State of Oklahoma
Incentive Evaluation Commission
Home Office Tax Credit Evaluation

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Key Findings and Recommendations

Incentive Overview

In 1987, Oklahoma established the Home Office Tax Credit to increase the concentration of insurance company home and regional offices in Oklahoma. The program offers tax credits against the insurance premium tax based on insurance domicile and number of employers.

Recommendation: Reconfigure.

Key Findings

- **Insurance industry employment is increasing in Oklahoma.** Oklahoma insurance industry employment grew by a compound annual growth rate (CAGR) of 5.2 percent between 2020 and 2024. By contrast, employment declined by 4.0 percent between 2014 and 2019.

- **Use of the credit has decreased over the past decade, from $22.6 million in tax year 2015 to $16.0 million in tax year 2024.** Use of the credit was greatest in 2018 at $25.7 million and has since declined, driven in part by two large firms, State Farm and Hartford Insurance Group, no longer qualifying for the credit.

- **From tax year 2020 to tax year 2024, there were 6 instances of an insurer claiming the credit while reporting fewer employees than the year prior.** Over this period, no insurer did this more than once, indicating an improvement from the previous review of the program, where there were 23 instances over the decade prior to 2020, with one insurer doing so over 5 consecutive years.

- **Two similar state tax incentive programs, in Colorado and Nevada, have recently been repealed.** There were varied reported reasons for ending these programs. In Colorado, it was part of a package of spending cuts necessary to balance the state budget after federal tax changes in the 2025 reconciliation bill. Lack of effectiveness in achieving the stated program goals, were also noted. In Nevada, they noted an issue raised in prior Oklahoma evaluations of this incentive: the program design is misaligned with outcomes, as the benefit is tied to premiums collected as opposed to jobs or payroll created.

- **As an alternative, the State could reduce the premium tax rate to 1.96 percent while remaining revenue neutral.** This would position Oklahoma's tax rate as the 30th highest among states with an insurance premium tax, down from 10th highest. 49 of the 50 states impose a retaliatory insurance premium tax on insurance companies domiciled in another state if the other state's insurance premium tax is higher. As a consequence, Oklahoma domestic insurance companies that write policies in other states would benefit across the board in a reduction in the tax rate. It also aligns with the tax principle of applying the lowest possible rate to the largest possible base.

Recommendations (alternatives)

- **Reconfigure the program to base the credit amount on payroll as opposed to premiums.** While premiums have risen nationwide, corporations have been able to claim increasing benefits without necessarily demonstrating a consistent increased contribution to the State economy through jobs or payroll.

- **Revise the program statute to base benefit tiers on payroll amount as opposed to number of jobs.** By tying the benefit tier to the payroll, the State can ensure that they are not only encouraging new jobs to be created, but they are encouraging well-paying jobs. Claimants who open, for example, an insurance claims call center may be able to record significant new employment, but it is likely not employment of the caliber the State is seeking to incent.

- **Eliminate the credit and lower the insurance premium tax by a revenue neutral amount.** As previously noted, the State's insurance premium tax is higher than average among the states, and lowering the tax would provide broad-based benefit to insurance companies.

Introduction

Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the inception of the Commission, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in each given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each inventive under review. It then submits a final report to the Governor and Legislature.

Summary of 2021 Evaluation Findings and Recommendations

The Home Office Tax Credit has been evaluated by the Commission in both 2017 and 2021.
Based on the preceding framework, significant findings from the 2021 evaluation of the Home Office Tax Credit program are summarized in the following table.

Table 1: Summary of 2021 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	- Insurance industry employment declined by 22 percent between 2010 and 2019, despite the tax credit. - Program benefits show little connection to employment growth. Between 2010 and 2020, there were 23 instances of an insurer claiming an increased credit amount while reporting fewer employees than the prior year.
Fiscal and Economic Impact	- No economic impact could be attributed to the program due to its lack of connection to job growth. - $18.5 million fiscal impact in 2020 (per 2021 evaluation)
Future Fiscal Impact Protections	- The incentive does not provide specific financial protections.
Administrative Effectiveness	- Reporting and administrative issues exist.
Achievement of Goals	- Insurance industry employment declined from 2010 to 2020 as it increased both nationally and in four of Oklahoma's six neighboring states.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2021 that the tax credit be reconfigured.

Evaluation Category	Significant Finding(s)
Other Recommendations	- If program is retained, reconfigure the tax credit to require a specific job verification process.

2025 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 and, as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

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

- Change in employment for eligible insurers before/after credit;
- Distribution within the categories of number of full-time employees claimed;
- Change in payroll for eligible insurers before/after credit;
- Average wage for eligible insurers before/after credit;
- Change in employment for industry versus other states without credit;
- State return on investment.

Industry Background

Industry Background

Industry Trends

The insurance industry, as represented by insurance carriers, has contracted as a share of total employment both nationally and in Oklahoma. In 2014, insurance carriers accounted for 1.0 percent of total employment nationally and 0.7 percent in Oklahoma. In 2014, its share of national employment declined to 0.9 percent and fell slightly in Oklahoma but, due to rounding, remained at 0.7 percent of total state employment.

Nationally from 2015 to 2024, insurance carrier employment levels increased by 3.2 percent. Over the same period, Oklahoma insurance carrier employment decreased by -1.1 percent, with decreases in employment each year from 2016 through 2019, and then a rebound between 2020 and 2024. The compound annual growth rate (CAGR) in Oklahoma between 2014 and 2019 was -4.0 percent, compared to 5.2 percent between 2020 and 2024, highlighting positive industry momentum in recent years.

