax credits handled this way?

And when you buy and sell tax credits like commodities, isn't the supposed initial purpose of these credits, which is to create jobs, being lost along the way?

In my view, and I think for many Oklahoma taxpayers, these transferable tax credits run counter to the primary goal that was claimed for them in the first place, which is job creation and economic growth.

I want to discuss the coal tax credit in some depth because I think it is a poster child for just about everything that is wrong with this system.

Coal tax credits were initially created to help sustain an industry that has heavy competition, especially from Wyoming coal.

At first we granted a tax credit per ton of coal produced, and a larger credit for those who purchased it, which were mostly the utility companies that used it to produce electricity.

Now if our goal was to help preserve a threatened Oklahoma industry and retain jobs, there is another way to do it by using the job retention sections of the Quality Jobs Act. But that would have been simple and clear and easy to understand – and probably effective. Instead we made a poor first choice. But, in 2006 something very disturbing happened to make that choice worse.

In the final hours of the final day of the 2006 regular session, they passed a bill that took a portion of the tax credit from the purchaser and awarded it to the producer. . . and then another bill passed in the waning hours of the last day of the special session that restored what the purchaser had lost without reducing the amount of the credit going to producer. So now we give a five dollar per ton tax credit for producing coal and another five dollars per ton for buying it. Basically we are giving not one but two tax credits for each lump of coal. That's sort of like allowing an individual taxpayer to claim his home mortgage deduction twice.

What was most disturbing about this was the way it happened. We have alluded to this issue in the past. In the weeks leading up to the end of that 2006 session, supporters of the coal industry formed a political action committee called 'Friends of Oklahoma Coal' to give large campaign contributions to many legislators. But that was then and this is now.

Those decisions ought to be made on what is best for all Oklahomans and all taxpayers, not for a select few. And when you add in the appearance of buying access and influence with big-money contributions, there is even more reason to worry.

We don't need to rehash all that today. I'm not pointing the finger at anyone within the industry. I am sure there were unsuspecting givers and takers. What they participated in was a part of the culture that existed in state government. I'm sure they were told by political operatives that to get the job done, they needed to pony up the campaign contributions. Let's just say that names are being withheld to protect the innocent.

That incident involving the coal tax credits and that big flood of campaign money actually prompted the passage of a bill I was proud to sponsor that banned lobbyists and those who employed them from

making contributions to lawmakers during sessions. That was a reform that was long overdue. But it calls to mind an example of how good lobbying can sometimes produce bad policy, and it is the taxpayers who always get stuck with the bill.

There is a way to do this. We are not here to attack any one industry today. Our focus is on jobs, and we all want to help protect coal industry jobs just like any others.

This could be done with Quality Jobs or working with the Department of Commerce or many other ways. Our goal here is not to assure profits but to protect and create jobs.

The last figures I saw showed that we produce in excess of one million tons of coal in Oklahoma each year. At a combined level of ten dollars per ton in tax credits, that's a minimum of \$10 million drained from the state budget. Coal production reached the two million ton mark in 2006. Over \$16 million in income and premium tax credits were claimed in 2007 alone. State Insurance Department records show that about 30 insurance firms bought \$55.9 million in coal credits from 2005 through 2009.

These credits are issued with no accountability, no transparency, no auditing and no controls. We have no idea what this money is used for and we see no evidence of any jobs created with it. Again, we have to ask if it is being done to maintain jobs or simply to assure profits?

And, here's the final chapter. In the final few hours of the 2010 session, the Majority Floor Leader of the House captured a shell bill and used it to extend this credit an additional two years following the moratorium. The House used parliamentary rules to prohibit questions or debate and it passed both chambers in the final 30 minutes of the session.

I might point out that there is another committee now at work examining why so many children under DHS supervision keep getting murdered by their parents. I would suggest to you that just a small portion of those millions could buy a lot of qualified DHS child welfare investigators.

The other two credits we will take up today both deal with the wind power generation industry.

Now we all know that wind generation is becoming a bigger part of our energy mix each year. Oklahoma is perfectly situated for it. It's going to grow, and I think we all support that.

But there are some questions we need to ask today about these two tax credits.

One of them grants a tax credit for each unit of electricity produced. In some cases those wind turbines are owned or operated by the electric utilities, which are regulated by the Corporation Commission. I hope to hear today some information about how those different levels of oversight relate to each other.

There is also another matter of concern about this tax credit. You will recall that we passed a moratorium on many tax credits in 2010, and this is one of those affected by that moratorium. However, follow-up legislation allowed those tax credits to accrue for payment next year. So we had a moratorium that was really just the state pushing a debt forward a couple of years, which reminds me of a lot of what has gone on in Washington recently.

The second credit benefits those who manufacture small wind turbines. It does pass the attorney general's test by being subject to auditing and other clear standards, but we still don't know of any jobs being created.

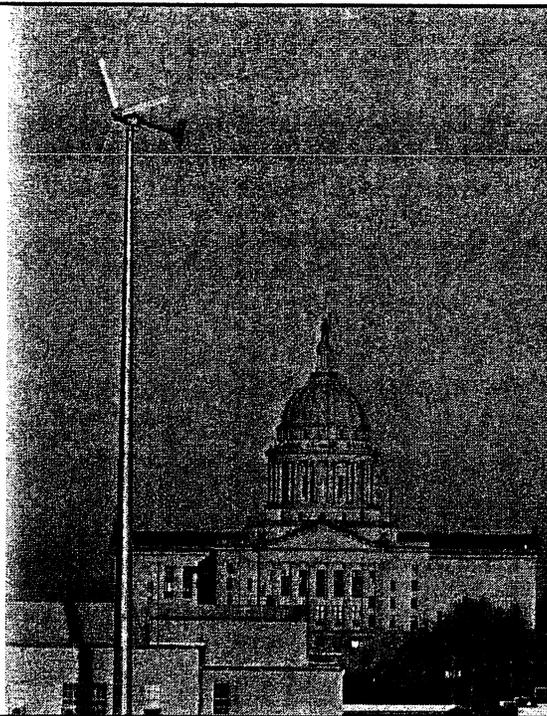
I look forward to hearing from representatives of the wind power industry on these two tax credits today, and I would repeat my request from an earlier meeting by asking them to begin presentations with some hard numbers on real jobs made possible by these credits.

So we are ready to begin and I want to conclude my opening remarks by again thanking the task force members for your diligence in attending these meetings. I believe we are doing one of the most important jobs at the Capitol right now, and I appreciate the input of everyone.

