

# Oklahoma Incentives & Resources

**2009 Manufacturing  
Conference**

**OKLAHOMA  
COMMERCE**

900 N. STILES OKLAHOMA CITY | [OKcommerce.gov](http://OKcommerce.gov)

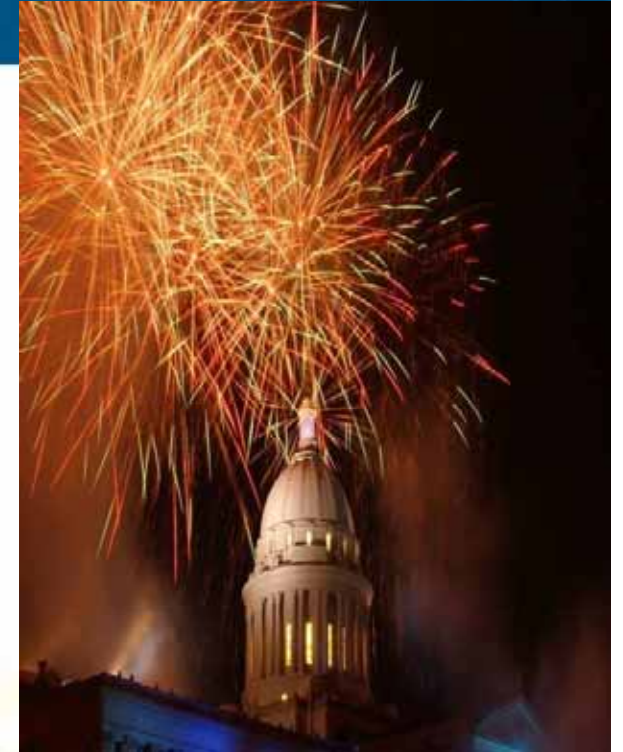
# The Commerce Mission

*To increase the quality and quantity of jobs in Oklahoma by:*

- **Supporting the growth and expansion of existing Oklahoma companies**
- **Supporting entrepreneurs**
- **Advancing the development and availability of a skilled workforce**
- **Supporting communities**
- **Attracting new business and industry**

# Primary State Incentives

- **Income Tax Credits**
- **Property Tax Exemptions**
- **Sales Tax Exemptions or Refunds**
- **Quality Jobs Program – up to 5% Cash Rebates on Payroll**





# OK Income Tax Credits

## Investment/New Jobs Income Tax Credit

Credit for....

- **Manufacturers**
- **Aircraft Maintenance Facilities**

Who:

- **Invest in depreciable property, or**
- **Add new FTE and**
- **Are *not* in Quality Jobs Program**

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# OK Income Tax Credits

## Income Tax Credit Based on Investment

*Credit based on investment in depreciable property:*

- **Minimum Investment of \$50,000**
- **Employment must not decrease**
- **1% of the investment (2% in E.Z.)**
- **Eligibility is determined each year**
- **Credit may be carried forward until used**

# OK Income Tax Credits

## Income Tax Credit Based on New Jobs

*Credit based on increase in employment:*

- **Minimum \$7,000 in annual wages or salary**
- **\$500 per new employee, (\$1,000 in E.Z.)**
- **Eligibility is determined each year**
- **Credit may be carried forward until used**

OTC Form 506 – worksheet to see which credit is most benefit

# OK Income Tax Credits

## **Natural Gas Usage Tax Credit for Manufacturing**

Calculated at the rate of 3 mills (\$.003) per 1,000 cu.ft. of gas used in mfg (after the first 25,000 MCF usage)

Claimed on OTC Other Credits Form 511CR

# OK Income Tax Credits

## **Credit for Wages Paid to an Injured Employee w/Workers' Comp**

- **10% of gross wages for employee returning to work with restricted duties**
- **Before employee has reached full capabilities**
- **Credit not to exceed \$5000/employee**
- **Credits not to exceed \$25,000/taxpayer**
- **File on OTC Form 511CR**
- **Title 68 O.S. Section 2357.47, Rule 710:50-15**



# Ad Valorem Tax Exemptions (Property Tax)

## Available to:

- **Qualifying Manufacturers**
- **Research and Development**
- **Computer and Data Processing**
- **Aircraft Repair**
- **Certain Distribution**