Figure 1: Cumulative Growth in Insurance Carrier Employment Since 2015, 2015 to 2024

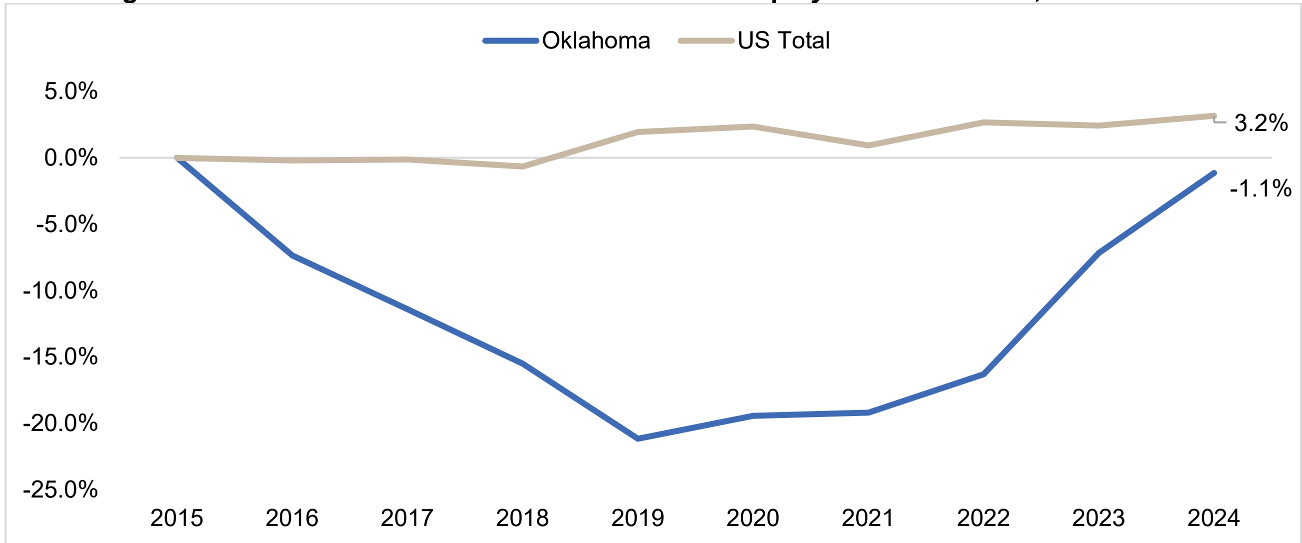


Table 2: Insurance Employment by Year, Oklahoma and US

Year	Oklahoma	US Total
2014	8,802	1,172,052
2015	9,093	1,177,518
2016	8,425	1,175,113
2017	8,056	1,176,077
2018	7,684	1,169,780
2019	7,170	1,200,388
2020	7,326	1,205,189
2021	7,348	1,188,576
2022	7,611	1,208,751
2023	8,441	1,206,097
2024	8,989	1,214,683

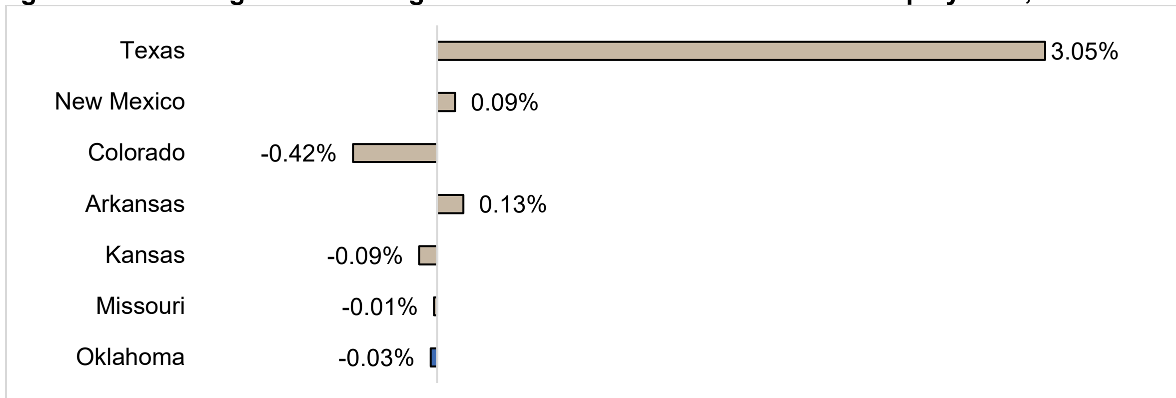
Source: US Bureau of Labor Statistics, Quarterly Census of Employment and Wages

The number of insurance carrier establishments decreased sharply both nationally and in Oklahoma between 2015 and 2020 and has since rebounded, surpassing previous levels. In Oklahoma, between 2014 and 2020, establishments declined by a CAGR of -7.3 percent, from 404 in 2014 to 256 in 2020, and have since increased by a CAGR of 14.2 percent, from a low of 256 establishments in 2020 to 436 establishments in

2024. During this same time, US establishments declined by a CAGR of -0.9 percent and subsequently rose by a CAGR of 4.3 percent. This demonstrates that the insurance industry in Oklahoma is generally following the same trend as that on the national level.

Oklahoma's 0.7 percent share of national insurance carrier employment in 2019 was the third lowest among surrounding states, just ahead of New Mexico and Kansas. Oklahoma ranked well behind Texas, which accounts for the highest share, with 10.5 percent of US insurance carrier employment. From 2014 to 2024, Oklahoma showed the third largest reduction in its share of national insurance carrier employment compared to surrounding states, decreasing by 0.03 percentage points, significantly behind Colorado and Kansas. Over the same period, three surrounding states (Arkansas, New Mexico, and Texas) increased their share of national insurance carrier employment.

