

Frequently Asked Questions

Aerospace Engineering Tax Credit

1. What is the purpose of the Aerospace Industry Engineer Workforce Bill (HB 3239)?

HB 3239 provides tax credits to engineers and the aerospace companies that hire them, with the purpose of enhancing the state's ability to attract and retain a top-notch workforce pool to the Oklahoma aerospace industry.

2. How does the program work and what are the specifics?

Employer Tax Credit for Tuition Reimbursement

Provides an income tax credit to qualified employers for 50% of the tuition reimbursed to a qualified employee but only if the qualified employee received his undergraduate or graduate degree within 1 year of commencing employment with the qualified employer. This credit can be claimed for years 1-4 of employment and is capped at 50% of the annual tuition at a public university in Oklahoma. A tuition rebate has to be given by the new employer. The State cannot make companies provide tuition rebates. However, if the new employer does give a tuition rebate, that employer can receive a tax credit of 50% of the employees' salary (this is based upon the average of tuition to attend a public university in Oklahoma).

Employer Tax Credit for Compensation Paid

Provides an income tax credit to qualified employers for compensation paid to qualified employees. The credit is 10% of the compensation paid if the qualified employee received his or her degree from a university or college in Oklahoma, and 5% for non-Oklahoma graduates. The maximum credit in either case cannot exceed \$12,500 annually. The credit is available for up to 5 years.

Employee Tax Credit

Provides an income tax credit of up to \$5,000 annually for 5 years to qualified employees. Any unused amount can be carried over to subsequent years through year 5. Because of the definition of "qualified employee," the engineer that moves from one Oklahoma aerospace employer directly to another would be ineligible for this tax credit. Similarly, the subsequent employer in this scenario would also be ineligible for the employer tax credits.

3. When does the program become effective?

January 1, 2009

4. Who qualifies for the tax credit?

"Qualified employer" means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves the aerospace sector.

"Qualified employee" means any person hired by or contracting with a qualified employer on or after January 1, 2009, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in the aerospace sector in this state immediately preceding employment or contracting with a qualified employer.

5. What is the administrating agency for a qualifying individual or company to apply for tax credits under this legislation? Are there facilitators available to work with companies or individuals to help work through the process for applying, receiving tax credits?

The Oklahoma Tax Commission may be reached by contacting Michael Kaufmann at (405) 521-3133 mkauffmann@oktax.state.ok.us

6. Where can I find more information?

The Oklahoma Aeronautics Commission may be reached at (405) 604-6900 or by email at oac@oac.state.ok.us

7. Can an engineer currently working for an Oklahoma aerospace company receive this tax credit?

No, in order to qualify for these credits the engineer must be hired after Dec 31, 2008.

8. Where are the tax guidelines that define the eligibility for this tax credit? What forms need to be filled out and who are they submitted to? What additional documentation is required and when is it due? How do I file my Oklahoma Tax return as it pertains to this incentive?

Since the tax credits do not take effect until the 2009 tax year, the Oklahoma Tax Commission is currently in the process of authoring a tax pamphlet that will include the engineer workforce tax credit guidelines and required forms.

9. What happens to the tuition rebate and the employee tax credit if an employee moves to another company within the first four years of his/her employment?

If the new employer gives a tuition rebate, the tax credit base upon that rebate applies until a total of four years of credit for the employee is reached. Also, if you are working for an Oklahoma aerospace company and subsequently get hired by a second Oklahoma company, you do not qualify for the tax credit.

10. Will this lower my taxable income or do I receive a credit?

You will receive a tax credit.

11. Does HB 3239 allow any tax incentives for Oklahoma aerospace companies that provide paid internships for engineering students?

No, internships are not covered under this piece of legislation.

12. If Oklahoma aerospace companies hire more engineers, is the tax incentive progressively larger? Is there a cap?

There is no cap on the number engineer employees the company can claim based on compensation. The employer tax credit for compensation paid provides an income tax credit to qualified employers for compensation paid to qualified employees. The credit is 10% of the compensation paid if the qualified employee received his or her degree from a university or college in Oklahoma, and 5% for non-Oklahoma graduates. The maximum credit in either case cannot exceed \$12,500 annually. The credit is available for up to 5 years.

13. What are the specific engineering disciplines covered for tax credit, under HB 3239?

“Qualified program” means a program that has been accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET) and that awards an undergraduate or graduate degree.

14. What is the website address to read the entire bill?

You can obtain legislative information on the Oklahoma Aeronautics Commission website at: www.ok.gov/oac or for other information about the aerospace industry on the Oklahoma Aerospace Alliance website at: www.okaero.com

SPECIAL NOTE: ** The information included in this FAQ is not based upon an official interpretation or rules of the Oklahoma Tax Commission.**