## Eligible Property:

- **Land**
- **Buildings**
- **Improvements**
- **Machinery, Fixtures and Equipment**

# Ad Valorem Tax Exemptions (Property Tax)

## Eligibility Requirements

- **Location in a new facility, expansion of existing facility or one unoccupied for at least 12 months**
- **Investment of at least \$250,000**
- **Add \$250,000 in new payroll for County population under 75,000**
- **Counties over 75,000 population, payroll must increase by at least \$1 million**
- **Provide basic health benefits**
- **Apply each year (by March 15) to county assessor**

# Sales Tax Exemption Permit

## Manufacturers Sales Tax Exemption Permit (MSEP)

- **Comprehensive sales tax exemption for manufacturers from OK Tax Commission**
- **Presented to the vendor to relieve the vendor of the liability for collecting sales tax.**
- **Covers purchases of machinery and equipment, energy, and tangible personal property used in design, development and manufacturing.**
- **Must be renewed every three years**
- **[www.tax.ok.gov/btforms.html](http://www.tax.ok.gov/btforms.html) - for application**

# Other Tax Incentives

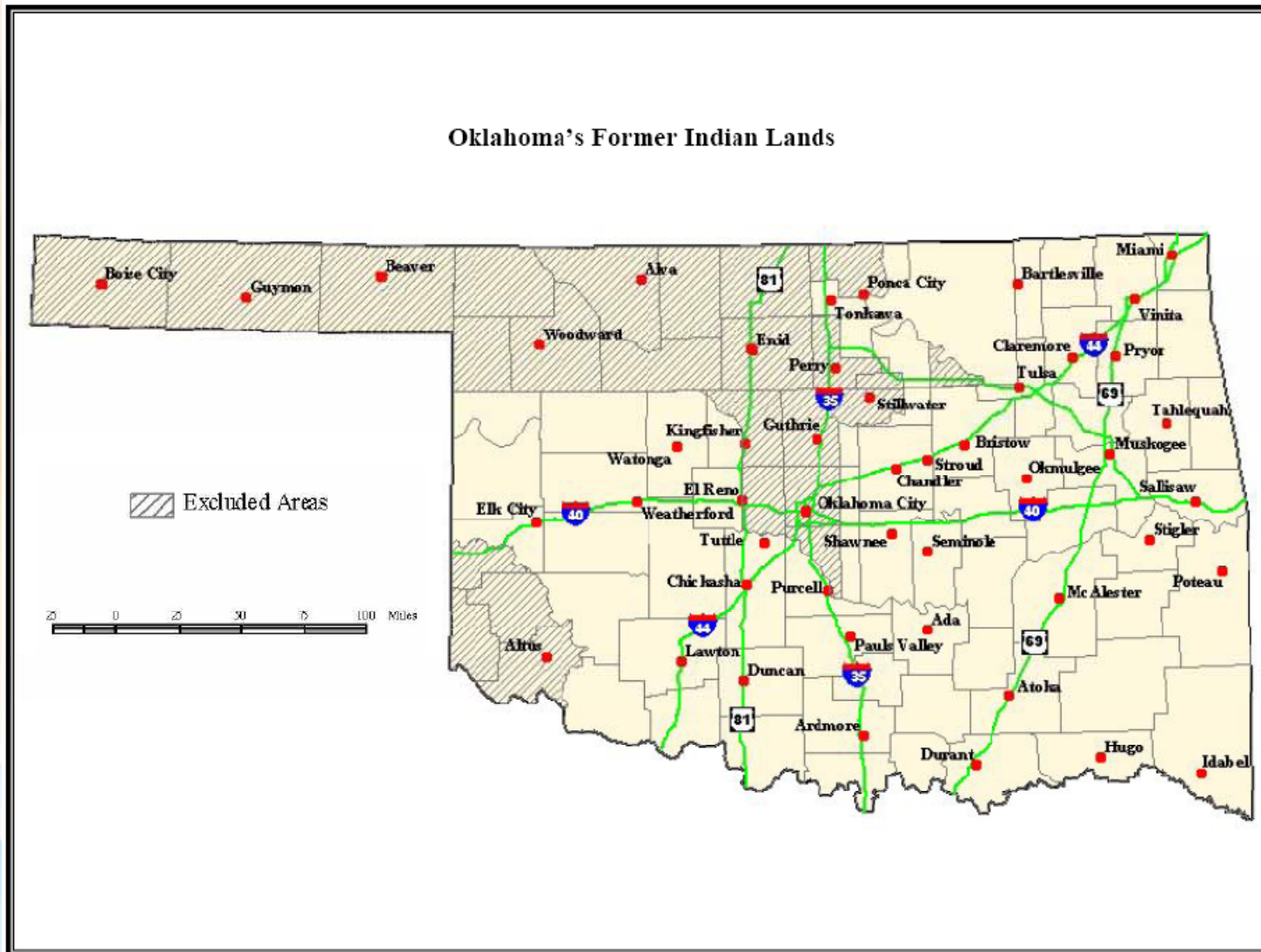
## Former Indian Lands Federal Tax Incentives

