State of Oklahoma
Incentive Evaluation Commission
Enterprise Zone Incentive Leverage Act Draft Evaluation

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Contents

Key Findings & Recommendations

Overview

The Enterprise Zone Incentive Leverage Act (the "Leverage Act") went into effect on July 1, 2000 through the passage of SB 71.[1] The Act is intended to encourage economic development within designated enterprise zones. All investments or improvements made within an enterprise zone and must begin no later than December 31, 2029 and must be completed before December 31, 2034. It provides funding for local units of government to match local tax revenue dedicated to support a project located in an enterprise zone, in support of a major tourism destination, or in support of a military growth impact. Enterprise Zones can be designated in disadvantaged counties, cities, or portions of cities. The state local government matching payment is made for the six-month periods preceding March 1 and September 1 of each calendar year and is equal to the lesser of the amount of local sales taxes that have been apportioned under the project plan or the net benefit rate multiplied by the actual gross sales derived from the project.

Recommendation: Retain with Modifications

Key Findings

- **The Leverage Act provides specific eligibility requirements for companies to receive the matching payments.** To be eligible, it must meet one of the following: 1) it must locate its facility within an Enterprise Zone or expand its existing facility after an Enterprise Zone is designated, 2) it must be in an Enterprise Zone or in support of a "major tourism destination project" which will "significantly benefit" contiguous or nearby enterprise zone census tracts, or 3) it must be in a community experiencing military growth impacts as the result of a nearby base.

- **There are limitations within each geographic area to how much of the incentive projects can receive.** For example, the maximum amount of aggregate investment projects within each county can receive cannot be more than the $200 per individual residing in the county. The total amount within each county cannot exceed $40 million, unless the population is less than 100,000 people, in which case the county is eligible for at least $20 million.

- **Applicants must prove their eligibility for Leverage Act funding**. Companies must submit an estimate of incremental revenues likely to be derived from the project and a certification that all projects described within the related project plan will generate, in the aggregate, a minimum of either $1 million in payroll or $4 million in investment.

- **To receive the matching payment, the business should obtain a certification from the local government that created the Enterprise Zone proving that it is qualified for the sales tax exemption.** The certification document should include the start and end dates of the exemption, as well as the total projected amount of investment to construct or expand the facility and the legal name and business entity classification of the entity receiving the sales tax credit.

- **The Enterprise Zone Incentive Leverage Act currently has six TIF Districts in its portfolio; five are enterprise zones located in Oklahoma City and one is a military growth area in Lawton.** The Department estimates that these zones will have 373,000 out-of-state visitors, employ 2,400 individuals, and contribute $283 million in payroll. They will attract a combined $536 million in investment.[2]

- **Three matching payments have been issued in 2023**, two of which were for the development of a resort in Oklahoma City. These payments totaled over $500,000.

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[1] The complete statute is provided in Appendix D.
[2] Oklahoma Department of Commerce

Table 1: Leverage Act Issued Matching Payments

Date of Refund	Matching Amount	City-Project	6 Month Matching Period
August 26, 2023	$33,331	OKC-#14 OKANA Project	June 1, 2022 - December 31, 2022
August 26, 2023	$912	OKC-#14 OKANA Project	January 1, 2022 - June 30, 2022
August 28, 2023	$507,747	Lawton-#2 Town Center Project	July 1, 2022 - December 31, 2022

Source: Oklahoma Tax Commission

- **Two of these payments have been related to the construction of an indoor resort**. The resort will open in 2025 and will offer 400 rooms for visitors. It is also next to the American Indian Cultural Center Museum, potentially increasing its visitors as well.

- **Current confidentiality requirements prevent an economic impact analysis of individual projects.** Employment and payroll data is only able to be shared in the aggregate, preventing an analysis of individual projects.

- **The program had a net positive fiscal impact to the State.** However, these calculations are estimates given that employment and payroll data cannot be disaggregated by project.

Table 2: Estimated Net Impact

Year	Total Appropriation	Estimated Oklahoma Tax Revenue	Net Impact
2023	$541,990	$18,466,429	$17,924,439

- **Since its last evaluation, the Leverage Act has improved its reporting capacity to evaluate the success of the program.** Beginning July 2024, active TIF Districts are required to report progress to the Department of Commerce (Department). Additionally, the Department now uses the foot traffic software Placer Labs to measure the number of visitors from out of state before and after the project completion for tourism projects.

- **Inclusive of Oklahoma, a total of 18 states were found to have programs similar to the Leverage Act.** These states offer programs to encourage economic development in TIF Districts or Enterprise Zones. However, none of them offered matching payments as Oklahoma does. Other programs primarily use tax credits or abatements as the incentive for economic growth.

- **One benchmark program evaluation, in the state of Maryland, found that its similar economic development program may not effectively meet its primary purpose.** The Maryland Office of Policy Analysis found that Maryland's Enterprise Zone Tax Credit Program does not accurately target economically distressed areas of the state because it only requires one measure of economic need: poverty level, employment rate, median household income, or population loss. The evaluators found that only using one measure to determine whether an area is economically weaker allows areas that generally do not qualify to be included in the incentive. The evaluators found that the most economically distressed areas of the state received $1 of tax credits for every $3 to $4 provided.

- **The Leverage Act includes many identified best practices for incentive programs.**[3] **The** Leverage Act incentives incents private capital in defined, targeted areas. It has adopted the use of foot traffic software to track visitors and added another layer of accountability to recipients.

Recommendations

- Create requirements to allow for more specific reporting regarding payroll and employment information. Due to confidentiality requirements, the Department of Commerce is not able to disaggregate payroll and employment information for each individual project. This affects the ability to conduct economic impact analyses of these projects separately, and therefore understand the performance of the program.

[3] A list of these best practices is provided in Appendix C.

Introduction

Incentive Evaluation Commission Overview

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. The law also provides that criteria specific to each incentive be used for the evaluation. The Commission has completed two cycles of qualified evaluations, from 2016-2019 and 2020 through 2023. This is now the first year of a new four-year cycle.

In 2023, the Legislature passed and Governor Stitt signed into law SB 745, which made a number of changes to the incentive evaluation process that were recommended by the Commission. Among them was the ability of the Commission to review qualified incentives within the four-year evaluation cycle. In prior cycles, incentives had to be reviewed at least once every four years, which effectively locked in place the order that incentives would be evaluated. As a result, some incentives in this cycle may be reviewed in less or more than four years.

One reason for the change in the evaluation cycle was to allow incentives with similar purposes or that are targeted to specific industries or parts of the state to be evaluated in the same year. This allows for continuity in the discussion and comparisons of effect and effectiveness. This grouping is considered an evaluation best practice.[4] For 2024, there are two broad categories of evaluated incentives:

- Financing/Venture Capital/Early Business related.
- Tourism/Film/Quality of Life related.

The evaluation of the Enterprise Zone Incentive Leverage Act ("the Leverage Act") tax credit, administered by the Oklahoma Department of Commerce ("the Department") and the Oklahoma Tax Commission (OTC) is one of 12 evaluations being conducted by the Commission in 2024.

Incentive Background

The Enterprise Zone Incentive Leverage Act went into effect on July 1, 2000 through the passage of SB 71. The Act is intended to encourage economic development within designated enterprise zones. All investments or improvements made within an enterprise zone and must begin no later than December 31, 2029 and must be completed before December 31, 2034.

This incentive was last evaluated in 2023, when it was recommended that the program be retained with certain modifications. Key findings from the last evaluation include:

- The incentive has been used in four projects since 2019, with three located in Oklahoma City.
- From 2020-2022, the incentive has contributed to the creation of 8,510 jobs in the state.
- Total matching payments made by the Oklahoma Tax Commission from September 2019 to December 2022 were $8.94 million.
- Due to data limitations and non-disclosure requirements, data received from the Department and the OTC regarding employment and payroll for specific projects could not be reconciled to illustrate a fully informed economic impact analysis.
- The program is intended to be fiscally neutral to the State.
- It is possible that eligible projects utilize this incentive along with others.
- There is some administrative difficulty for users of the incentive when submitting information to both the Department and OTC.

