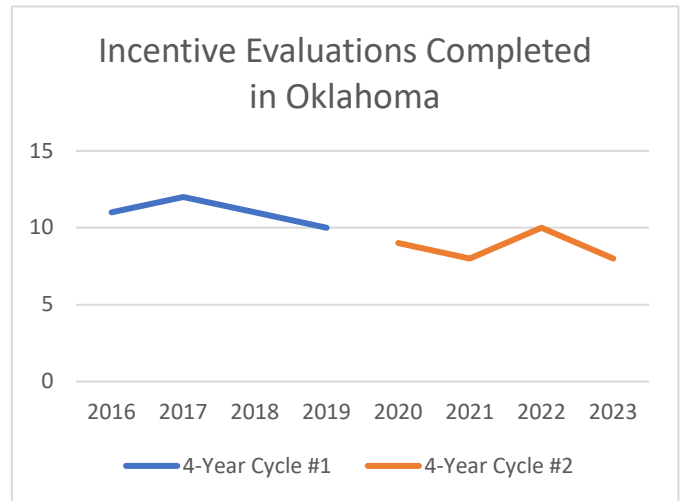




# OKLAHOMA'S INCENTIVE EVALUATIONS IN THE SECOND ROUND

Created in the 2015 legislative session and effective for 2016 calendar year, Oklahoma's incentive evaluations have occurred annually since 2016. Oklahoma's statute (62 O.S. § 7001 et seq) indicates that the evaluations are supposed to occur on a four-year cycle with each incentive evaluated once during that four-year cycle. Oklahoma is in its fourth year of the second four-year cycle, which ends December 31, 2023.

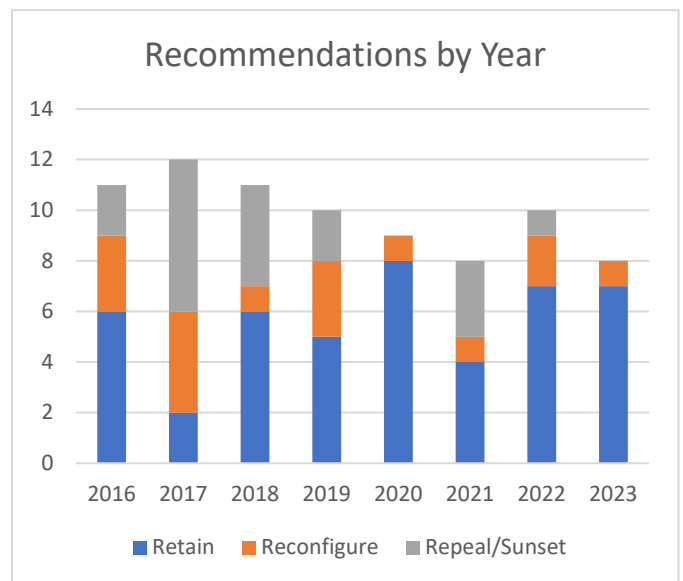
**Structure:** Oklahoma's statute requires the state to hire a consultant to perform evaluations, make recommendations, and provide a report to the Incentive Evaluation Commission. The Commission is composed of 5 appointed voting members and 3 ex officio members from 3 state agencies. Further, that the Oklahoma Tax Commission, Oklahoma Department of Commerce and Office of Management & enterprise Services provide staff support for the commission. In the first four-year cycle, 44 incentives were evaluated and in the second four-year cycle there will be 35 incentives evaluated.



The Commission decides upon the final recommendations sent to the Governor and the legislature to repeal, retain or reconfigure the incentive. Since 2016, the consultant has submitted recommendations for:

- Retaining the incentives in 57% of the completed evaluations,
- Reconfiguring the incentives in 20% of the completed evaluations, and
- Repealing in 23% of the completed evaluations.

In the first four-year cycle, 32% of recommendations were for repeal. In the second four-year cycle, 11% of the recommendations were for repeal.





## OKLAHOMA'S INCENTIVE EVALUATIONS IN THE SECOND ROUND

### **Coal Production Income Tax Credit**

Incentive originally created in 1988 to encourage the mining of coal in Oklahoma for the generation of electricity in an Oklahoma power plant. The tax credit was transferrable for a portion of the time it was available (until 2014) and then was converted to be refundable.

#### First Round Evaluation (2017)

The consultant recommended repealing the incentive because coal produced in Oklahoma is relatively small compared to other states, limited geographically within the state, and it would be a better use of state resources to reallocate the funds associated with the tax credit to other purposes. Cost of the incentive ranged from \$78,000 to \$4.4 million.

The Incentive Evaluation Commission did not reach a conclusion. The vote was tied 2-2 with one member absent. The legislature did not repeal, but did impose a cap on the incentive of \$5 million in 2018.

#### Second Round Evaluation (2021)

Additional data gathered communicated by consultant that the incentive had a net cost on the state and did not induce any additional activity. Recommendation indicated repeal, which the Incentive Evaluation Commission agreed and voted 4-0 to recommend repeal by allowing to sunset. There was a sunset, and before incentive evaluation process was implemented, the sunsets were extended on 5 occasions without any data for the legislature to review – in 1999, 2002, 2007, 2012, 2014. The last sunset was extended to 2021 in 2016 legislative session. It was allowed to sunset in 2021.