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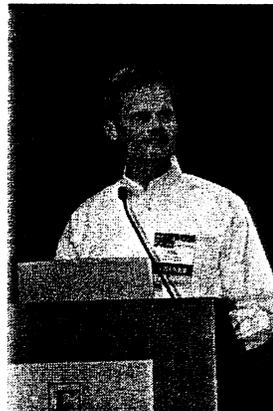
Bergey Windpower and the Oklahoma Small Wind Turbine Manufacturing Tax Credit

Oct. 26, 2011



Mike Bergey

- ❖ Twice president of the American Wind Energy Association (AWEA)
- ❖ AWEA Board for 27 years
- ❖ AWEA "Wind Industry Man of the Year", 1994
- ❖ President, Distributed Wind Energy Association
- ❖ Past president, Norman Chamber of Commerce



Karl Bergey
designed
the Piper
Cherokee

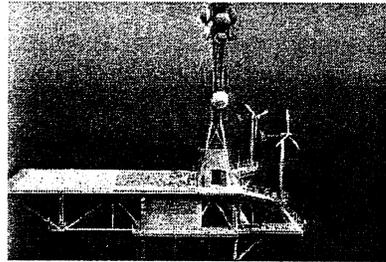
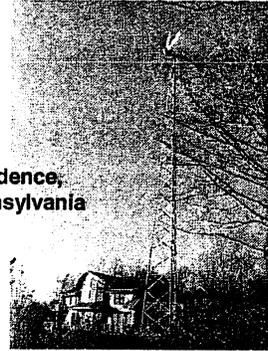


Bergey Windpower Co.

A World Leader in Small Wind

- ❖ Established in 1977
- ❖ Focus on small wind turbines for distributed applications
- ❖ Over 8,000 installations, covering all 50 States and over 100 countries
- ❖ > 200 Dealers Worldwide
- ❖ China Subsidiary: Beijing Bergey Windpower Co.
- ❖ Ranked #2 in the World in Small Wind

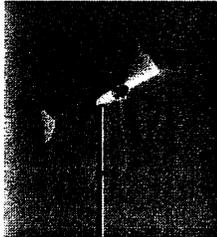
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Pennsylvania



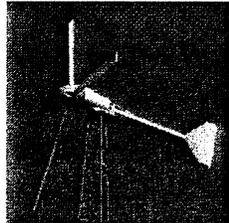
US-Navy platform,
Atlantic Ocean



Bergey Products



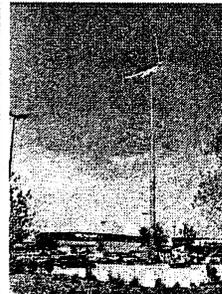
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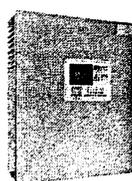
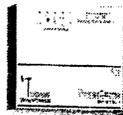
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20 ft Dia.



10 kW
23 ft Dia.



50 kW
46 ft Dia.
(in development)



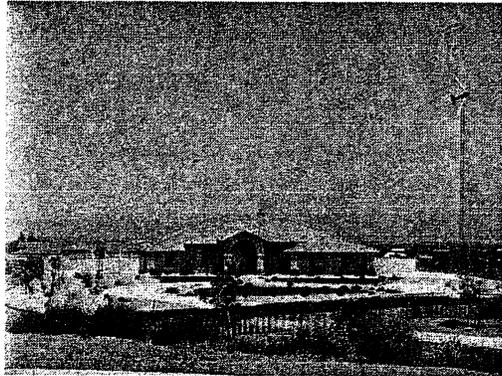
Guyed Towers
60-160 ft.



Rural Residential Market

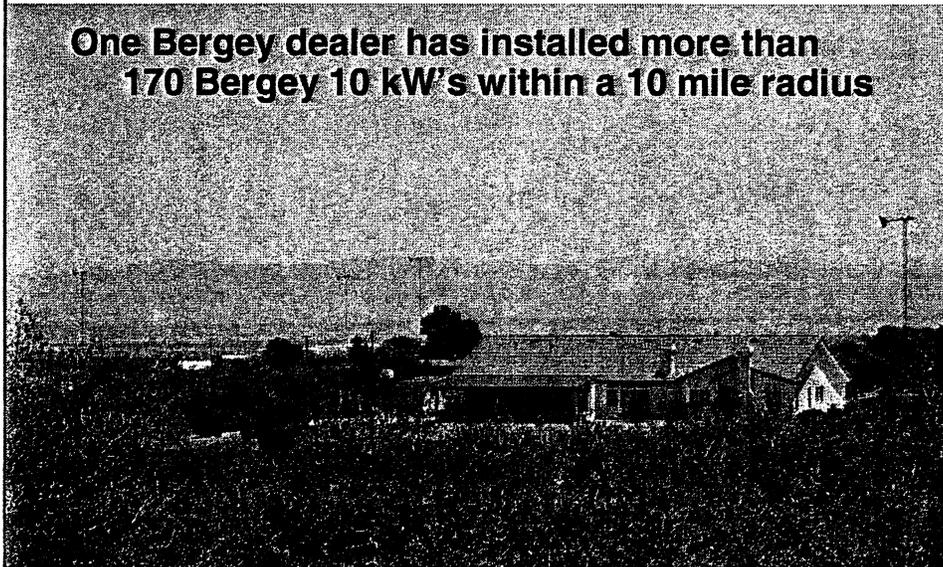
"The Big Enchilada"

- ❖ 1 acre of property or more
- ❖ Average wind speed of 10 mph or higher
- ❖ Potential U.S. market:
~ 15 million homes
- ❖ \$1-2 Billion annual sales potential



Rural Residential Market Critical Mass in Southern California

**One Bergey dealer has installed more than
170 Bergey 10 kW's within a 10 mile radius**



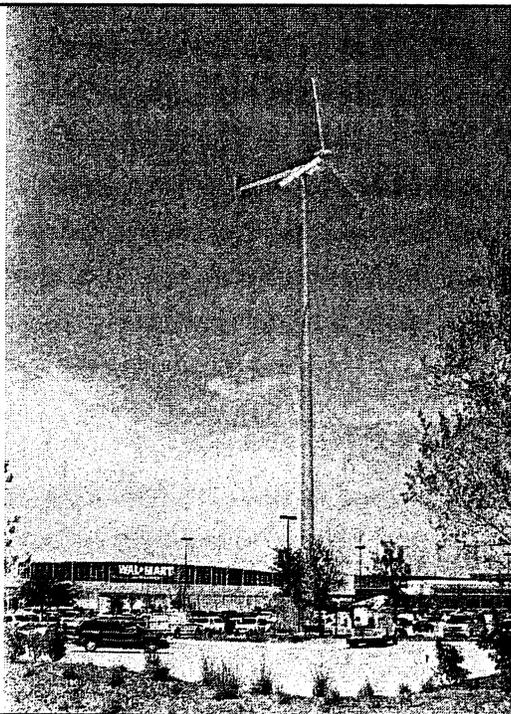
Partnership with Lowe's



- ❖ \$49 Billion in 2010 revenues, 47th on Fortune 500
 - ❖ 1,675 stores in U.S. and Canada
 - ❖ 14 million shoppers per week
- ❖ "Energy Center" pilot launched with 21 stores in California 2nd Qtr 2010
- ❖ Currently expanding program nationwide
- ❖ Integration with existing dealer network