[4] "Best Practices for Planning Tax Incentive Evaluations: Lessons Learned from Indiana's Evaluation Process," Pew Charitable Trusts, August 2022, p.3. Accessed electronically at www.pewtrusts.org/-/media/assets/2022/08/best-practices_incentiveeval-planning_2022-3-24_final.pdf

- This incentive is uncommon among other states in that the state match associated with this program appears to be unique to Oklahoma.

There have been no changes to the statute since the last review in 2023.

Criteria for Evaluation

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this tax credit, the specific goal included in legislation is to encourage economic development within designated enterprise zones.

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

- Program use
  - Number of new projects
  - Annual amount of matching funds associated with the program
  - Number of projects outside of Oklahoma City
- State return on investment
- Job creation associated with the program
- Positive project net benefit rate
- Results associated with enterprise zones (such as increases in property values or enhanced infrastructure within the zone)

Enterprise Zone Incentive Leverage Act Background

Enterprise Zone Incentive Leverage Act Purpose and Origin

The Enterprise Zone Incentive Leverage Act is a development incentive program went into effect on July 1, 2000 through the passage of SB 71. It is intended to encourage economic development in designated enterprise zones and is administered by the Department. It provides funding for local units of government to match local tax revenue dedicated to support a project located in an enterprise zone, in support of a major tourism destination, or in support of a military growth impact. Enterprise Zones can be designated in disadvantaged counties, cities, or portions of cities.

Enterprise Zones

Enterprise Zones are meant to stimulate private sector investment in economically depressed areas by providing tax incentives and other financial assistance to induce companies to expand their operations or relocate to the most economically distressed areas of the state.

In Oklahoma, the Department makes annual designations of enterprise zones, which it defines as:

- A county which (1) has experienced a decrease in population during the 10-year period preceding the date an establishment enters into a commitment to locate within an enterprise zone or expands activity within an existing enterprise zone; or (2) has been determined to rank in the lowest one-third of counties (lowest 25 counties) for per capita personal income for the calendar year preceding the beginning of the fiscal year for which an application is made.[5]
- An area within or contiguous to the corporate limits of any city on town which Commerce determines as an area of economic distress.[6] The area must (1) have a population of at least 30 percent of its total for which the household income is equal to or less than the poverty level;[7] or (2) have a per capita gross income of 15 percent or more below the state per capita income.
- An area designated as a federal enterprise community; or
- Any enterprise zone designated by Commerce prior to July 1, 2000.

The Oklahoma Enterprise Zone Act of 1983 provides several incentives to businesses located within enterprise zones, including:

- The Investment/New Jobs Tax Credit may be doubled.
- Low interest loans may be made available through enterprise district loan funds.
- Local communities may exempt local taxes for six years (rather than five) for qualifying businesses that are in Incentive Districts.
- Small Linked Deposit Loans may be for longer terms.
- The enterprise district management authorities created in some enterprise districts are empowered to establish venture capital loan programs and to solicit proposals from enterprises seeking to establish or expand facilities in Enterprise Zones.

Tax Increment Finance (TIF) Districts

A TIF district provides a locality a financing mechanism that is used as an incentive for increased development in a particular area. A TIF district's geographic boundaries are designated by a local government. Within a TIF district, as property values increase over time from the increased development and

[5] Per capita personal income as measured by the Bureau of Economic Analysis.
[6] Must consist of one or more census tracts located within a city or town or contiguous to a city or town.
[7] As measured by the U.S. Census Bureau for the Oklahoma region for the most recent year for which data is available

investment in the area, thus increasing the tax burden on property owners, the local jurisdiction will forego this incremental tax revenue. A TIF district's incremental tax revenue remains within the district to pay off redevelopment costs or to pay for more investments, as opposed to being directed to the jurisdiction's general fund. TIF districts are typically created with an end date in mind, after which the district and the incremental tax revenue as a financing mechanism are dissolved. There are also TIF districts in which sales taxes or other taxes such as a hotel tax can be captured.

In Oklahoma, as in most states, TIF districts are primarily administered at the local level. Authorized by the Oklahoma Local Development Act of 1992, the state's TIF districts are local incentives that may be used for the redevelopment and reinvestment of blighted areas. TIFs are used by cities in Oklahoma to promote private development. A portion of taxes generated within the district are used to invest in the district's infrastructure or fund other economic development projects. The rationale for a TIF is that new investment in the district leads to higher property values and the increase in city tax revenue is a revenue source for the investment within the district.

TIF districts can be established in Oklahoma for up to 25 years. The revenues generated from a TIF district in Oklahoma can only be spent on publicly approved project costs including:

- Cost of public works, public improvements, land acquisition, clearance, and grading;
- Financing, professional services, administration, interest fees;
- Assistance in development financing for private projects.

TIF districts in Oklahoma can only be established in designated reinvestment areas, historic preservation areas, or within a state or federal enterprise zone.

Program Usage & Administration

Program Characteristics

The Leverage Act provides funding for local units of government to match local tax revenue dedicated to support a project located in an Enterprise Zone or a tourism project that will benefit an Enterprise Zone.

In order to be eligible for the incentive, the applicant must meet one of the following requirements:

1. A business must locate its facility within an Enterprise Zone or expand its existing facility after an Enterprise Zone is designated
2. A local government entity must approve a project plan within an Enterprise Zone or in support of a "major tourism destination project" which will "significantly benefit" contiguous or nearby enterprise zone census tracts
3. The project must be in a community experiencing military growth impacts as a result of a nearby base

No matching payment can be made for project costs that are related to any gambling establishment or the development that provides more than ten percent of the leasable space to be used for retail purposes. Payments can also not be used to supplant local revenue being expended within the increment district boundaries.

A "major tourism project" is defined as a project that:

1. Meets the definition of a tourist attraction[8]
2. Is projected to meet the following qualifications within three years of the project's completion date based on the Department of Commerce's findings:
    1. At least $50 million in capital investment
    2. At least $50 million in projected annual gross sales revenues or at least $10 million in annual gross sales revenues to out-of-state visitors
    3. Either 20 percent of visitors or 20,000 total annual visitors must come from out of state
    4. At least 30 percent of visitors or 25,000 total annual visitors must travel at least 100 miles to the site
    5. The project is a lake resort that contains a hotel, a conference center, an 18-hole golf course, and is located within 25 miles of the state boundary on a lake that covers at least 45,000 surface acres of water that is estimated to generate at least $50 million in capital investment

There are limitations within each geographic area to how much of the incentive projects can receive as well. For example, the maximum amount of aggregate investment projects within each county can receive cannot be more than the $200 per individual residing in the county. The total amount within each county cannot exceed $40 million, unless the population is less than 100,000 people, in which case the county is eligible for at least $20 million.

The total limit of all state local government matching payments is equal to the net benefit rate multiplied by the taxable gross ales derived from the project over the period of apportionment of local sales taxes as certified by the Secretary of Commerce.

Program Administration

In order to prove eligibility for the state local government matching payments, the local government entity sends the following information to the Department as part of their application:

[8] As defined in 68-2357.36

1. An estimate of incremental revenues likely to be derived from the project
2. Certification that all projects described within the related project plan will generate, in the aggregate, a minimum of either $1 million in payroll, exclusive of payroll for construction, or $5 million in investment

If the application is for a major tourism project, the local governmental entity will include:

1. An estimate of incremental revenues new to the state likely to be derived from the project
2. Certification that the major tourism destination meets the applicable criteria
3. An agreement to provide payment to the Department to defray costs of the required market feasibility study that is conducted by an independent consultant

To receive the matching payment, the business should obtain a certification from the local government that created the Enterprise Zone proving that it is qualified for the sales tax exemption. The certification document should include the start and end dates of the exemption, as well as the total projected amount of investment to construct or expand the facility and the legal name and business entity classification of the entity receiving the sales tax credit.