- ***Any* non-residential depreciable property**
- **Accelerated federal property depreciation schedule**
- **Savings of 35% to 40% on depreciation of machinery and equipment**
- **Federal employment tax credits – up to \$4000/employee per year**
- **IRS Form 8845 for employee tax credit**



# Other Tax Incentives

Oklahoma's Former Indian Lands



# Quality Jobs Program

- Targeted to expanding Manufacturers
- Company must apply *before* hiring
- Provides qualifying company up to 5% rebate on new payroll created
- Company files claims on quarterly payroll
- Cash payments received from Oklahoma Tax Commission

# Quality Jobs Program

## Basic Threshold Requirements

- **Qualifying industry – Manufacturing, R&D, Dist., Corporate HQ, other Service industries**
- **Create \$2.5 million new payroll in 36 months**
- **Wages to be at least average county wage or \$28,878, whichever is lower**
- **Offer Basic Health Insurance**
- **80% of employees in New Direct Jobs working 30+ hours per week**

# Small Employer Quality Jobs

## Basic Threshold Requirements

- **Qualifying industry – Manufacturing, R&D, Dist, Corp HQ, other Service industries**
- **Must show 75% out of state sales**
- **Create 5 – 15 jobs in 12 months (based on area population)**
- **Wages to be 110% of average county wage**
- **Offer Basic Health Insurance**
- **80% of employees in New Direct Jobs working 30+ hours per week**



# 21<sup>st</sup> Century Quality Jobs

- **Targets Growth Industries**
- **At least 10 jobs at 300% state's average (or \$86,637 if lower)**
- **Benefits can be up to 10% of new payroll**
- **12 consecutive quarters to create jobs**
- **New industries: Professional, scientific, & technical services; Finance & insurance; Information; Music & film; Specialty Hospitals; Management Co's; Utilities (Wind production)**
- **Effective November 1, 2009**

# Quality Jobs + Investment Tax Credit

- **Targets industries with large capital investment and higher than average wage**
- **Quality Jobs wages at least \$35,131**
- **Capital investment greater than \$40 million**
- **Quality Jobs benefits for 10 years plus 2% ITC for 5 years (10% total)**
- **Only manufacturing (with MSEP) qualifies**
- **Effective January 1, 2010**

# Prime Contractor Incentive

- **Targets federal “prime” contractors**
- **Up to 2% for subcontracting work to Oklahoma businesses**
- **Benefit rate tied to amount of subcontracting work by OK companies & total work done by the “prime” in OK**
- **UML at OSU is contract “verifier” to work with the “prime” contractor**
- **Effective July 1, 2009**

# Pooled Finance Bond Incentive

- **Targets business job creation & local infrastructure development**
- **\$100M infrastructure pool for bonding to local governments through ODFA**
- **\$100M economic development pool to local governments for business projects through ODFA**
- **Effective July 1, 2009**



# Training for Industry Program (TIP)

- **Career Tech Start-up training for New jobs**
- **Totally customized for company needs**
- **No (or low) cost to the company**
- **Nationally recognized since 1968**
- **Contact Local Career Technology Center**

# Other Commerce Resources

- **Economic Data and Statistics**
- **International Trade Counseling**
- **CORE Export Readiness Assessment**
- **OKTrade Intelligence & Market Research**
- **Trade Mission and Trade Show Assistance**
- **Export Financing Resources**
- **BidWatch Service**

# Incentive Analysis

How do I know which incentives  
will work for my business?