Figure 2: Percentage Point Change in Share of US Insurance Carrier Employment, 2014 to 2024



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Industry Taxation

Insurance carriers are subject to an insurance premium tax, applied in Oklahoma as a percentage of the dollar value of premiums written by a carrier in the state. In most states, insurers pay this tax in-lieu of a corporate income tax, generating a tax burden based on the dollar amount of policies written. States may tax different types of insurance at different rates, but 45 states, including Oklahoma, have a general rate that is applied to most insurance. Among those states, Oklahoma's 2.25 percent tax rate is tied (with three other states) for the tenth-highest rate and is above the median of 2.00 percent.

Table 3: Insurance Premium Tax Rates[1], 2025

Tax Rate	State	Tax Rate	State
4.27%	Hawaii	1.90%	North Carolina
3.50%	Nevada	1.75%	Florida, North Dakota
3.00%	New Mexico, Mississippi, West Virginia	1.70%	Arizona
2.75%	Montana	1.60%	Texas
2.70%	Alaska	1.50%	Connecticut, Idaho
2.50%	Arkansas, South Dakota, Tennessee	1.40%	Ohio
2.35%	California	1.30%	Indiana
2.28%	Massachusetts	1.25%	New Hampshire, South Carolina
2.25%	Georgia, **Oklahoma**, Utah, Virginia	1.00%	Nebraska
2.10%	New Jersey	0.98%	Iowa
2.00%		0.75%	Wyoming

[1] Tax rate may vary from general rates shown, depending on the line of insurance.

Tax Rate	State	Tax Rate	State
	Colorado, Delaware, Kansas, Kentucky, Maine, Maryland, Minnesota, Missouri, New York, Pennsylvania, Rhode Island, Vermont, Washington	0.50%	Illinois

Source: National Association of Insurance Commissioners

The tax base for the insurance premium tax is the dollar amount of premiums written in the State. Premiums written in Oklahoma have increased steadily in recent years, from $18.1 billion in 2016 to $26.3 million in 2024 – a compound annual growth rate of 4.8 percent.[2] However, this growth is slower than the national CAGR of 7.0 percent over the same period.[3]

As noted, the primary insurance premium tax rate in Oklahoma is 2.25 percent. In contrast, the state corporate income tax rate is 4.0 percent. For companies generating large profits, this tax structure may preferable, as the insurance premium tax rate is significantly lower. Companies with lower net income and profits are, by contrast, the 'losers' with this tax structure, often ending up with significantly higher tax liabilities under insurance premium taxes, despite the lower nominal rate.

The following chart shows cumulative growth in the dollar value of written premiums from 2016 to 2024. Written premiums dollar value increased by 72.4 percent nationally over this period compared to 45.2 percent in Oklahoma. While Oklahoma trails the national insurance industry at a cumulative level over this period, Oklahoma's insurance premium dollar value growth has accelerated in recent years. While the CAGR was 3.3 percent between 2016 and 2020 (compared to 5.9 percent nationally), between 2021 and 2024, the CAGR rose to 6.6 percent in Oklahoma, compared to 8.1 percent nationally, with Oklahoma's 2023 growth rate exceeding the national growth. This trend aligns with that identified in the discussion concerning insurance industry employment in Oklahoma; while the industry as a whole appeared to decline in the immediate pre-pandemic years, it has since rebounded.

Figure 3: Cumulative Growth in Written Premiums Since 2016, 2016 to 2024

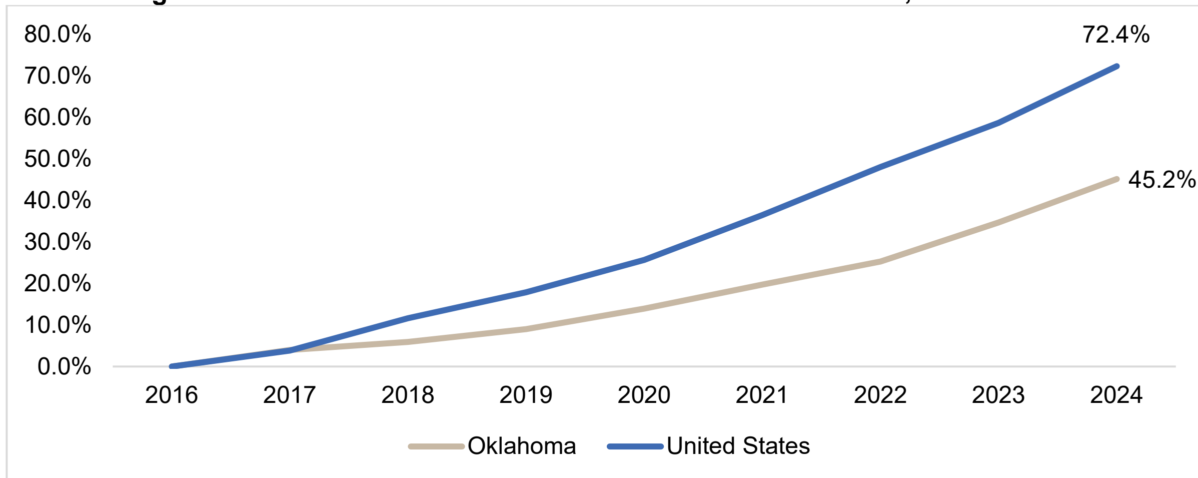


Table 4: Written Premiums by Year, Oklahoma and US

Year	Premium Written in Oklahoma	US Total Written Premium
2016	$18,124,576,800	$2,026,570,000,000
2017	$18,848,914,900	$2,104,089,000,000

[2] Oklahoma Insurance Department Annual Reports, 2016-2024
[3] National Association of Insurance Commissioners, Industry Financial Snapshots