After the business provides the certification, the OTC makes a payment to the enterprise equal to the amount of sales tax from the which the enterprise is certified as exempt.

The state local enterprise matching payment is made for the 12-month period preceding March 1 of each calendar year. The amount of the matching payment is equal to the amount of sales tax for which the enterprise has received payment during the allotted period.

The state local government matching payment is made for the six-month periods preceding March 1 and September 1 of each calendar year. The amount of the matching payment is equal to the lesser of the amount of local sales taxes that have been apportioned under the project plan or the net benefit rate multiplied by the actual gross sales derived from the project.

Each year the OTC must utilize data collected and analyzed by the Department to prepare a report documenting state local government and state local enterprise matching payments. OTC submits this report prior to April 1 each year to the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate.

The Leverage Act has increased its data tracking and reporting mechanisms since its most recent evaluation in 2023. Beginning July 2024, active TIF Districts are required to report progress to the Department. These reports will be submitted via an online form so that the Department the legislature can better understand the broader impact of the Leverage Act on local development. Additionally in 2024, the Department uses the foot traffic software Placer Labs to measure the number of visitors from out of state before and after the project completion for tourism projects.

Program Funding

Matching payments for this incentive are paid for out of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act Incentive Payment Fund; this fund exists within the State Treasury. The OTC withholds portions of levied taxes and deposits them into this fund to play claims. Payments cannot exceed the balance of the fund.

Program Usage

TIF Districts authorize cities to use a portion of property taxes within the district to invest in the district's infrastructure. This tool thereby provides an incentive for private investment, with the ultimate goal of increasing property values and the associated property tax revenue which can be reinvested in the district.[9]

The Enterprise Zone Incentive Leverage Act currently has six TIF Districts in its portfolio; five are enterprise zones located in Oklahoma City and one is a military growth area in Lawton. The Department estimates that these zones will have 373,000 out-of-state visitors, employ 2,400 individuals, and contribute $283 million in payroll. They will attract a combined $536 million in investment.[10]

Table 3: Current Leverage Act TIF Projects

TIF District	City	Qualifying Type	Description	Investment	Date TIF Began	Date TIF Will Be Completed
American Indian Cultural Center	Oklahoma City	Enterprise Zone	Assist OKANA Resort Development	$150,000,000	11/20/2018	11/19/2043
Core to Shore South CBD/Central Park	Oklahoma City	Enterprise Zone	Enhance Neighborhood South of Central Business District (CBD)	$167,000,000	7/1/2018	6/30/2043
Devon Development	Oklahoma City	Enterprise Zone	Support Infrastructure and Economic Development Near Devon Tower	$157,000,000	12/16/2008	6/30/2034
Lawton Increment District No. 2	Lawton	Military	Mixed-Use Center for the Needs Resulting from Military Growth	$23,000,000	6/30/2010	6/30/2035
Oklahoma Riverfront	Oklahoma City	Enterprise Zone	Help Dell Computer Campus	$34,200,000	3/29/2005	6/30/2031
Skirvin	Oklahoma City	Enterprise Zone	Renovate Skirvin Hotel	$5,000,000	7/7/2004	7/7/2030
Total	**-**	**-**	**-**	**$536,200,000**	**-**	**-**

Source: Oklahoma Department of Commerce

In 2023, the Act led to the issuance $541,990 in state local government matching payments across two projects, one in Oklahoma City in Increment District #14 and one in Lawton:

Table 4: 2023 State Local Government Matching Payments

Date of Refund	Matching Amount	City-Project	6 Month Matching Period
August 26, 2023	$33,331	OKC-#14 OKANA Project	June 1, 2022 - December 31, 2022
August 26, 2023	$912	OKC-#14 OKANA Project	January 1, 2022 - June 30, 2022
August 28, 2023	$507,747	Lawton-#2 Town Center Project	July 1, 2022 - December 31, 2022

Source: Oklahoma Tax Commission

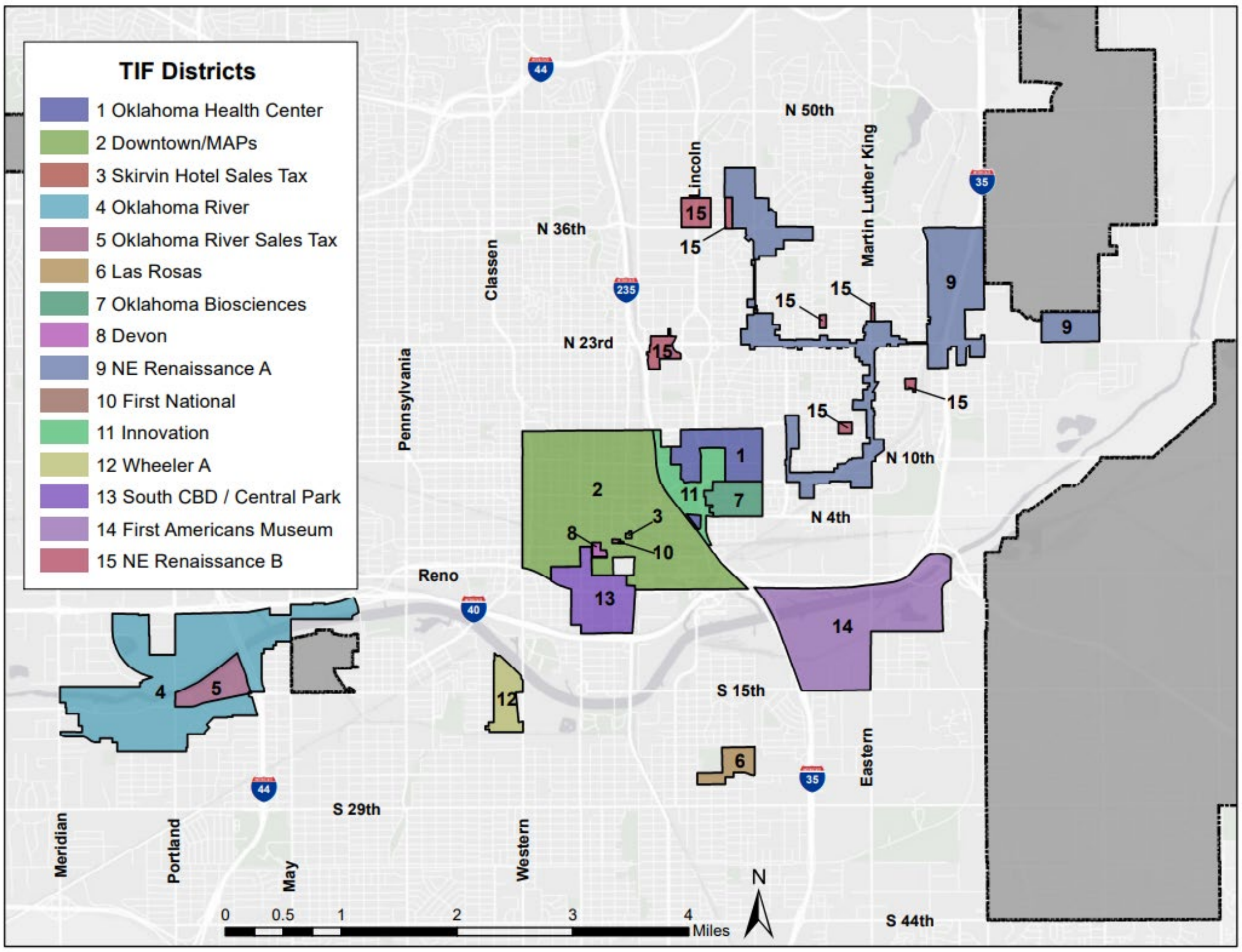
[9] The City of Oklahoma City Economic Development, "Tax Increment Finance (TIF)." Accessed electronically at: Tax Increment Finance (TIF) | City of OKC
[10] Oklahoma Department of Commerce

There were no state local enterprise matching payments in 2023.