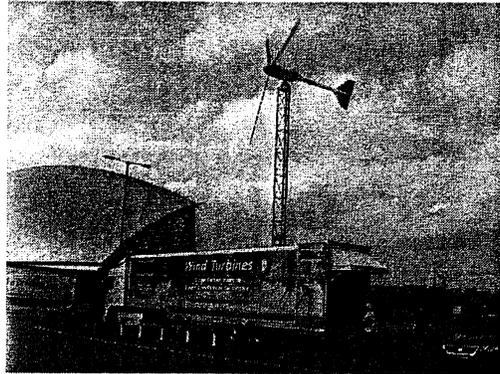


Power for Green Businesses



Competing in the UK

- ❖ UK Feed-in-Tariff provides incentive of ~ 45 cents/kWh
- ❖ UK market will outpace US in 2011
- ❖ 2 of 5 largest small wind companies are UK based
- ❖ Bergey has partnered with Irish-based \$800M construction company
- ❖ US EXIM Bank providing financing
- ❖ Booked \$1.3M export sale in 2010

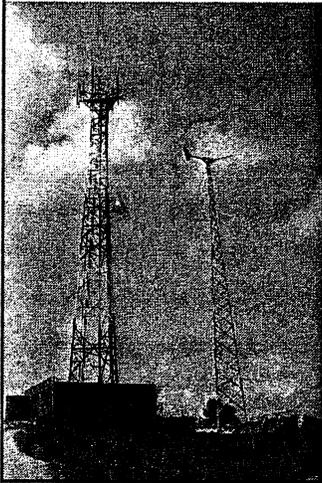


Remote Telecom (Cell Phone Towers)

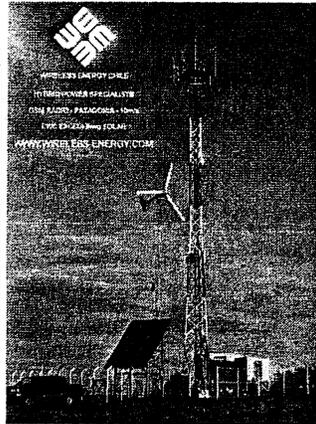
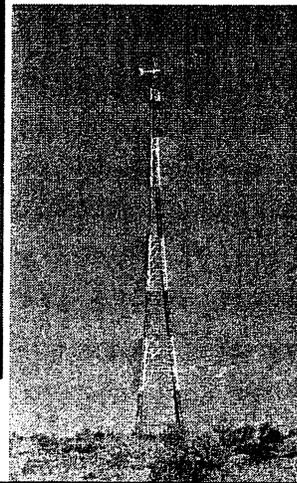


Bergey Wind/Diesel Powered Cell Sites

Haiti



South Africa



Chile

Green Telecom Market

- ❖ Cost of operating diesel generators at off-grid BTS sites is \$20 – \$50,000 per year
- ❖ Projected \$7 billion market by 2020 – Primarily Africa and Asia (GSMA, 2008)
- ❖ Bergey turbines used in leading, award winning, Green Telecom projects
 - ❖ Smart Communications, Philippines, 2009 GSMA Global Mobile Green Telecom Award
 - ❖ Winafrique Technologies, Kenya, 2009 AfricaCom Green Telecom Award



GLOBAL MOBILE AWARDS 2009



Green Telecom Partnering

Ericsson – Framework Supply Agreement

- ❖ \$32 Billion in 2010 revenues
- ❖ Sales offices in 155 countries
- ❖ Largest market share in telecom equipment business

ERICSSON 
TAKING YOU FORWARD

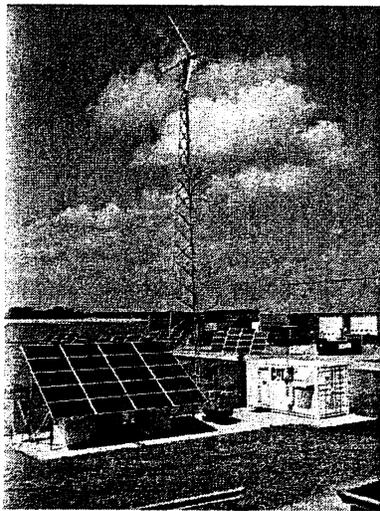
Nokia Siemens Networks – Supply Agreement

- ❖ Part of \$59 Billion (2010) Nokia Corp.
- ❖ Sales offices in 150 countries
- ❖ 2nd largest market share in telecom equipment business

Nokia Siemens
Networks



Caterpillar Hybrid Electric Power Systems For Telecommunications



Move the
Mountain

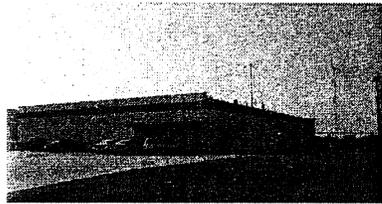
Product Development & Global Technology

Caterpillar. Confidential Yellow

CATERPILLAR

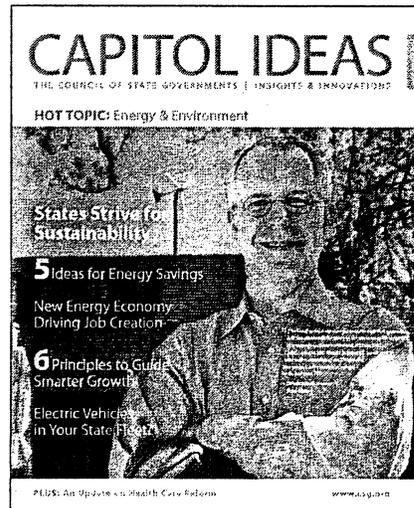
Bergey Windpower Today

- u 2010 showed 14% revenue growth over 2009
- u Growth tempered by the global recession
- u 2011 revenues will be flat or down slightly
- u 2012 looks strong