Year	Premium Written in Oklahoma	US Total Written Premium
2018	$19,204,697,800	$2,262,373,000,000
2019	$19,754,087,500	$2,388,795,000,000
2020	$20,654,659,800	$2,547,355,000,000
2021	$21,704,254,500	$2,767,079,000,000
2022	$22,716,832,800	$3,000,727,000,000
2023	$24,423,109,100	$3,216,763,000,000
2024	$26,316,360,900	$3,493,734,000,000

Source: Oklahoma Insurance Department and National Association of Insurance Commissioners

An important feature of insurance industry state taxation is the retaliatory tax. When an insurer domiciled in one state writes premiums in another, it must pay the greater of the taxes imposed by that state, or the taxes that would be imposed by the insurer’s home state. For example, an insurer based in New Mexico that writes premiums in Oklahoma would pay insurance premium tax to Oklahoma at New Mexico’s 3.0 percent rate, rather than Oklahoma’s 2.25 percent rate. This dynamic means states can lower their own premium tax rate to attract the insurance industry to locate there, while still collecting higher rates from insurers based in other states with higher tax rates.

Incentive Usage and Administration

Incentive Characteristics

Established in 1987, Oklahoma's Home Office Tax Credit allows insurance companies that establish or expand a home or regional home office in Oklahoma to claim a tax credit against insurance tax liability depending on the company's employment in Oklahoma. A home office is defined in statute as the executive offices of an insurance company domiciled in the State. A regional home office is an insurance office serving other states, located in a building that is owned or leased by the insurance company in which insurance company operations that give rise to receipts subject to premium tax are conducted. For purposes of this program, foreign' and 'domestic' refer to an insurer's state of domicile. An insurer domiciled outside of Oklahoma is considered a foreign insurer, while a domestic insurer is domiciled in Oklahoma.

The Home Office Tax Credit reduces premium tax liability, which is a key cost of doing business for the insurance industry. By reducing costs for qualified insurers doing business in Oklahoma, the incentive has the potential to encourage insurers to hire more staff and write more premiums in the State.

Foreign insurers must have at least 200 employees in the State while domestic insurers must have at least 400 employees. The value of the credit ranges from 15 to 50 percent of premium tax liability depending on the insurance company's status as foreign or domestic and its level of Oklahoma employment.[4] The following tables detail the tax credits by insurer domicile and size to be applied against the premium tax:

Table 5: Foreign/Alien Insurers

Number of Full-time Employees	Credit Percentage
200 to 300	15%
301 to 400	25%
401 to 500	35%
More than 500	50%

Table 6: Domestic Insurers

Number of Full-time Employees	Credit Percentage
400 to 500	35%
500 or more	50%

Beginning July 1, 2010, the percentages for the credit are based on the amount due after apportionment of a share of the insurance premium tax due to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement Fund, and the Law Enforcement Retirement Fund. These apportionments account for 53 percent of the gross premium tax owed by the insurer. The effect of the change is to reduce the value of the tax credit to 47 percent of its initial value.

Historic Use of the Credit

Use of the credit has decreased over the past decade, from $22.6 million in 2015 to $16.0 million in 2024, or a decrease of 29.1 percent. Credit use was greatest in 2018, with $25.7 million in credits used. It then declined by 24.1 percent to $19.5 million in 2019 when two insurance groups – State Farm and Hartford Group – no longer qualified for the credit. In 2020, the amount used declined by another 5 percent, as premiums written by the remaining companies declined. Between 2020 and 2023, use of the credit increased steadily from a

[4] Effective credit percentages range from 7 to 24 percent after a portion of premium tax is allocated to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund

low of $18.6 million in 2020 to 21.8 million in 2023, a CAGR of 5.6 percent, while the number of firms remained constant at 10.

Figure 4: Number of Insurance Groups Claiming the Credit and Amount Used, 2015 to 2024

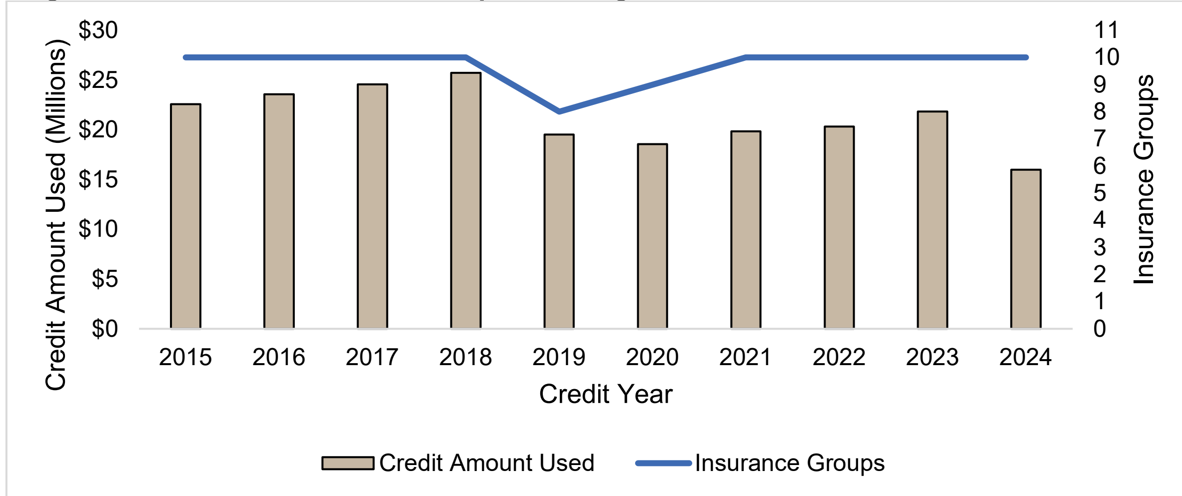


Table 7: Credit Use, 2015 to 2024

Tax Year	Insurance Groups	Credit Amount Used
2015	10	$22,563,268
2016	10	$23,560,586
2017	10	$24,573,966
2018	10	$25,717,879
2019	8	$19,510,343
2020	9	$18,552,866
2021	10	$19,832,441
2022	10	$20,310,204
2023	10	$21,822,054
2024	10	$15,988,872

Source: Oklahoma Insurance Department

Within the program's employment tiers, companies appear to be significantly outperforming minimum requirements, indicating that firms are not 'threshold crowding' – satisfying the minimum employment requirement in order to 'tier up.' The following table summarizes the average employment of insurance groups within each employment tier. Each average is significantly higher than the minimum in the range.