Case Study: OKANA Resort Construction

There are currently 15 TIF Districts in Oklahoma City, five of which currently participate in the program:

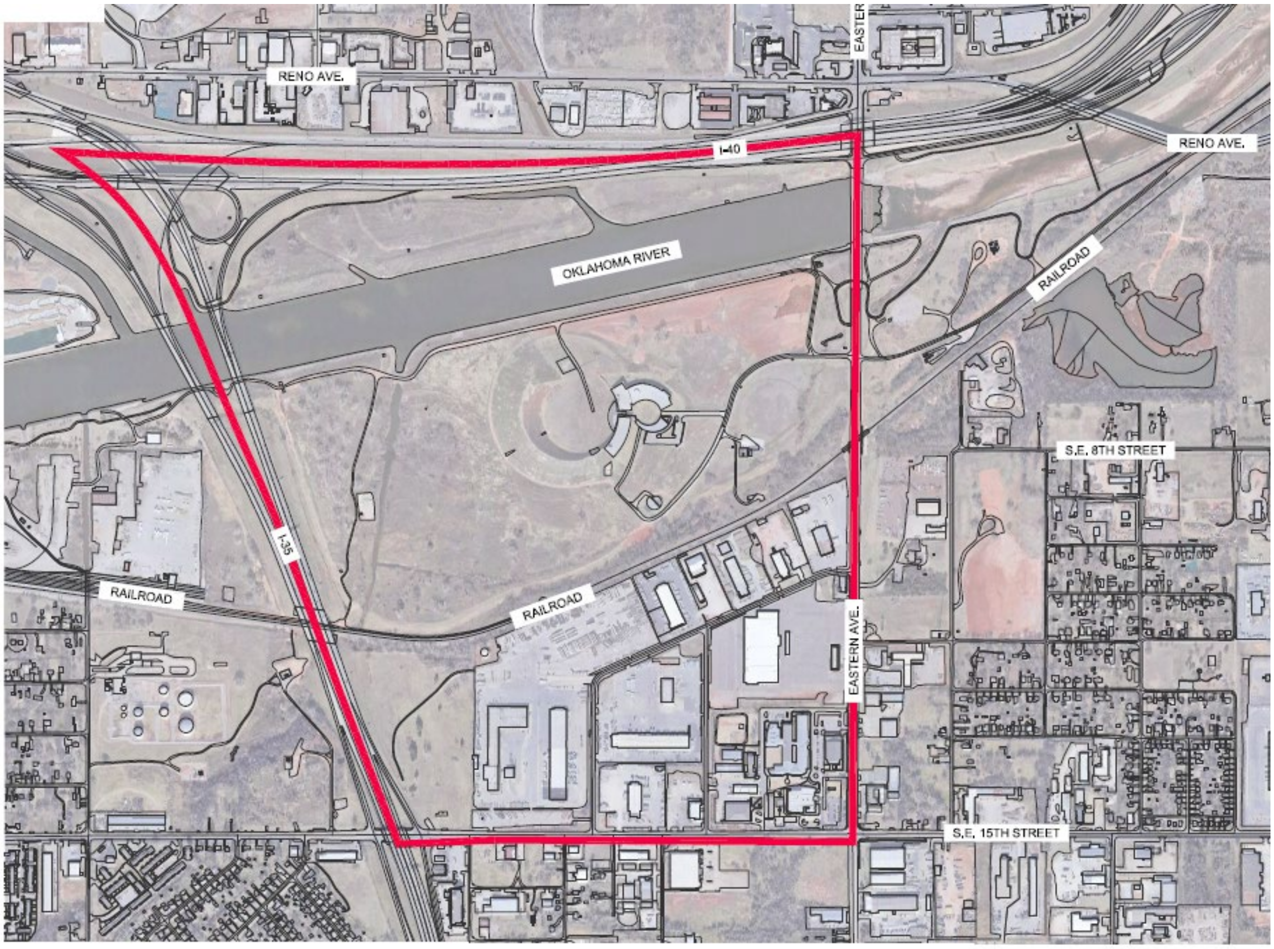
Image 1: Oklahoma City TIF Districts



Source: Oklahoma City

Increment District #14 was created in November 2018 to facilitate the development of the First Americans Museum and the property surrounding the museum site. It exists between the southern edge of I-40 and the northern side of SE 15th Street and between I-35 and Eastern Avenue. This district includes the Oklahoma River, the Railroad, and the First Americans Museum.

Image 2: Increment District #14



Source: Oklahoma City

The city of Oklahoma City partnered with the Chickasaw Nation to facilitate the commercial development of the undeveloped property next to the American Indian Cultural Center Museum, located in the TIF District map provided above. As a result, this TIF District was created to support the development of the forthcoming

OKANA Resort & Indoor Waterpark, with the goal of creating a large-scale destination development that will support the museum as a world-class attraction.[11] Per the Department, the American Indian Cultural Center Museum has had over 400,000 visitors since 2021.

Image 3: OKANA Resort & Indoor Waterpark

Through this project, the Chickasaw Nation will receive a total of $102.2 million in tax increment financing for the $342.1 million OKANA Resort. It is the highest amount of TIF reimbursement funding ever for the City of Oklahoma City. The sales and use taxes generated by investment and development within this District were approved by the Oklahoma City Council in accordance with the Leverage Act and are subject to qualification for state local government matching payments: 100 percent of the property tax payments (an estimated $67.5 million) and 90 percent of the sales tax payments (up to $34.7 million)[12] generated by this development will be returned to the project as part of the $102.2 million total.[13] These matching payments can be used to pay for project costs for no more than 25 years after the creation of the District.[14]

The OKANA Resort is currently under construction next to the museum in District #14. The resort will open in 2025 and include 4.5 acres of an outdoor water lagoon and beach and a 107,600 square foot indoor waterpark, which include a wave pool, river, and water slides. It will offer additional opportunities for guests to generate economic activity by offering 11 restaurants and a 33,500 square foot family entertainment center with arcade games.[15] To support visitors to these attractions, the 11-story resort will offer 400 rooms, including family suites that are designed with a secondary room containing bunk beds. It will also provide conference, event, and wedding space, including a landscaped amphitheater with an open-air stage and event lawn that seat up to 1,500 guests.[16]

Its TIF district is projected to attract $150 million in investment between its creation in 2018 and its sunset date in November 2043. Between 2018 and 2023, inflation-adjusted property values in the district have increased 78.7 percent.[17]

[11] City of Oklahoma City, "Amended and Restated Downtown/MAPS Economic Development Project Plan." 14 September 2021. Accessible at: AMENDED (okc.gov)
[12] McNutt, Kathryn. The Journal Record. "TIF Dollars Approved for OKANA Resort, Water Park Project." 24 May 2022.
[13] Hayes, Jana. The Oklahoman. "Oklahama City Approves $102.2 Million in Tax Reimbursements for OKANA Resort, Water Park." 27 May 2022.
[14] City of Oklahoma City, "Amended and Restated Downtown/MAPS Economic Development Project Plan." 14 September 2021. Accessible at: AMENDED (okc.gov)
[15] Hayes, Jana. The Oklahoman. "Oklahama City Approves $102.2 Million in Tax Reimbursements for OKANA Resort, Water Park." 27 May 2022.
[16] OKANA Resort and Indoor Waterpark, "OKANA Resort & Indoor Waterpark." Accessed electronically at: OKANA Resort & Indoor Waterpark in Oklahoma City, OK
[17] Oklahoma Department of Commerce

Economic & Fiscal Impact

Economic and Fiscal Impact

The $541,990 in matching payments was distributed across two projects, both associated with the 72111 NAICS code (hotels and motels, excluding casinos). Therefore, even though employment data was provided in aggregate, its economic impact was calculated using exclusively the hotel IMPLAN code. A detailed methodology of economic impact analyses through the use of IMPLAN is described in **Appendix A.**

The following table indicates the direct, indirect, and induced effects of the 2,372 individuals employed in projects supported by the Leverage Act, as well as the estimated state tax revenue collected as a result. The total effect of these 2,372 jobs totals over $435 million.