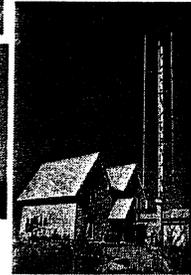
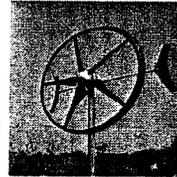
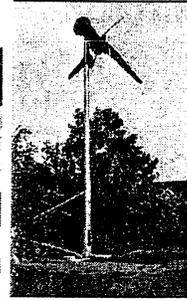
Bergey in Oklahoma

- u **97-100%** of production sold out of state
- u Currently purchasing from **140** Oklahoma vendors – have purchased from **>200** in last 5 years
- u Donated \$90K wind system to Governor's Mansion in 2010 (first in nation)



Growth in Competition

- u New competitors emerging monthly
- u State mfg. incentives & High VC activity
- u Now > 60 USA manufacturers, > 250 worldwide
- u Chinese aggressively exporting



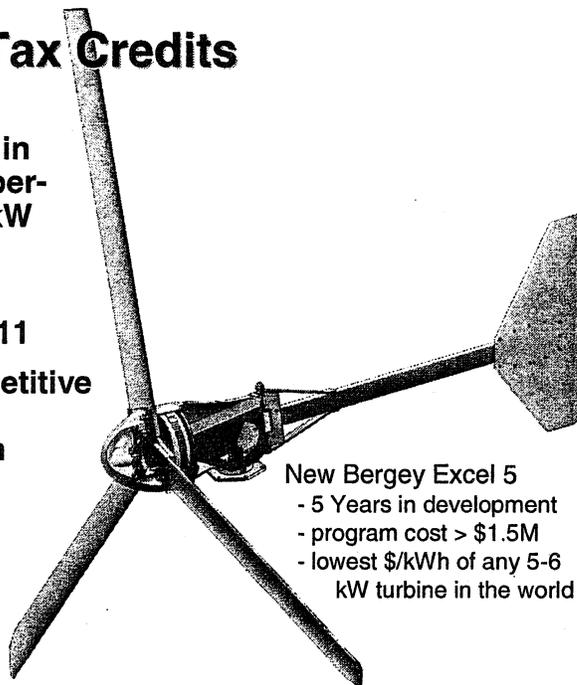
Oklahoma Manufacturing Tax Credit

- u Dec. 2010 AG's opinion cited the SWT Mfg. Tax Credit as an example of a constitutionally acceptable and transferable economic development tax credit: 1) public purpose, 2) adequate consideration, and 3) adequate controls and safeguards
- u Prior years funds used for technology and product development, factory equipment and tooling, enterprise software and implementation, and business development (e.g., Lowe's)
- u Tax credit has kept Bergey competitive with rivals receiving state aid ... all have been assisted
- u SB 1267 moratorium caused mothballing of R&D programs (50 kW turbine, 12 kW inverter, etc.) and reduction in business development activities



Use of Past Tax Credits

- u New technology in 2009 increased performance of 10 kW by 24%
- u 5 kW turbine introduced in 2011
- u Numerous competitive upgrades – e.g., stator lamination

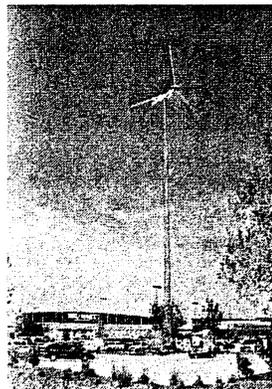


New Bergey Excel 5
- 5 Years in development
- program cost > \$1.5M
- lowest \$/kWh of any 5-6 kW turbine in the world



Use of Future Tax Credits

- u Reduce Bergey's China manufacturing facility and move production to Oklahoma
- u Restart 50 kW turbine development program
- u Restart in-house power electronics development
- u Start development of containerized military wind/diesel hybrid power system



Request

- u 2 year extension of SWT Manufacturing Tax Credit (through 2014) ... restoring original duration**
- u Limit sale of credits to individuals, no brokers**



Why Short-term Continuation?

- u JOBS FOR OKLAHOMA - Increases competitiveness of Oklahoma manufacturer serving a high-growth international clean energy market (and will bring jobs from China)**
- u Credit is performance-based and restricted in use.**
- u Tax credit has a sunset ... but distributed wind industry expected to have growth for decades ... the State will get it all back and more**
- u Fairness: Legislature reversed moratorium on tax credit for large wind facilities (HB 3024) ... which primarily benefits out-of-state companies**
- u Oklahoma provides tax credits for other energy industries**



How Many Jobs?

Baseline Projection – No Extension

Year	BWC US	Okla	Direct Jobs	Okla.	Total Jobs
	Revenues	Tax Credit		Vendor Jobs	
2010	\$8,212,844	\$775,000	32	31	63
2011	\$7,200,000	\$800,000	34	27	61
2012	\$9,400,000	\$0	43	35	78
2013	\$12,200,000	\$0	53	46	99
2014	\$15,900,000	\$500,000	66	60	126
2015	\$20,700,000	\$0	83	78	161
2016	\$27,000,000	\$0	104	101	205
2017	\$32,000,000	\$0	130	120	250
2018	\$38,000,000	\$0	162	143	305
2019	\$43,000,000	\$0	203	161	364



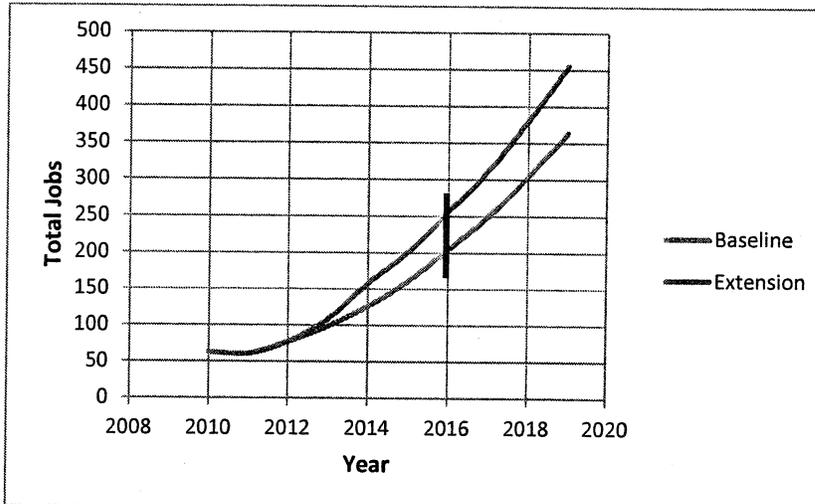
How Many Jobs?