Incentive Analysis Request

Contact the  
Oklahoma Manufacturing  
Alliance

[www.OKalliance.com](http://www.OKalliance.com)

918-592-0722



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# For more information:

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You should not act upon any information contained in these materials without seeking your own professional legal counsel and tax advice.





# Southwest Trade Adjustment Assistance Center

## Mission

If your company is experiencing a decline in sales and employment levels due to adverse effects of foreign competition, you might qualify for assistance in marketing, manufacturing, engineering, finance, employee training, information management, or new product development from SWTAAC. SWTAAC provides management and technical assistance to U.S. manufacturing firms and their suppliers that qualify for trade adjustment assistance under the Trade Act of 1974.

# Southwest Trade Adjustment Assistance Center

- **PROGRAM OBJECTIVE**
- The Southwest Trade Adjustment Assistance Center (TAAC) assists U.S. manufacturing firms hurt by import competition to regain profitable growth. The Southwest TAAC helps its clients document their technical needs; then plan, implement and pay for the highest quality technical assistance available.

# Southwest Trade Adjustment Assistance Center

- **BENEFITS**

- The program provides a means for the firm to immediately carry out specific improvement projects which have been deferred due to financial or manpower constraints. Consulting services are secured for the company on a cost-sharing basis with the Southwest TAAC assuming up to 50% or 75% of the cost of qualified projects.

# Southwest Trade Adjustment Assistance Center

- **CONFIDENTIALITY**
- All business information, including trade secrets and financial information, is exempt from the Freedom of Information Act and treated with strict confidentiality.



# Southwest Trade Adjustment Assistance Center

- **Certification**
- A firm must be certified as eligible by the U. S. Department of Commerce, Trade Adjustment Assistance Division in order to receive trade assistance. The Southwest TAAC will, at no cost to the firm, help the firm prepare a petition for certification. To be certified, a firm must show that competitive imported products have significantly contributed to a decline in sales and a decline in employment. Once a firm is certified, it has two years to submit a specific plan describing the project for which it intends to receive cost sharing benefits.
- **Decline In Sales**
- A firm must show a decline in sales or production in the most recent 12 months compared to the prior 12 months. If overall declines are not evident, the firm may be able to demonstrate declines in one product line if that product accounted for at least 25% of the total sales of the firm.
- **Decline In Employment**
- The company must show evidence of separation (or threat of separation) of a significant portion of the firm's workers. An employment decline of 5% or 50 or more employees is considered significant.
- **Required Support Documentation**
- The petition will include information about the company's related firms; economic history; owners and managers; articles produced and sold; sales, production and employment data. The petition will require support documentation such as financial statements, federal income tax returns; quarterly employment reports; and enough customer references who, in the most recent twelve month period, have reduced purchases in favor of imports to account for 5% of the sales decline.
- **All information is kept confidential.**

# Southwest Trade Adjustment Assistance Center

- **Steps To Success**
- **Once You Are Certified**
- Once a firm has been certified, the Southwest TAAC will help secure the benefits it desires. The preparation for assistance consists of a document describing the company's needs: a diagnostic analysis and a specific adjustment plan.
- **Diagnostic Analysis**
- The Southwest TAAC will prepare a diagnostic analysis of the firm's operations including its internal and external operating environments. This report will provide the groundwork on which the assistance plan will be built. **Fee**
- **Adjustment Plan**
- The Assistance Plan is a written report showing that the firm is aware of its strengths, weaknesses and potential problems, and has a clear, credible and rational strategy for recovery. The plan will identify specific actions the firm wishes a consultant to take on its behalf.

# Southwest Trade Adjustment Assistance Center

## Manufacturing and Engineering

ISO/QS 9000 Preparation & Registration

Product Development

Certification - CE Mark, UL, etc.