Figure 1: Impact of Leverage Act Funding

Year		Output	Value Added	Labor Income	Employment	Estimated Oklahoma Tax Revenue
2023	Direct Effect	$256,485,452	$154,062,994	$75,966,872	2,372	$13,495,236
	Indirect Effect	$97,622,940	$45,035,122	$28,368,709	517	$2,341,947
	Induced Effect	$81,141,935	$43,719,468	$23,157,685	458	$2,629,247
	Total Effect	**$435,250,327**	**$242,817,583**	**$127,493,266**	**3,347**	**$18,466,429**

Source: IMPLAN Analysis; Department of Commerce; Oklahoma Tax Commission

The tax revenue expected to be generated from the project employment in 2023 is $18.5 million, $17.9 million higher than the $541,990 made in matching payments. As a result, the net impact of the Leverage Act is positive.

Figure 2: Annual Tax Revenue Generated

Year	Total Appropriation	Estimated Oklahoma Tax Revenue	Net Impact
2023	$541,990	$18,466,429	$17,924,439

Source: IMPLAN Analysis; Department of Commerce; Oklahoma Tax Commission

Incentive Benchmarking

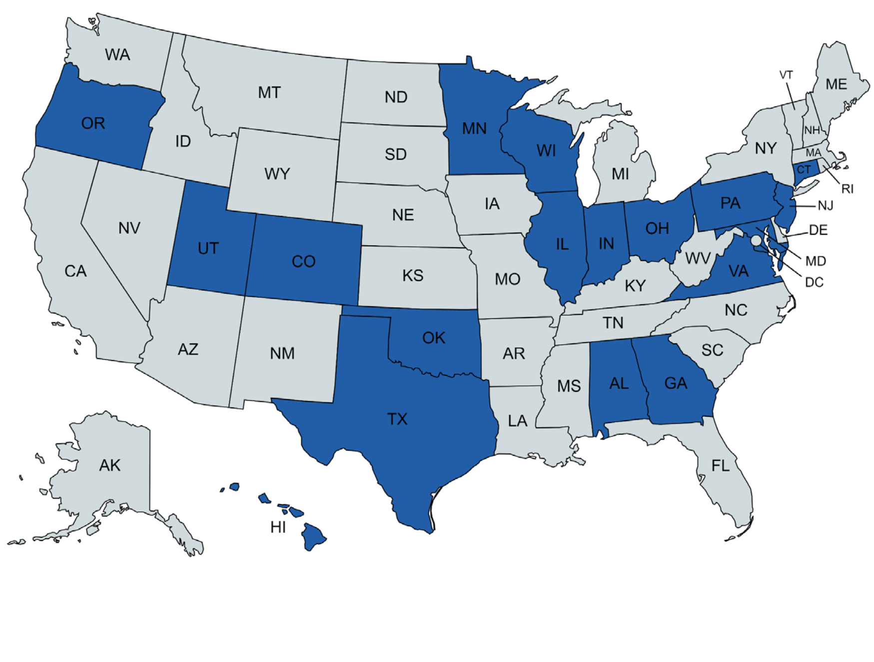
Benchmarking

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are 'perfect peers' – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.[18] These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

In the case of the Leverage Act, however, the primary comparison group is those states that have developed programs to encourage economic development in TIF Districts or Enterprise Zones. Inclusive of Oklahoma, a total of 18 states, highlighted in the following map, were found to have similar programs, although none of them offered matching payments as Oklahoma does. A detailed description of comparable state programs can be found in **Appendix B.**

Figure 3: States with Comparable Development Initiatives



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[18] The primary instances of exactly alike state incentive programs occur when states choose to 'piggyback' onto federal programs.

Benchmarking Program Evaluations & Best Practices

State incentives that use Enterprise Zones to attract and retain infrastructure and commercial development are common throughout the United States, as demonstrated in the map above. However, while enterprise zone programs are prevalent among other states, no other state except Indiana utilizes their Enterprise Zone designations for tourism sites or military installations. Further, no other state offered matching payments as Oklahoma does; other programs primarily used tax credits or abatements as the incentive for economic growth.

In one evaluation of a similar program, the Maryland Office of Policy Analysis found that Maryland's Enterprise Zone Tax Credit Program does not meet its program goals. For example, it does not accurately target economically distressed areas of the state because it only requires one measure of economic need: poverty level, employment rate, median household income, or population loss. The evaluators found that only using one measure to determine whether or not an area is economically weaker allows areas that generally do not qualify to be included in the incentive. The evaluators found that the most economically distressed areas of the state received $1 of tax credits for every $3 to $4 provided.

Further, it does not provide employment opportunities for individuals living in Enterprise Zones. For example, even though one of the goals of the program is to provide jobs for local residents, there is a mismatch between the jobs that are offered by the development and the skills or education levels of local residents.[19]

While the Oklahoma Leverage Act does not have as specific requirements as the Maryland program, this evaluation provides a cautionary tale – Enterprise Zones run the risk of including populations that would not necessarily be considered has having a greater need of additional government support. Further, merely adding jobs in the area, while contributing to the indirect and induced economic effects of the region, does not necessarily mean that local individuals will be able to directly benefit from these increased employment opportunities.

[19] Maryland Department of Legislative Services, Office of Policy Analysis. "Evaluation of the Enterprise Zone Tax Credit." December 2022. Accessible electronically at: Evaluation of the Enterprise Zone Tax Credit (maryland.gov)

Appendices

Appendix A: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (Impact Analysis for PLANning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

- **Direct** effects are determined by the Event as defined by the user (i.e., a $10 million order is a $10 million direct effect).
- The **indirect** effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- Finally, the **induced** effect measures the money that is re-spent in the study area as a result of spending from the indirect effect.

Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

Fiscal Impacts

The IMPLAN tax report captures all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for the given data year. IMPLAN taxes shown (and collected) are industry and geographically specific. The IMPLAN tax impact report splits the tax impacts into the various tax categories based on the picture of that region's economy. But, there is no industry-specific profile for taxes paid by tax category, so the distribution across tax categories is an all-industry average. While this is a limitation of the IMPLAN fiscal reporting, the IMPLAN tax report serves as an appropriate measure of jurisdictional tax results in the aggregate. Tax results cannot be added to any summary or detailed results as they are already included as a portion of Output. State taxes do not include taxes or district assessments levied by Federal, county, sub-county, city or township governments.

Appendix B: Benchmark Programs

Name	Amount of Benefit	Tax Benefit Type	Eligibility for Incentive
Oklahoma Enterprise Zone Incentive Leverage Act	Matches local tax revenue	Matching payment	Businesses located in an Enterprise Zone, supports a major tourism project, or if is a military impact growth project
Alabama Enterprise Zone Act	Tax credit based on income tax liability, tax credit for new capital investment, or up to $1,000 per new permanent employee	Credit can be used against sales & use tax for construction equipment, Income tax for up to five years, and the business privilege tax for up to five years	Companies that locate or expand within Enterprise Zones
Colorado Enterprise Zone Income Tax Credit	3% of value of investment	State income tax and sales & use tax exemption	Businesses or individuals who contribute to development projects in Enterprise Zones
Connecticut Enterprise Zone Tax Credit	5 year, 80% tax abatement on qualifying real estate and personal property (machinery and equipment)	Tax abatement	Companies involved in manufacturing and research who make capital improvements to land or buildings in an Enterprise Zone
Georgia Enterprise Zone Program	100% of property taxes are exempt for the first 5 years (is reduced by 20% every other year until year 10)	Local property tax exemption, local abatement and reduction in fees, and a sales & use tax exemption	An enterprise that increases employment by at least 5 FTEs in an Enterprise Zone and which provides an economic stimulus
Hawaii Enterprise Zone Partnership	100% General Excise Tax exemption, 80% state income tax exemption in the first year of the program (drops 10% each year for up to 6 years), state income tax exemption of 80% of annual unemployment insurance premiums		Businesses must be located in an Enterprise Zone and be in one of the following industries: Agriculture, Manufacturing, Wholesale/Distribution, Aviation or Maritime Repair, Telecommunications, IT Design, Medical Research, Biotechnology Research, For-Profit Training Programs for International Business Management or Environmental Remediation, Repair of Technology Equipment, Certain Types of Call Centers, Wind Energy Producers
Illinois Enterprise Zone Program	0.5% credit against state income tax and a 6.25% state sales tax exemption on building materials or machinery	State income tax credit sales tax exemption, utility tax exemption	Business investments made in Enterprise Zones, such as building new facilities or remodeling buildings