Projection with 2 Year Extension

Year	BWC US	Okla	Direct Jobs	Okla.	Total Jobs
	Revenues	Tax Credit		Vendor Jobs	
2010	\$8,212,844	\$775,000	32	31	63
2011	\$7,200,000	\$800,000	34	27	61
2012	\$9,400,000	\$0	43	35	78
2013	\$13,420,000	\$0	58	50	109
2014	\$19,875,000	\$500,000	83	75	158
2015	\$25,875,000	\$1,000,000	104	97	201
2016	\$33,750,000	\$1,250,000	130	127	256
2017	\$40,000,000	\$0	162	150	312
2018	\$47,500,000	\$0	203	178	381
2019	\$53,750,000	\$0	253	202	455



How Many Jobs?



NOVEMBER 09, 2011



House of Representatives

State of Oklahoma

October 31, 2011

TO: Task Force for the Study of State Tax Credits and Economic Incentives

DATE: Wednesday, November 9, 2011

TIME: 10:00 a.m.

PLACE: House Chamber, State Capitol Building

AGENDA:

1. Welcome and Introductions
2. Discussion Regarding Final Report of the Task Force
3. Discussion and Possible Voting Upon Criteria for Evaluation of State Tax Credits and Economic Development Incentives
4. Other Business and Adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

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Tax Credit Task Force

11-9-11

Opening Statement

Rep. David Dank

I appreciate everyone's attendance today. This meeting may be the most important one we have held thus far. Today we will turn to our final report and the criteria we will use to judge the validity of the tax credits we have examined in the past months. We will also discuss how we will proceed in drafting that report and the legislation that will ultimately result from it.

Let me begin by thanking all of the members. You have each contributed to our deliberations, and I was especially impressed by how we stayed on point throughout this process. You have all done a real service to the people of Oklahoma.

The very first question I think we need to ask today is who we are representing here.

This task force is made up of members of the legislative and executive branches, and all of us were either elected by the people or appointed by someone who was,

So question one, as I said, is who do we represent?

I think the only valid answer is, The Taxpayers.

Not the special interests who have benefitted from many of these tax credits . . . and certainly not the few who have manipulated this system for personal gain.

I think we should also make a second thing clear here today. I know I speak for myself and I am sure I do for other members of the task force as well.

We are not against business. We don't oppose growth. We believe that government policy can help create jobs. We don't think all credits or incentives are bad.

What I think most of us believe after all we have heard here is that far too many tax credits and other incentives enacted in the past were created for the wrong reasons, and in the wrong way.

Many were enacted virtually in secret.

Some had no checks and balances.

And as we know from reading the Attorney General's opinion, a number of them were and are constitutionally infirm, which is really another way of saying they were simply illegal.

We've heard some discussion about possibly pursuing the recipients of some of those very questionable tax credits to recover those funds. I do not believe that would be wise or even legal, and it has the potential for punishing innocent people. I don't blame a business or individual for using a tax credit that was on the books at the time. I do blame those few who gamed the system for maximum advantage and past legislatures for passing defective legislation.

I know you have heard me refer to the culture that ruled this Capitol for far too long . . . the 'go along to get along practices' and the 'special deals' slipped into legislation ten minutes before adjournment.

We have also learned that some of those last minute deals were pretty smelly. And the culture here tolerated that. In some cases it encouraged it.

The simple truth is that a few of these tax credits are like the huckster who took a bucket of manure, covered the top with an inch of honey and sold the whole thing as a full bucket of honey. It wasn't until the sucker got home with it that he found out what he had actually bought.

Well, the report we will issue by December 31 is a golden opportunity to reverse that culture and to shine some much-needed light on the public business we do here, all the way to the bottom of the bucket. I trust we will take advantage of that opportunity.

I said that today's business should address the criteria we will apply to draft our report and propose legislation. Let me propose some possible criteria, and then I will ask the members to add their own.

- **First of all, I firmly believe that we must end forever the creation of tax credits or other incentives that are transferable. Taxpayer dollars should never be traded around to the highest bidder in a shell game like some we**

have seen. Any tax credit should at minimum benefit only the recipient.

- Second, no tax credit or other incentive program, ought to be enacted or changed by legislation created and introduced in the final days or hours of any legislative session. We all know how that works. We've seen it before. A bill or amendment suddenly appears on the calendar during the final hours with no time for debate or deliberation. In fact we all know lobbyists who prefer it that way. When it comes to allocating public money, that practice must end, and I believe any legislation we submit needs to say so.
- Third, any future tax credit needs to come wrapped in a clear and accurate fiscal impact study. We can no longer afford to enact tax credits with unknown future costs to the state budget. Tell us what it will cost from year to year.
- Fourth, any future credit must be designed to create or save jobs. That is the only acceptable reason for a tax credit in the first place, because that is the only way any tax credit will actually help build wealth and return the initial investment to the state. Economic growth is job

growth. That has to be the central goal of any tax credit worthy of our consideration.

- **Fifth, whenever a business comes to us asking for our help to grow jobs, we need to look at all of the alternatives before we even utter the words “tax credit.” We have discussed several times the job sustaining provisions of the Quality Jobs Act, as well as other state programs that can help keep people at work. A tax credit should be our last, not our first, resort.**
- **Sixth, the State Auditor should be required to thoroughly audit every tax credit, beginning in the drafting stage and continuing on a year to year basis. The Auditor was elected by the people to oversee how public dollars are spent, and this is one area that has cried out for oversight for a long time. We will never have the transparency and accountability we have spent the past few months talking about until we have a trusted authority examining these programs.**
- **Seventh, I firmly believe that we can no longer afford to enact open-ended tax credits. We are coming out of a severe state budget crisis, but there will always be**

another one somewhere down the road. Any future tax credits need to have enforceable caps and limits.

- **Eighth, on that same theme, all future tax credits must be subject to sunset provisions. The Legislature should periodically examine and be required to re-certify any tax credit. Frankly, I am a little surprised that we did not turn up a tax credit for the makers of buggy whips that had been on the books since the delivery of the first horseless carriage back in 1907 or so. No tax credit should be granted eternal life, and sun-setting will address that problem.**
- **Ninth, I believe we need to curtail the granting of tax credits on what has become virtually an automatic basis. Each project or separate credit needs to be subject to examination and individual approval. Without that we get projects like pizza parlors in buildings that just happen to qualify for a historic preservation credit.**

Finally, I would encourage you all to remember where we started today. Our first obligation here is to the taxpayers. In the end they have paid for every dollar in tax credits granted

by the State of Oklahoma, since a dollar lost to a tax credit, whether it is worthy or now, always winds up either coming out of the pocket of an individual taxpayer or leaving that taxpayer a dollar short in state services that didn't get funded.