Table 8: Average Employment, Tax Year 2024

Employment Range	Average Employment
201 to 299	262
301 to 399	N/A
401 to 499	429
500 or more	1,078

Source: Oklahoma Insurance Department

Recent trends show that employment growth is beginning to align more closely with the growth in credit usage, suggesting the incentive program is realigning with its intended purpose. From 2020 to 2023, the amount of credit generated grew by 17.6 percent, while employment increased by 14.8 percent – a smaller

but positive trend. This is a significant improvement compared to the decade prior to 2020, when credit generation increased by 17.2 percent even as employment fell by 24.7 percent. Notably, since 2020 (excluding 2022), employment growth has outpaced credit growth. These patterns indicate that the program is increasingly supporting its core goal of promoting employment.

While the trends overall depict a realignment of claimant behaviors and the program's stated goal of increased employment, from 2020 through 2024, there were 6 instances of an insurer claiming the credit while reporting fewer employees than the year prior.

Figure 5: Reported Employees and Credit Amount Used, 2015 to 2024

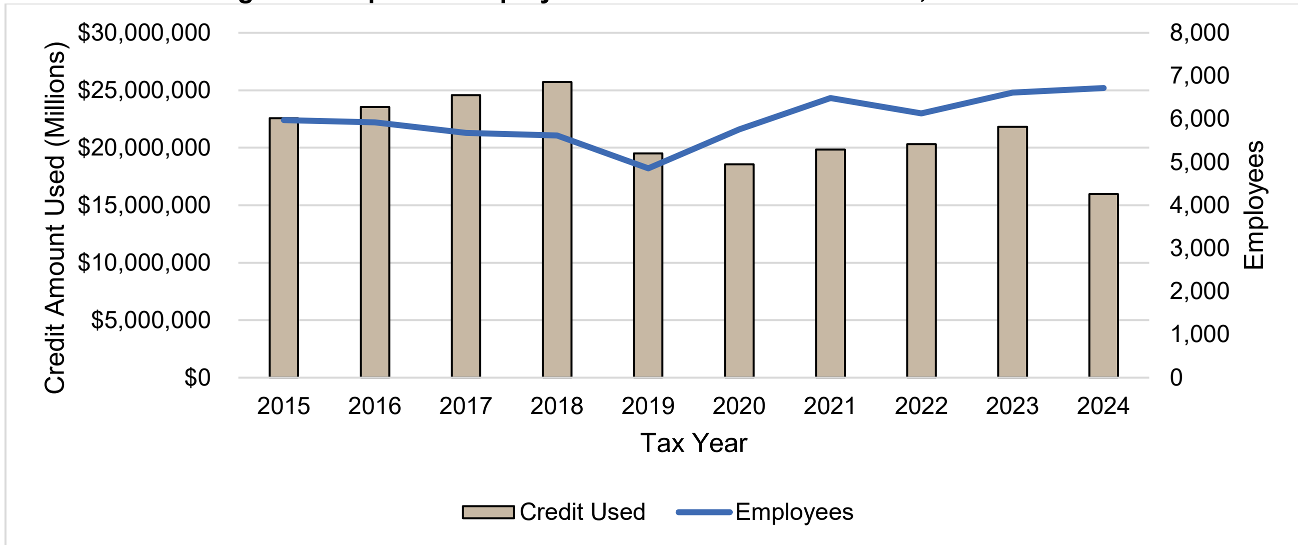


Table 9: Employment and Credit Amount Used, 2015 to 2024

Tax Year	Employees	Credit Amount Used	Credit Per Employee
2015	5,974	$22,563,268	$3,777
2016	5,920	$23,560,586	$3,980
2017	5,675	$24,573,966	$4,330
2018	5,618	$25,717,879	$4,578
2019	4,856	$19,510,343	$4,018
2020	5,759	$18,552,866	$3,222
2021	6,490	$19,832,441	$3,056
2022	6,128	$20,310,204	$3,314
2023	6,611	$21,822,054	$3,301
2024	6,719	$15,988,872	$2,380

Source: Oklahoma Insurance Department

As credit generation climbed to its peak from 2015 to 2018, it showed a clear positive relationship to premium written by claimants, while employment moved in the opposite direction, leading to a credit per employee high of $4,578 in 2018. Following the steep drop in both credit used and direct written premiums in 2019 and 2020, credit and premium amounts continue to move with parallel trends, while employment continues to grow, surpassing 2015 levels. Credit per employee remained slightly above $3,000 between 2020 and 2023, dropping to a low of $2,380 in 2024 with the overall decrease in the credit amount used.