Name	Amount of Benefit	Tax Benefit Type	Eligibility for Incentive
Indiana Enterprise Zone Program	30% of the price of ownership interest purchased by the tax payer, up to $1,500 in state tax credit per employee, and a state tax credit for interest earned on a loan made to businesses in Enterprise Zones; property tax deduction for increased value of a business property in an Enterprise Zone	State tax credit & property tax deduction	Investment in Enterprise Zones
Maryland Enterprise Zone Program	One-time $1,000 tax credit for each new employee, or a $1,500 tax credit for each new employee in a focus area; ten year credit against local property taxes based on a portion of real property expansion (80% in the first year, reduces 10% each year for 5 years)	Real Property and State Income tax credits	Businesses must be located in an Enterprise Zone
Minnesota Border Cities Enterprise Zone Program	Tax credit against state income tax for up to $3,000 per new employee, exemption of general sales tax for construction materials, state paid property tax credit for portion of property taxes for a new (or expansion of a) commercial or industrial facility, income tax credit for the cost of debt financing to construct new or expanded facilities		Businesses that are the source of investment, development, and job creation or retention in Border-Cities Enterprise Zones
New Jersey Urban Enterprise Zone Program	Reduced sales tax (3.3125%), tax-free purchases on some items, corporate business tax credit (one time credit of $1,500 per employee), insurance subsidies, energy sales tax exemption		Businesses encourage business growth and stimulate the local economy

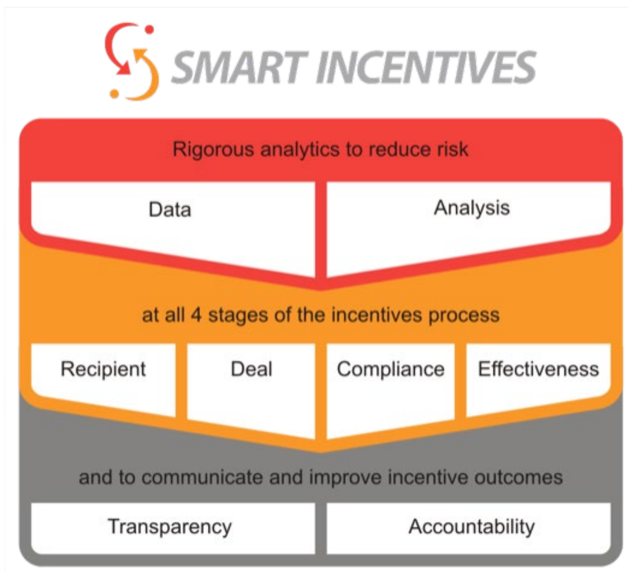
Name	Amount of Benefit	Tax Benefit Type	Eligibility for Incentive
Ohio Enterprise Zone Program	Municipalities offer exemption of real and/or personal property assessed values of up to 75% (60% for unincorporated areas) for up to 10 years or an average of 60% (50% for unincorporated areas) over the term of the agreement on new investments in buildings, machinery/equipment and inventory and improvements to existing land and buildings for a specific project.	Local exemption of real and/or personal property assessed values up to a certain threshold	Businesses that create and preserve jobs and make a substantial investment within Enterprise Zones
Oregon Long-Term Rural Enterprise Zone Facilities Program	100% exemption on local property taxes for years 7 - 15	Property Tax Abatement up to 15 years	Facility sites within Enterprise Zones which hire new employees (number determined based on county population)
Pennsylvania Neighborhood Assistance & Enterprise Zone Tax Credit	25% of amount invested, not to exceed $500,000 in tax credits per project	State tax credit	Any private company with investments located in an Enterprise Zone
Texas Enterprise Zone Program	Ranges from $625,000 to $3,750,000 based on the size of the project	State sales and use tax refund	Companies who make a capital investment and create jobs in an Enterprise Zone
Utah Enterprise Zone Tax Credit Program	$750 in tax credits for each new, full time position created, with an additional $500 if the credit pays 125% of the county median nonagricultural wage; $750 if the new job is in agricultural manufacturing or processing; an additional $200 if the employee receives employer-sponsored health insurance; 25% of the first $200,000 spent rehabilitating buildings	Non-refundable state tax credits	Retail & construction businesses and utilities are not eligible
Virginia Enterprise Zone Program	Up to 20% of real property investment, capped over a 5 year term; cannot exceed $100,000 per building if the investment is less than $5 million or $200,000 per building if the investment is more than $5 million	Grant Award	Properties must be commercial, industrial, or mixed-use within an Enterprise Zone, must spend at least $100,000 in real property investments; entities must capitalize the investment

Name	Amount of Benefit	Tax Benefit Type	Eligibility for Incentive
Wisconsin Enterprise Zone Tax Credit	Can be claimed for up to 12 years; up to 10% of capital expenditures and/or based on number of new or retained employees	State refundable tax credits	Businesses that have significant expansion projects in Wisconsin or are relocating major business operations from other states; Projects must increase employment and make a capital expenditure of at least $10 million

Appendix C: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[20] it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

[20] Three resources in particular were relied upon on putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.

4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.

5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.

6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.

7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.

8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.

9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.

10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.

Appendix D: 62 O.S. § 840 et seq. – Oklahoma Local Development and Enterprise Zone Incentive Leverage Act

§62-840. Short title.
Sections 840 through 847 of this title and Section 2357.81 of Title 68 of the Oklahoma Statutes shall be known and may be cited as the "Oklahoma Local Development and Enterprise Zone Incentive Leverage Act".
Added by Laws 2000, c. 339, § 9, eff. July 1, 2000. Amended by Laws 2008, c. 217, § 1, emerg. eff. May 20, 2008.