I believe we have stayed true to the faith placed in us by the taxpayers over the past few months, and I want to close my remarks by again expressing my appreciation to all the members who have been a part of it, and to those who faithfully attended these meetings. And, finally, a special thanks to our competent and hard-working staff for providing all the tools necessary for us to accomplish this important work.

Now I would be anxious to hear your input . . .

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NOVEMBER 30, 2011



House of Representatives

State of Oklahoma

November 28, 2011

- TO:** Task Force for the Study of State Tax Credits and Economic Incentives
- DATE:** Wednesday, November 30, 2011
- TIME:** 10:00 a.m.
- PLACE:** House Chamber, State Capitol Building
- AGENDA:**
1. Welcome and Introductions
 2. Discussion and Approval of Criteria for Evaluation of Tax Credits and Other Incentives
 3. Discussion and Approval of Final Content for Tax Credit Matrix Document
 4. Discussion and Approval of Form and Content for Final Report of the Task Force
 5. Other Business and Adjournment

Members:

Rep. David Dank, Co-Chair
Sen. Mike Mazzei, Co-Chair
Rep. Earl Sears
Sen. David Myers
Rep. Scott Inman
Sen. Andrew Rice
Ken Miller, State Treasurer
Gary Jones, State Auditor/Inspector
Glenn Coffee, Secretary of State
Preston Doerflinger, Director, Office of State Finance

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Tax Credit Task Force

11-30-11

Opening Statement

Rep. David Dank

Let me welcome everyone back for what should be our next to the last session. I want to once again thank all those who have taken part in this process. We continue to do the people's work in the very best sense of that phrase.

Let me also take a moment here at the outset to thank the House staff. They have been towers of strength and sources of timely information for all of us, and I ask the task force members to join me in applauding their efforts.

I want to begin briefly today with a question for all the members of the task force. It's a simple question:

"Are we truly satisfied with the culture that has emerged here at the State Capitol in recent years that places so much emphasis on what state government is willing to give away?"

We hear it every session . . . if we don't do X, some other state may outbid us.

In my view, state government should not be run like a swap meet.

There are many proven ways to attract investment and jobs to Oklahoma. We rightly emphasize education and workforce development and quality of life and the low cost of doing business. And yes, where it is appropriate and where we can clearly balance costs and benefits, programs like Quality Jobs and the oil and gas and engineering incentives can and do help.

But the culture we have all seen is one that too often descends into a bidding war that may gain us a job here, but cost us more than it was worth over there.

We have rightly questioned that culture during our extensive meetings. There's another task force looking at other tax credits, including such things as the earned income tax credit, and they are questioning that process of giveaways as well.

And we know that in Washington, Oklahomans like Senator Tom Coburn are raising very valid questions about the corporate welfare, the spending programs and the entitlement culture that could result in bankrupting our nation.

So are we satisfied with that giveaway culture?

With the exception of creating long-term quality jobs, do we really believe that our state government ought to be a big cornucopia dispensing gifts to all comers?

Do we honestly believe that no one would invest in Oklahoma without a big payoff from the taxpayers?

Is the tax credit structure we have created fair to the taxpayers who always end up paying the bill?

And is it too late to put the toothpaste back in the tube and restore some semblance of sanity to our state's tax system?

I hope that the answer to all those questions is no.

We have also heard defenses of these tax credits, often from those who rely on them. In some cases, like Quality Jobs and incentives we grant to the oil and gas industry, most of us agree that these types of programs make sound economic sense. These programs require companies to produce something before we reward them. We see real, sustainable jobs, with huge returns to state taxpayers and to our economy as a whole.

On the other hand, I think we all remember one courageous taxpayer telling us he was embarrassed to use a transferable tax credit, even though doing so was perfectly legal. He indicated that he felt like the system was defrauding the taxpayers and encouraged us to put an end to all transferable credits.

When someone says he is reluctant to obtain and use a legal government benefit, I think it's time to reassess that benefit.

Today we will discuss and agree on the criteria we believe, as a task force, should be applied to future legislation. Let me very briefly go through the draft list we discussed last time we met:

- Number one, we have to end transferable tax credits. I think there is broad agreement on that, and if that is the only thing we do, this whole effort will be worth it. That is where the worst abuses are. No more buying and selling of tax credits.
- We've got to stop the midnight deals that resulted in so many of these abuses as well. No more late-session bills that give away the store.
- We need to know what future credits will cost and what the real benefits will be. No more "it might be this or it might be that" estimates. We need real, hard numbers going in. All tax credit programs must have hard caps.
- Any future tax credit has to have one and only one goal – to create or save jobs. And they need to be issued at a reasonable cost to the taxpayers. No more "we created 20 jobs for a million bucks" claims.
- I firmly believe that careful auditing by our elected state auditor is essential for all existing or future tax credits. We elected him to do that job.
- No more open-ended tax credits, either. Every tax credit project must be approved in advance and all credits

should face a sunset provision as well. We sunset lots of things that cost far less.

- And of course we have said it many times over – full and complete transparency is the key. A lot of the worst tax credits we have discussed here would not have been passed or allowed to continue if the taxpayers and the Legislature had known how little we were getting for our money.

I want to remind everyone of a very basic truth: every dime we hand out in tax credits results in one of two things.

Either someone else has to pay that extra dime to make up the difference, or we have to reduce state services.

But we are not talking about dimes. We are talking about tens, or even hundreds, of millions of dollars. I refuse to tell the taxpayers we represent that they could not get a road repaired, or that they had to pay more taxes, because we gave a bushel basket full of money to someone else.

That is the criteria we will use as our starting point today. I hope and expect there will be others proposed by the members.

But before we begin I want to take one brief moment of personal privilege to comment on something we all need to remember.

We hear a lot about how polarized our politics have become. Supposedly we can never get along or agree on anything out here at the State Capitol, or up in Washington, or even down at City Hall.

Well, I am proud that we have turned that image on its head here in the past few months. This has been a genuine bipartisan effort, conducted without bitterness or bad feelings. I think the people of Oklahoma support what we have done so far, and I hope they are aware of how closely we have worked together to do their business.

Now I would like to begin our discussion by asking the members what they hope to see in the legislation we will recommend in our final report:

State Treasurer Ken Miller

Recommendations for inclusion in the final report of the Task Force on the Study of Tax Credits and Incentives

The members serving on this task force have demonstrated their commitment to safeguarding taxpayer dollars and ensuring business incentives achieve their intended purpose of job creation and economic development.