Figure 6: Cumulative Growth in Employees, Written Premium, and Credit Amount Used Since 2015, 2015 to 2024

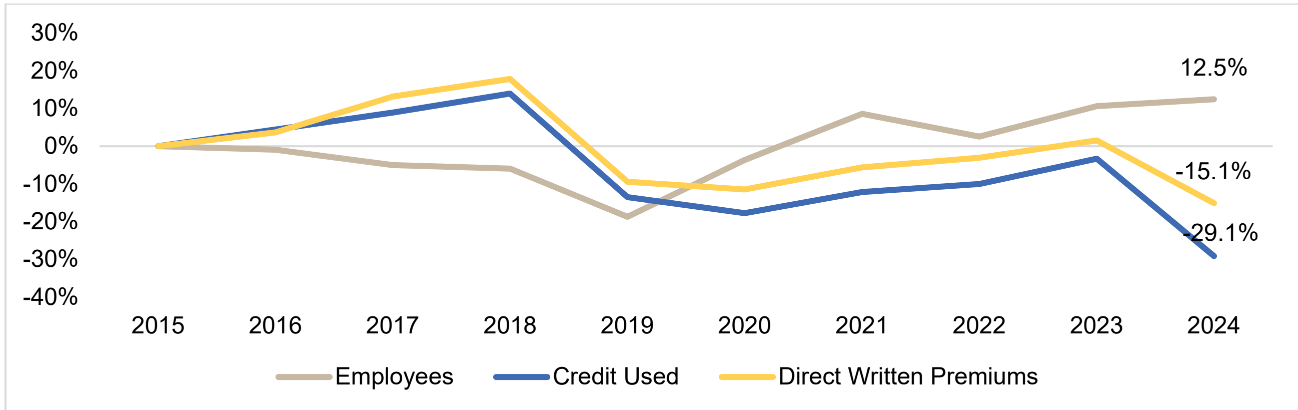


Table 10: Employment, Credit Amount Used, and Written Premiums, 2015 to 2024

Tax Year	Employees	Credit Used	Direct Written Premium
2015	5,974	$22,563,268	$4,510,784,524
2016	5,920	$23,560,586	$4,676,663,238
2017	5,675	$24,573,966	$5,105,196,353
2018	5,618	$25,717,879	$5,316,643,217
2019	4,856	$19,510,343	$4,084,566,262
2020	5,759	$18,552,866	$3,994,535,699
2021	6,490	$19,832,441	$4,258,393,169
2022	6,128	$20,310,204	$4,373,541,831
2023	6,611	$21,822,054	$4,579,770,344
2024	6,719	$15,988,872	$3,829,799,859

Source: Oklahoma Insurance Department

Insurers claiming the credit accounted for 25.7 percent of total premiums written in Oklahoma in 2015. This share increased to a peak of 27.7 percent in 2018, before falling to 20.7 percent in 2019, when two insurance groups stopped claiming the credit and total premiums written by claimants declined from $5.3 million to $4.1 million. Since 2020, the percent of premiums written by claimants has stayed below 20 percent each year, dropping to 14.6 percent of total premiums underwritten in 2024.

Figure 7: Insurance Premiums Written in Oklahoma, 2015 to 2024

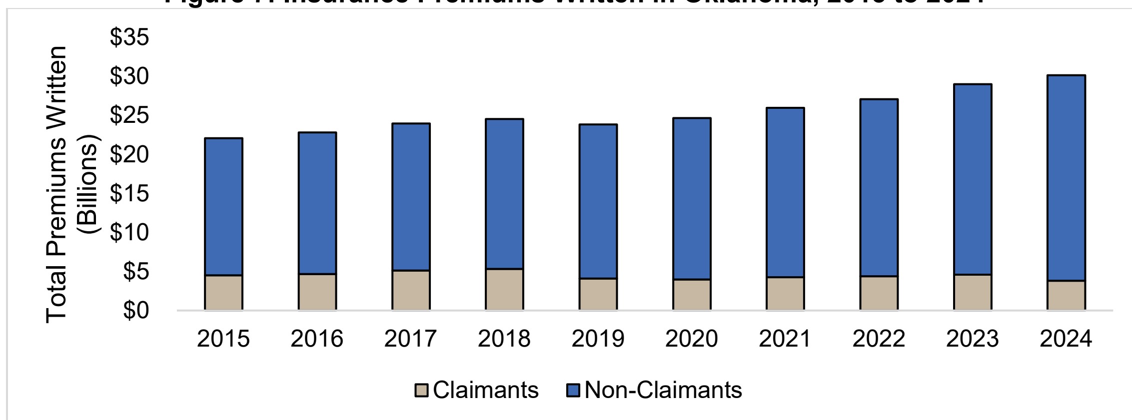


Table 11: Premiums Written by Claimants vs. Non-Claimants, 2015 to 2024

Tax Year	Non-Claimants	Claimants	Total
2015	$4,510,784,524	$17,568,357,277	$22,079,141,801
2016	$4,676,663,238	$18,124,576,795	$22,801,240,033
2017	$5,105,196,353	$18,848,914,941	$23,954,111,294
2018	$5,316,643,217	$19,204,697,822	$24,521,341,039
2019	$4,084,566,262	$19,754,087,537	$23,838,653,799
2020	$3,994,535,699	$20,654,659,845	$24,649,195,544
2021	$4,258,393,169	$21,704,254,546	$25,962,647,715
2022	$4,373,541,831	$22,716,832,843	$27,090,374,674
2023	$4,579,770,344	$24,423,109,137	$29,002,879,481
2024	$3,829,799,859	$26,316,360,946	$30,146,160,805

Source: Oklahoma Insurance Department

Incentive Administration

The Oklahoma Insurance Department administers the Home Office Tax Credit. Each year, on March 1, companies submit applications to the Insurance Department to claim the credit. The application collects information including company identification, a list of states the office serves, description of the types of services performed at the office, whether the building is leased or owned, the percentage of building space occupied by the insurance company, and the date the building was first occupied. The Insurance Department does not collect information on payroll or the wages of reported jobs on its application.