§62-841. Definitions.
As used in the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act:
1. "Enterprise" means any form of business organization including, but not limited to, any partnership, sole proprietorship, corporation, limited liability company or other legally constituted business entity;
2. "Enterprise zone" means an area as defined pursuant to paragraph 5 of Section 690.2 of this title;
3. "Estimated direct state benefits" means the total incremental state tax revenues new to the state estimated by the Oklahoma Department of Commerce to accrue to the state from new investments and new employment during the period of apportionment of local sales taxes as a result of the project and/or projects described in the related project plan. For purposes of projecting state benefits for a military growth impact project, the military growth impacts shall be used in lieu of the project and/or projects described in the related project plan. In projecting such benefits, the Oklahoma Department of Commerce shall consider, if practicable, whether or not the project plan involves an enterprise:
a. relocating from within the state,
b. subject to or in the process of recruitment by two or more governmental entities within the state, or
c. which will be in direct competition with an existing enterprise located in the state;
4. "Estimated direct state costs" means the costs projected by the Oklahoma Department of Commerce to be incurred by the state during the period of apportionment of local sales taxes, as a result of the project and/or projects described in the related project plan. For purposes of projecting state costs for a military growth impact project, the military growth impacts shall be used in lieu of the project and/or projects described in the related project plan;
5. "Estimated net direct state benefits" means the estimated direct state benefits less the estimated direct state costs;
6. "Facility" means the definition contained in paragraph 8 of Section 690.2 of this title;
7. "Governing body" means the governing board of a local governmental entity in the case of a single incentive district or increment district when the boundaries of the district are coextensive with or contained within the jurisdiction of any such single local governmental entity or the governing boards of a combination of counties, cities, or towns forming an incentive district or an increment district pursuant to the provisions of the Local Development Act;
8. "Incentive district" means an area created pursuant to the provisions of the Local Development Act, including Section 856 of this title;
9. "Increment district" means an area created pursuant to the provisions of the Local Development Act;
10. "Local governmental entity" means a county, city or town forming an incentive district or an increment district pursuant to the provisions of the Local Development Act;
11. "Local sales taxes" means amounts payable to or for the benefit of a local governmental entity calculated as a percentage, which, except on transient lodgings, shall not exceed four and one-half percent (4.5%) of gross sales whether imposed by ordinance, resolution, covenant, or agreement;
12. "Major tourism destination project" means a project which:
a. meets the definition of a "tourism attraction" as set forth in subparagraph a of paragraph 10 of Section 2357.36 of Title 68 of the Oklahoma Statutes, subject only to the restrictions of divisions (1), (3) and (6) of subparagraph b of paragraph 10 of Section 2357.36 of Title 68 of the Oklahoma Statutes,
b. is projected to meet the following qualifications within three (3) years of the date of substantial completion of the project based upon the findings of the Oklahoma Department of Commerce:
(1) at least Fifty Million Dollars ($50,000,000.00) in capital investment,

(2) at least Fifty Million Dollars ($50,000,000.00) in projected annual gross sales revenues or at least Ten Million Dollars ($10,000,000.00) in annual gross sales revenues to out-of-state visitors,
(3) a number of out-of-state visitors of at least:
(a) twenty percent (20%) of the number of total visitors, or
(b) twenty thousand (20,000) visitors per year, and
(4) a number of visitors traveling at least one hundred (100) miles of at least:
(a) thirty percent (30%) of the number of total visitors, or
(b) twenty-five thousand (25,000) visitors per year, or
c. is a lake resort project, containing a hotel, a conference center, and an eighteen-hole golf course, located within twenty-five (25) linear miles of the state boundary on a lake containing at least forty-five thousand (45,000) surface acres of water, that is estimated to generate at least Fifty Million Dollars ($50,000,000.00) in capital investment;
13. “Military growth impacts” means the increases in investment, employment, and residents resulting from military growth activities;
14. “Military growth impact community” means a city, town, or county experiencing and reasonably projected to experience a population growth of at least one thousand (1,000) persons and increased payrolls of at least Ten Million Dollars ($10,000,000.00) within a five-year period directly resulting from federal military base activities;
15. “Military growth impact project” means a project pursuant to the Local Development Act which the governing body determines to be in support of the needs and quality of life issues resulting from the military growth impacts;
16. “Net benefit rate” means the estimated net direct state benefits computed as a percentage of gross taxable sales derived from the project during the period of apportionment of local sales taxes by the local governmental entity;
17. “Public entity” means those entities described in the Local Development Act;
18. “Retail purposes” means the objectives of selling tangible personal property, other than art, on the physical premises of an establishment. Retail purposes shall not mean a hotel, motel, entertainment facility, museum, cultural facility, art gallery, restaurant supporting another establishment excluded herein, military growth impact project located within a military growth impact community, or a major tourism destination project;
19. “State local enterprise matching payment” means the payment authorized by subsection A of Section 844 of this title; and
20. “State local government matching payment” means the payment authorized by subsection D of Section 844 of this title.
Added by Laws 2000, c. 339, § 10, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 1, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 2, emerg. eff. May 20, 2008; Laws 2010, c. 279, § 1, emerg. eff. May 26, 2010.

§62-842. Eligibility for incentive payments.
A. An enterprise which locates its facility within an enterprise zone or which expands its existing facility after the designation of an enterprise zone as authorized by law and which is located in an incentive district as authorized pursuant to the provisions of the Local Development Act shall be eligible for the state local enterprise matching payment authorized pursuant to subsection A of Section 844 of this title.
B. 1. A local governmental entity which approves a project plan pursuant to the provisions of the Local Development Act within an enterprise zone or in support of a major tourism destination project which the local governmental entity determines is likely to significantly benefit contiguous or nearby enterprise zone census tracts shall be eligible for the state local government matching payment authorized pursuant to subsection D of Section 844 of this title; provided, no state local government matching payment shall be made for project costs in relation to:
a. any gambling establishment, or
b. any development within a project plan that provides for more than fifty percent (50%) of the net leasable space of such development to be used for retail purposes except for such portions of a development which includes grocery or specialty food store enterprises defined under NAICS Manual Industry Group No. 4451 or 4452 that provide healthy nutrition options including fresh fruits, vegetables, whole grains, seeds, nuts

and healthy protein and that improve access within one-half (1/2) mile of any low income and low access geographies identified by the United States Department of Agriculture.
State local government matching payments shall not be used to supplant local revenue currently being expended within the increment district boundaries.
2. In order to be eligible for state local government matching payments for approving a project within an enterprise zone, a local governmental entity shall provide to the Oklahoma Department of Commerce as part of the application provided for in subsection J of this section:
a. an estimate of incremental revenues likely to be derived from the project, and b. certification that all projects described within the related project plan will generate, in the aggregate, a minimum of either One Million Dollars ($1,000,000.00) in payroll, exclusive of payroll for construction, or Five Million Dollars ($5,000,000.00) in investment.
3. In order to be eligible for state local government matching payments in support of a major tourism destination project, a local governmental entity shall provide to the Oklahoma Department of Commerce as part of the application provided for in subsection J of this section:
a. an estimate of incremental revenues new to the state likely to be derived from the project,
b. certification that the major tourism destination meets the applicable criteria described in paragraph 12 of Section 841 of this title, and
c. an agreement to provide payment to the Oklahoma Department of Commerce to defray the costs of the study required by paragraph 4 of this subsection.
4. To determine if a project qualifies as a major tourism destination project pursuant to subparagraph b of paragraph 12 of Section 841 of this title and to assist in other required determinations, the Oklahoma Department of Commerce shall cause a market and feasibility study to be conducted by an independent consultant with experience in the conduct of such studies. Upon review of the feasibility report, the Oklahoma Department of Commerce shall make its finding as to the reasonable probability that the proposed project is a major tourism destination project as provided in subparagraph b of paragraph 12 of Section 841 of this title.
C. For purposes of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act, an enterprise engaged in a retail activity, where otherwise prohibited by the Oklahoma Enterprise Zone Act for purposes of the benefits and incentives extended pursuant to the Oklahoma Enterprise Zone Act, shall be considered an eligible enterprise for purposes of the state local enterprise matching payment authorized by the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.
D. The maximum amount of state local enterprise matching payments for an enterprise per fiscal year shall not exceed Two Hundred Thousand Dollars ($200,000.00).
E. Except as provided in subsection H of this section, for purposes of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act, the maximum amount of aggregate investment in all qualifying facilities located in any single county which can qualify for a state local enterprise matching payment pursuant to subsection A of Section 844 of this title shall be computed for each county of the state by multiplying Two Hundred Dollars ($200.00) times the population of the county according to the most recent estimate provided by the United States Bureau of the Census prior to the date an application is made.
F. The computation required by subsection E of this section shall be the maximum amount of aggregated investment qualifying for the purposes of all enterprises for the duration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.
G. The aggregate investment limit for all facilities located within a county which may qualify for the state local enterprise matching payments pursuant to subsection A of Section 844 of this title shall:
1. Not be less than Twenty Million Dollars ($20,000,000.00) for counties with a population of less than one hundred thousand (100,000) persons; and
2. Not be greater than Forty Million Dollars ($40,000,000.00) for all other counties of the state.
H. The aggregate limit for all state local government matching payments made to any public entity on behalf of any local governmental entity within a single county pursuant to subsection D of Section 844 of this title for the duration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act shall be an amount equal to the net benefit rate multiplied by the taxable gross sales derived from the project over the period of apportionment of local sales taxes, as certified by the Secretary of Commerce.