During the past several months of meetings, members have heard testimony from proponents and opponents of individual tax credits and incentives as well as good and bad examples of how those incentives are administered.

It's become clear there are areas of unanimity on necessary reforms; specifically, implementing improved accountability, transparency and review. It is also evident there are areas that need further research, facts, and discussion before an informed decision can be made.

My recommendations are:

- ***Apply Constitutional Test.***
Require all tax credits and incentives meet the three-pronged test of public purpose, consideration and controls, as described by Attorney General Opinion No. 2010-16.
- ***Establish a cap on all business tax credits and incentives.***
The Legislature should establish a total limit to be paid out for each fiscal year. Establish individual caps per credit and/or maximum cap that can be remitted in any given year.
- ***Enact sunset provisions for every credit and incentive.***
Every credit and incentive should be subject to an expiration date, upon which time they will be reviewed by legislators for continuation or termination.
- ***Enact more detailed audit controls.***
The Legislature should require more detailed audit information. Before authorizing additional spending and resources to create new powers within state government, consideration should be given to strengthening the current auditing functions of the Oklahoma Tax Commission. If those results are not found satisfactory, then consider requiring tax credit beneficiaries to submit an outside independent audit.
- ***Evaluate economic impact.***
Establish a process for evaluation of economic impact through the Legislature, the Tax Commission, or both. This should include completion a cost/benefit analysis and return on investment calculation by which to judge the effectiveness of each tax credit or incentive.

Rhetoric versus reality: Incentives

By State Treasurer Ken Miller, Ph.D.

Treasurer's commentary, originally published in the *Oklahoma Economic Report*, November 23, 2011

Critics contend that if politicians are good at anything, it is studying something to death. While this legislative interim has been full of task forces and studies, many promise to be more than just simple academic exercises. True, some are meant to garner attention for a favored issue. Others are meant to bolster an opinion. And some are honest undertakings in search of good policy.

And there are some with elements of each of the above. Facing a December 31 report deadline, the Task Force for the Study of Tax Credits and Economic Incentives is preparing final recommendations.

It is this task force member's hope that rhetoric and ideology will play a subordinate role to sound policy and economic reality. The task force recommendations can impact our business climate for years to come and must take into account the competitiveness of states in attracting industry and economic growth.

There is unanimity among task force members that all incentives should meet the three-way test of public purpose, consideration and controls. The panel has concluded the state grants too many tax incentives, many of which need to expire, and that all incentives need stricter controls, accountability and sunset dates.

There is no such unanimity on the issue of transferable tax credits, which can be sold to a third party when the original recipient does not earn enough taxable income. Only one other state, Iowa, has recently considered eliminating tax credit transferability. The recommendation, made by a similar task force, was not adopted by its Legislature.

As with all incentives, the criteria should boil down to a cost-versus-benefit analysis. If our Legislature determines that an economic benefit, like infrastructure improvement or job creation, is worth a predetermined cost in tax revenue, it is difficult to understand in concept why it matters which company claims the tax credit after the three-way test has been met and the induced benefit received by the state.

It has been argued that it matters because among the largest purchaser of tax credits is the insurance industry, whose remittances are earmarked for pension funding. However, such logic is just as flawed as saying that the state income tax rate cannot be lowered because its remittances are earmarked for education. Also perplexing is why the secondary market for credits has been met with demagoguery by those who usually favor mutually beneficial voluntary exchange.

Although no new transferable tax credits have been granted in the last seven years, certainly there were poorly structured ones allowed in the past. But there have been beneficial ones as well. Facts fail to confirm the claim that all transferable tax credits, regardless of structure, are inherently bad. Everyone is entitled to their own opinion, but not their own facts and it is the latter that is currently missing from an informed decision.

Another area of divergent thought relates to accountability. Some task force members want the State Auditor's powers expanded to judge an incentive's worthiness.

Others are not yet convinced the case to grow government and spending has been made, or if it is even an appropriate use of the Auditor's office. The Tax Commission seems the more appropriate agency for such determination and is already auditing most incentives.

Further, if three-year sunset provisions are implemented, it seems wasteful for taxpayers to fund additional annual or biannual audits on expiring incentives. Facing sunset, the beneficiary will have to make the case for extension to legislators who stake their reputation with each push of a button.

Should it be determined existing audits are not enough, the panel should consider having tax credit beneficiaries pay the cost of outside independent audits. It bears remembering the courts provide the ultimate remedy for violations of the constitution and public trust.

Like those that have gone before it, this interim has seen its share of studies with varying degrees of worth. With well thought-out recommendations and proper legislative follow-through, the incentive task force will help breathe new life into job-creating tax reform, better budget prioritization and a stronger Oklahoma economy.

###

511CR Credits - Tax Year 2008

Cr #	Credit Name	Total Amount
1	Oklahoma Investment/New Jobs Credit	49,486,910
2	Coal Credit	709,047
3	Credit for Conversion of Motor Vehicles to Clean Burning Fuel	1,371,847
4	Small Business Capital Credit <i>+ 11,681,078 Ins premium = \$12,390,125.00</i>	13,823,853
5	Oklahoma Agricultural Producers Credit <i>\$8,215,721 - ins. premium</i>	3,924,607
6	Small Business Guaranty Fee Credit	288,789
7	Credit for Food Service Estab that Pay for Hepatitis A Vaccination	33,076
8	Credit for Energy Assistance Fund Contribution	26,691
9	Credit for Venture Capital Investment	12,972,133
10	Credit for Hazardous Waste Control	3,700
11	Credit for Qualified Recycling Facility	24,546
12	Credit for Employers Providing Child Care Programs	4,558
13	Credit for Entities in the Business of Providing Child Care Services	249,139
14	Credit for Commercial Space Industries	0
15	Credit for Nonstop Air Service from Oklahoma to the Coast	5,979
16	Credit for Tourism Development or Film or Music Production Facility	1,710
17	OK Local Development & Enterprise Zone Incentive Leverage Act Credit	150
18	Credit for Qualified Rehabilitation Expenditures <i>+ 8,160,335 = \$9,802,169.10</i>	1,641,834
19	Credit for Space Transportation Vehicle Provider	0
20	Rural Small Business Capital Credit <i>3,924,430 ins. premium</i>	65,503,054
21	Credit for Electricity Generated by Zero-Emission Facilities	2,704,400
22	Credit for Fin. Institutions Making Loans under Rural Econ Dev Loan Act	0
23	Credit for Manufacturers of Small Wind Turbines	1,676,569
24	Credit for Qualified Ethanol Facilities	0
25	Poultry Litter Credit	305,596
26	Volunteer Firefighter Credit	538,487
27	Credit for Qualified Biodiesel Facilities	2,401
28	Film or Music Project Credit	38,895
29	Credit for Breeders of Specially Trained Canines	222,195
30	Credit for Wages Paid to an Injured Employee	25,576
31	Credit for Modification Expenses Paid for an Injured Employee	7,037
32	Dry Fire Hydrant Credit	8,238
33	Credit for the Construction of Energy Efficient Homes	5,693,426
34	Credit for Railroad Modernization	407,902 ←
35	Research & Development New Jobs Credit	5,705
36	Credit for Stafford Loan Origination Fee	23,901
37	Other Oklahoma Credits	798,145

Rural Small business # 69,427,484 # 162,530,096
 Small business 22,039,574 Ins → 57,913,456
 # 91,467,058 # 220,443,552

Does NOT include "Quality Jobs!" - or exemptions!