An insurer's eligibility for the credit is determined by a company's domicile and number of employees. Foreign insurers need more than 200 employees to qualify, while domestic insurers need more than 400. Employees must be full-time Oklahoma employees. Unlike other jobs-based incentives such as the Quality Jobs program, there are no requirements related to wages or benefits.

The credit is equal to 15 to 50 percent of premium tax liability, depending on a company's qualifications. This percentage is applied after 53 percent of premium tax liability is apportioned to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund is applied.[5] The following table summarizes the nominal and effective credit amounts by level of qualification.

Table 12: Home Office Tax Credit Rates and Requirements

Full-time Employees	Foreign/Alien Insurers (Nominal)	Effective	Domestic Insurers (Nominal)	Effective
201 to 299	15%	7%	-	
301 to 399	25%	12%	-	
401 to 499	35%	16%	35%	16%
500 or more	50%	24%	50%	24%

Alignment with Best Practices

The Home Office Tax Credit aligns only moderately with the identified best practices for incentive design. The program is targeted, transparent, and understandable. While the program is targeted to a specific industry, the credit amount is based on job creation only insofar as determining the rate tier. Several firms have claimed the

[5] 36 Oklahoma Statute §625.1 (2024)

credit while reporting decreased employment, highlighting the lack of accountability, and the credit is available for five years with no program sunset identified. Further, the amount of incentive is based on the number of insurance policies written and their cost, which does not have anything to do with the actual intent of the program, highlighting misalignment of intent and design.

Figure 8: Best Practice Implementation in Incentive Program Designs

Best Practice	Home Office
Targeted to specific companies or industries	● (dark circle)
Discretionary	● (light circle)
Leverage significant private capital	● (light circle)
Limited duration / front-load benefits to 1-3 years	○ (empty circle)
State / Local conditions considered	● (light circle)
Overcoming practical barriers to growth	● (light circle)
Transparency	● (dark circle)
Accountability	● (light circle)
Cap on value of awards	○ (empty circle)
Simple and understandable	● (dark circle)
Sunset on program duration	○ (empty circle)

Legend: Dark circle = full adoption, Light circle = partial adoption, Empty circle = limited adoption

Economic and Fiscal Impact

Fiscal Impact

The value of the credit amount represents the foregone tax revenue to the State. Some of this foregone revenue is recouped through the accompanying economic activity, depending on how the credits are spent by firms. While it is customary to evaluate the economic benefits as a tradeoff for foregone revenues, it remains unclear whether the forgone revenues received are spent at all, over what period the spending may occur or, if spent, whether they are spent in Oklahoma. The following table reflects the fiscal impact of the Home Office Tax Credit program.

Table 13: Fiscal Impact of Tax Credit, 2015 to 2024

Year	Fiscal Impact
2015	($22,563,268)
2016	($23,560,586)
2017	($24,573,966)
2018	($25,717,879)
2019	($19,510,343)
2020	($18,552,866)
2021	($19,832,441)
2022	($20,310,204)
2023	($21,822,054)
2024	($15,988,872)

Economic Impact

Economists use a number of statistics to describe regional economic activity. Four common measures are **Output,** which describes total economic activity and is generally equivalent to a firm's gross sales; **Value Added,** which equals gross output of an industry or a sector less its intermediate inputs; **Labor Income,** which corresponds to wages and benefits; and **Employment,** which refers to jobs that have been created in the local economy.

Over the past 10 years, employment in Oklahoma's insurance sector has declined and then rebounded, while tax credits claimed under this program have overall declined. The tax credit is not directly linked to net new employment, does not have a maximum credit per job, and does not have a time limit as to how long claims can continue to be made or whether/when payments may be spent by the recipient. As a result, it is difficult to determine whether or how this credit has influenced long-term employment patterns or other economic development metrics. For example, use of the credit increased between 2015 and 2018 while employment declined, and employment increased between 2023 and 2024, reported employment increased even as credit amount dropped. As a result, there is no clear tie between employment and the credit program.

If the tax credit was ended, there are a few potential outcomes. First, there might be a reduction in Oklahoma insurance sector employment if relocating or shifting employment to another state offered substantially lower costs. From conversations with credit recipients, while the credits allow them to do things like offset benefit costs and invest in communities, firms would be similarly satisfied by an overall lower premium tax, and the absence of the credit may reduce some of Oklahoma's competitive advantage as a business destination were the rate to remain the same.

A second possibility is that insurance companies might absorb the loss of these incentives and not pass along their higher costs related to the tax to consumers through higher premiums. In this case, companies would simply deal with the higher cost of doing business in Oklahoma.

A third possibility is that the insurance companies might pass along the loss of incentives to consumers in the form of higher premiums. If this occurs, consumers might purchase less expensive coverage, pay higher insurance costs, or find lower priced coverage. If consumers pay more for the same insurance product with no additional benefits, residents will have less money to spend in the economy on other services and goods, resulting in less economic and fiscal benefits.

Finally, all of the above might occur in varying degrees with no meaningful negative or positive impact on the State economy. The economic impacts are modeled based on the value of claims as spent within the insurance industry. The project team used the input-output IMPLAN modeling software to determine the economic impacts.[6]

Table X: Economic Impact of Foregone State Revenue as Spent Through the Insurance Industry, 2020-2024

Impact	Average Annual Employment	Labor Income	Value Added	Output	State Tax Revenue	Claim Amount Used
Direct	41	$14,577,354	$37,543,709	$96,506,437	$5,205,186	
Indirect	62	$18,645,878	$30,524,384	$72,813,431	$1,316,279	
Induced	26	$6,976,411	$13,516,791	$23,498,867	$769,484	
Total	**130**	**$40,199,643**	**$81,584,884**	**$192,818,736**	**$7,290,950**	**$96,506,437**

The value of claims spent within the insurance industry supports 130 jobs on average annually, with economic impacts of $192.8 million over the five-year period. Based on the structure of the credit program, however, it is unclear whether the foregone revenues associated with the lower rate available to eligible insurers through the program is subsequently spent. Therefore, the economic impacts associated with the foregone revenue spending represent the maximum, as the degree to which the spending of foregone revenue occurs is unclear. Additional data on use of credit claims would be required in order to understand to what degree these economic impacts occur.