I. The payments authorized by Section 844 of this title shall be available for business and governmental entities qualifying pursuant to the Local Development Act for investments made within an incentive district or for improvements made within an increment district prior to December 31, 2007, or for which an incentive district or an increment district has been created prior to December 31, 2028, if the investments or improvements are begun not later than December 31, 2029.
J. The Oklahoma Department of Commerce shall promulgate rules for administration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act. Such rules shall:
1. Include a procedure for an enterprise or local governmental entity to make application for state local enterprise and state local government matching payments pursuant to this section;
2. Reflect the intent that the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act be fiscally neutral to the state; and
3. Establish reporting requirements for successful applicants which allow data collection and analysis by the Department on employment, capital investment, changes in assessed value of a project and other impacts resulting from payments and reporting of such data by the Department to the Oklahoma Tax Commission for the purposes of subsection B of Section 847 of this title.
Added by Laws 2000, c. 339, § 11, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 2, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 3, emerg. eff. May 20, 2008; Laws 2019, c. 215, § 1, emerg. eff. April 29, 2019; Laws 2020, c. 69, § 1, eff. July 1, 2020; Laws 2021, c. 126, § 1, eff. Nov. 1, 2021.

§62-843. Certification - Payment.
A. In order to receive the state local enterprise matching payment pursuant to the provisions of subsection A of Section 844 of this title, the enterprise shall obtain a certification, provided by the governing body of the local governmental entity creating the incentive district, acknowledged by the chief elected official of the local governing body that the enterprise has qualified pursuant to the Local Development Act for sales tax exemption. The certification document shall include:
1. The beginning date of the exemption;
2. The ending date of the exemption;
3. The total amount of projected investment to construct or expand the facility during the period for which the incentives available pursuant to the Local Development Act will be in force and effect together with a certification by the Oklahoma Department of Commerce that the facility is located in an enterprise zone; and
4. The legal name and business entity classification of the entity to which exemption is afforded or to which sales tax payment is made by the local governmental entity or entities pursuant to the provisions of the Local Development Act.
B. The local governing body shall provide a copy of the certification document to the Oklahoma Tax Commission.
C. After the enterprise provides a certification from the local governing body, the Tax Commission shall make payment to the enterprise identified in the certification document equal to the amount of the sales tax from which the enterprise is certified as exempt as identified in the certification in the manner prescribed by subsection A of Section 844 of this title.
D. The state local enterprise matching payment shall be made only for sales tax foregone by local governmental entities or rebated to the business enterprise by local entities for purchases made by the business enterprise and not on the basis of any sales tax collected by the business enterprise from consumers or users on taxable sales made by the enterprise.
E. In order to receive the state local governmental matching payment pursuant to the provisions of subsection D of Section 844 of this title, the local governmental entity shall provide to the Tax Commission a certification, acknowledged by its mayor or chairperson, that such local governmental entity has created an increment district pursuant to the Local Development Act which qualifies for a state local government matching payment. The certification document shall include:
1. The beginning date of the increment district;
2. The ending date of the increment district;
3. A description of the project costs authorized by the project plan for which the state local government matching payments will be used and the estimated date for substantial completion of the project being assisted as described in the application;

4. A certification by the Oklahoma Department of Commerce that the project plan is located in an enterprise zone or supports a qualifying major tourism destination project, and that the qualifying investment and development has been or will be substantially completed no later than December 31, 2034;
5. The amount of the local sales taxes which have been apportioned during the previous six-month period by the local governmental entity for the payment of project costs pursuant to the provisions of the Local Development Act; and
6. The name of the public entity identified in the project plan pursuant to Section 858 of this title as the entity authorized to carry out activities pursuant to the project plan.
After the local governmental entity provides such certification, the Tax Commission shall make payment to the designated public entity in an amount equal to the lesser of the certified amount of the local sales taxes apportioned during the previous six (6) months or the estimated net direct state benefits as prescribed by subsection D of Section 844 of this title.
Added by Laws 2000, c. 339, § 12, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 3, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 4, emerg. eff. May 20, 2008; Laws 2019, c. 215, § 2, emerg. eff. April 29, 2019.

§62-844. State local enterprise matching payments - Eligibility and amount.
A. If an enterprise is located within an incentive district pursuant to the provisions of Section 856 of this title, and the enterprise either constructs or expands a facility that is located within an enterprise zone designated pursuant to the provisions of Section 690.2 of this title, the enterprise shall be eligible for a state local enterprise matching payment equal to the amount of sales tax exemption afforded to the enterprise pursuant to Section 860 of this title.
B. The state local enterprise matching payment shall be made for the twelve-month period preceding March 1 of each calendar year. The state local government matching payment shall be made for the six-month periods preceding March 1 and September 1 of each calendar year.
C. The state local enterprise matching payment shall be made in an amount equal to the amount of sales tax for which the enterprise has received payment during the period prescribed by subsection B of this section pursuant to Section 860 of this title.
D. Beginning July 1, 2005, the state local government matching payment shall be made in an amount equal to the lesser of the amount of local sales taxes which have been apportioned under the applicable project plan during the period prescribed by subsection B of this section pursuant to Section 861 of this title or the net benefit rate multiplied by the actual gross sales derived from the project, pursuant to the limits provided in Section 842 of this title.
Added by Laws 2000, c. 339, § 13, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 4, emerg. eff. June 4, 2004.

§62-845. Agency special account.
There is hereby created within the State Treasury an agency special account for the Oklahoma Tax Commission. The Oklahoma Tax Commission is hereby authorized and directed to withhold a portion of the taxes levied and collected pursuant to Section 2355 of Title 68 of the Oklahoma Statutes for deposit into the account in order to pay claims as they become due. All of the amounts deposited in the account shall be used and expended by the Tax Commission solely for the purposes and in the amounts authorized by the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.
Added by Laws 2000, c. 339, § 14, eff. July 1, 2000. Amended by Laws 2021, c. 364, § 1, eff. Nov. 1, 2021.

§62-846. Issuance of payment warrants.
A. As soon as practicable after verification of the amount of the state local enterprise matching payments authorized by Section 844 of this title, the Oklahoma Tax Commission shall issue a warrant to the qualifying establishment in the amount of the sales tax exempted or apportioned pursuant to the applicable provisions of the Local Development Act, subject to the limitations imposed by Section 842 of this title.
B. As soon as is practicable after verification of the amount of state local government matching payments authorized by Section 844 of this title, the Tax Commission shall issue a warrant to the qualifying public

entity in the amount provided for in subsection D of Section 844 of this title, subject to the limitations imposed by Section 842 of this title.
Added by Laws 2000, c. 339, § 15, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 5, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 5, emerg. eff. May 20, 2008.

§62-847. Annual reporting by Tax Commission.
A. The Oklahoma Tax Commission shall maintain a record of state local enterprise matching payments and state local government matching payments made pursuant to Section 844 of this title. Local sales taxes apportioned under the applicable project plan shall be reported, collected,
remitted, and disbursed in the same manner as other local sales taxes under Title 68 of the Oklahoma Statutes.
B. The Tax Commission shall prepare a report separately identifying the amounts described in subsection A of this section and data collection and analysis prepared by the Oklahoma Department of Commerce pursuant to subsection J of Section 842 of this title. The Commission shall submit the report prior to April 1 each year to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.
Added by Laws 2000, c. 339, § 16, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 6, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 6, emerg. eff. May 20, 2008; Laws 2021, c. 126, § 2, eff. Nov. 1, 2021.
§68-2357.81.
Repealed by Laws 2013, c. 363, § 15, eff. Jan. 1, 2014.