**Oklahoma Insurance Department
Premium Tax Collections
(THIS DOES NOT INCLUDE ANY OTHER TAXES OR FEES)**

	FY 2007	FY 2008	FY 2009	FY 2010
Premium Tax Collected	172,349,040	151,539,043	165,318,940	165,127,333
Refunds	8,357,137	8,855,838	9,077,465	6,336,170
Net Premium Tax Collected	163,991,904	142,683,205	156,241,475	158,791,163
Total Premium Tax Collections	163,991,904	142,683,205	156,241,475	158,791,163

Credits Taken	FY 2007	FY 2008	FY 2009	FY 2010	
PSA	1,522,654	3,520,182	3,031,518	3,618,849	
Flood	1,925,553	2,323,769	3,230,587	3,911,387	
Life Guaranty	2,287,862	3,409,383	1,184,799	1,392,362	
P&C Guaranty	8,863,304	9,328,385	10,164,977	9,536,344	→ 44 Rs. 37,893,010
Coal	9,745,663	11,681,078	6,956,681	5,615,232	
Home Office	8,209,096	11,387,572	12,536,620	14,673,798	→ 47,000,000+
Rural Business	6,287,995	7,214,413	4,930,869	8,773,386	
Small Business		407,644	8,250,721	6,472,318	
Historical Building Rehab	784,022	8,160,335	5,636,367	9,176,099	→ 22,972,801
Venture Capital	118,526	240,170	1,045,904	414,300	
Franchise Tax			262	931	
Total Credits Against Premium Tax	39,744,674	57,672,931	56,969,305	63,585,006	

FY 2010 credits source: 1 series query oldest/crdify2010 & AS400 PSA/Flood Crd
Collections are based on AS400 report

** PSA and Flood Premiums are taken directly from Direct Written Premium prior to premium tax being assessed. Therefore, they are shown as the amount that premium tax collections are reduced by their use.

PSA Premiums

CY 2006 \$87,673,511 * 2.25% = \$1,522,654
 CY 2007 \$156,452,528 * 2.25% = \$3,520,182
 CY 2008 \$134,734,138 * 2.25% = \$3,031,518
 CY 2009 \$160,837,712 * 2.25% = \$3,618,849

Flood Premiums

CY 2008 \$85,580,133 * 2.25% = \$1,925,553
 CY 2007 \$103,278,633 * 2.25% = \$2,323,769
 CY 2008 \$143,581,665 * 2.25% = \$3,230,587
 CY 2009 \$173,839,420 * 2.25% = \$3,911,387

*year 1 - 10
year 2 - 20*

OFFICE CORRESPONDENCE

OKLAHOMA TAX COMMISSION

SUBJECT: ALL OTHER GENERAL REVENUE

DATE: December 15, 2011

TO: THOMAS E. KEMP JR., CHAIRMAN
 JERRY JOHNSON, VICE CHAIRMAN
DAWN CASH, SECRETARY-MEMBER

DIVISION NO.: 0601-02

FROM: REECE WOMACK, ECONOMIST
TAX POLICY / ECONOMIC RESEARCH

<u>REVENUE SOURCE</u>	<u>F.Y. 2012 (E)</u>	<u>F.Y. 2013 (F)</u>
Coin Device Decals/Permits	\$ 5,114,000	\$ 5,114,000
Documentary Stamp Tax	11,376,000	11,645,000
Driving Record Fee	534,000	534,000
Gasoline Excise Tax	1,230,000	1,223,000
Petroleum Excise Tax - Gas	4,558,000	4,795,000
Petroleum Excise Tax - Oil	5,074,000	5,187,000
Rural Electric Co-op Tax	1,789,000	1,872,000
Sales Tax Permits	726,000	690,000
Workers' Compensation Insurance Premium Tax	8,280,000	8,317,000
Miscellaneous	<u>457,000</u>	<u>457,000</u>
TOTALS	\$ 39,138,000	\$ 39,834,000

Signed 
 Reece Womack

December 15, 2011
MAJOR OKLAHOMA TAX REVENUES
TOTAL DOLLAR AMOUNTS APPORTIONED
DOLLAR CHANGES AND PERCENTAGE CHANGES FROM "SAME PERIOD ONE YEAR AGO"

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY12/FY11 \$ CHANGE	FY12/FY11 % CHNG.	FY 2013 FORECAST	FY13/FY12 \$ CHANGE	FY13/FY12 % CHNG.
Corporate Income Tax	\$ 353,972,000	\$ 339,378,000	(\$14,594,000)	-4.12%	\$ 348,763,000	\$ 9,385,000	2.77%
Individual Income Tax	2,396,669,000	2,604,559,000	207,890,000	8.67%	2,716,917,000	112,358,000	4.31%
State Sales Tax	1,997,659,000	2,148,156,000	150,497,000	7.53%	2,244,989,000	96,833,000	4.51%
State Use Tax	179,800,000	207,003,000	27,203,000	15.13%	223,688,000	16,685,000	8.06%
Motor Vehicle Revenues	637,218,000	670,386,000	33,168,000	5.21%	699,172,000	28,786,000	4.29%
Severance Tax on Oil	476,659,000	474,115,000	(2,544,000)	-0.53%	426,215,000	(47,900,000)	-10.10%
Severance Tax on Gas	340,877,000	365,006,000	24,129,000	7.08%	319,525,000	(45,481,000)	-12.46%

NOTE: THIS INFORMATION REFERS TO TOTAL AMOUNT APPORTIONED, NOT JUST GENERAL REVENUE FUND.

December 15, 2011
MAJOR OKLAHOMA TAX REVENUES
TOTAL DOLLAR AMOUNTS APPORTIONED
DOLLAR CHANGES AND PERCENTAGE CHANGES FROM "SAME PERIOD ONE YEAR AGO"

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