Manufacturing Technology Review

Process Engineering

Inventory Management

Work Methods and Standards

CAD/CAM Selection and Implementation

Quality Assurance

Product Design & Testing  
Product

Operations Analysis

Productivity Improvement

Production Planning, Scheduling  
& Control

Statistical Process Control

Facility & Equipment Review,  
Selection & Layout

Material Handling Methods

# Southwest Trade Adjustment Assistance Center

## Marketing

Market Research

Marketing and Sales Strategy

Advertising/Sales Promotion/  
Brochure Development

Web Site Development

Distribution Analysis & Development

Distributor/Sales Representative Search

Sales Force Management Programs

Product Line Evaluation

Analysis of Competition

Export Development

Customer Service Analysis



# Southwest Trade Adjustment Assistance Center

## Financial and general management

Profit Planning/Cash Management/Budgeting

Debt Restructuring

Cost Management

Quality Management

Strategic Planning

Expansion, Diversification & Divestiture Studies

Organizational Analysis

Human Resources Planning & Executive Search

Customized Training Program Development and Implementation

Compensation and Incentive Programs

Succession Planning

# Southwest Trade Adjustment Assistance Center

## Information technology

Hardware/Software Evaluation & Recommendation

System Conversion/Enhancements Recommendation

Custom Programming Integrated Manufacturing Systems

Electronic Data Interchange (EDI)

Office Automation

E-Commerce

# Southwest Trade Adjustment Assistance Center

- **ORGANIZATION**
- The Southwest TAAC is staffed by full-time professionals with hands-on manufacturing experience who are employees of The University of Texas at San Antonio through a cooperative agreement funded by the Economic Development Administration, U.S. Department of Commerce.

# Southwest Trade Adjustment Assistance Center

- Call your local **Oklahoma Alliance Manufacturing Extension Agent** [www.okalliance.com](http://www.okalliance.com)
- The Southwest TAAC Office serves manufacturers operating in Louisiana, **Oklahoma**, and Texas.
- **Call 800-344-8872**  
**Southwest TAAC**  
501 W. Durango  
San Antonio, TX 78207

**Toll Free:** (800) 344-8872

**Phone:** (210) 458-2490

**Fax:** (210) 458-2491

**Email:** [southwesttaac@utsa.edu](mailto:southwesttaac@utsa.edu)

**URL:** <http://www.swtaac.org>





# R & D Tax Credits

Presented By:  
James R. Young, J.D.



# Introduction

National R&D Consulting Firm – Focused on R&D Tax Credit Services

- ❖ Houston (national office), New York, Los Angeles, San Francisco, San Diego, Seattle, Orange County, Chicago and Miami
- ❖ 200 + Professionals
- ❖ CPAs (ex-big 4 partners) / Attorneys / ex-IRS members / Engineers / Software Developers
- ❖ Over 2,000 Studies Completed & 4,000 refunds claims filed
- ❖ Clients range from small closely-held companies to large public companies



# “Traditional” Versus “Tax”

## Traditional Definition

### “Discovery Test”



LOCKHEED MARTIN  
We never forget who we're working for™



## Tax Definition

### “Four Main Requirements”

1. New or Improved Business Component
2. Technological in Nature
3. Elimination of Uncertainty
4. Process of Experimentation



## Business Component Purpose Matrix

	The Purposes of the R&D Activities Related to the:				
	Function	Performance	Reliability	Quality	Durability
Product					
Process					
Computer Software					
Technique					
Formula					
Invention					



## Results – R&D! (\*-OK Companies)

Industry	Revenue	Tax Credits
Mfg – Drilling Equipment*	\$33 MM	<b>\$213,000</b>
Mfg – Pipeline Equipment*	\$118 MM	<b>\$951,000</b>
Mfg – Audio Speakers*	\$114 MM	<b>\$392,000</b>
Mfg – Heat Exchangers*	\$73 MM	<b>\$585,000</b>
Mfg – Gas Compressors*	\$109 MM	<b>\$473,000</b>
Mfg – HVAC Equipment*	\$247MM	<b>\$945,000</b>
Engineering Services Co.*	\$6 MM	<b>\$178,000</b>
Injection Molding Co.	\$100 MM	<b>\$5,500,000</b>
Job Shop / Manufacturing Co.	\$15 MM	<b>\$400,000</b>



# Questions & Answers