[6] Additional information related to IMPLAN is provided in Appendix B.

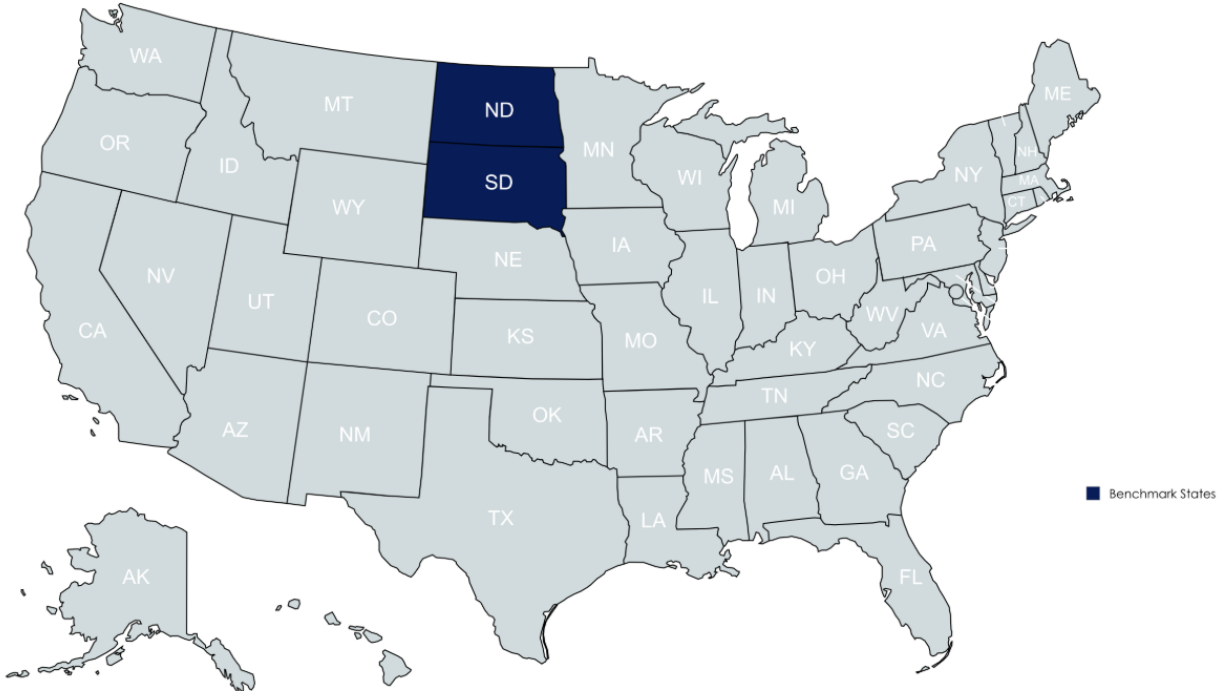
Incentive Benchmarking

Benchmarking Peer State Programs

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.[7] These benchmarking realities must be taken into consideration when making comparisons.

The benchmarking process typically begins with bordering states, who are often competing for the same regional businesses and investments. Additionally, bordering states often have similar economic, demographic, and political features that make them more apt comparisons. For purposes of the Home Office Premium Tax Credit, four states were identified as having similar programs to Oklahoma’s, including one bordering state.

Figure 8: States chosen for comparison



Source: MapChart

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

Table 14: State Peer Program Descriptions

State	Program Name	Incentive Detail	Program Cap	Employment Requirement
Oklahoma	Home Office Tax Credit	Insurers maintaining regional home offices meeting requirements are eligible for a credit against their insurance premium tax between 15 and 50 percent, depending on the number of full-time employees and insurance type.	N/A	Y
North Dakota[8]	Insurance Premium Tax Credit	Insurers are eligible for a credit on their insurance premium tax equal to their ad valorem taxes paid for principal offices located in the state.	N/A	
South Dakota[9]	Tax Credit for Principal Office or Regional Home Office	Insurers subject to the insurance premium tax are eligible for deductions of 50 percent of the tax owed plus an amount equal to other taxes or payments related to maintaining their regional office in the State.	30 percent of the amount of the tax otherwise payable without the application of the credit	

North Dakota and South Dakota both have incentive programs aimed at encouraging insurance companies to open or expand home or regional offices in their states. The comparable programs are all structured differently from Oklahoma's and are generally more generous. Additionally, of the comparison group, Oklahoma is the only program that has an employment requirement for eligible firms, tying the benefit companies are eligible to receive to the number of full-time workers they employ in the state. While North Dakota bases the credit amount on other taxes paid, South Dakota simply halves the tax rate levied for qualified firms.

Colorado and Nevada both offered home office premium tax credit programs aimed at incentivizing insurance companies to grow and maintain operations within their states. Both programs allowed insurers that established a home or regional office within the state to pay a reduced premium tax rate – in most cases 1 percent instead of the standard 2 percent rate. The intent was to encourage job creation and long-term investment in the local insurance industry by tying tax benefits to workforce presence.

However, both states have moved to repeal their incentives due to concerns over the effectiveness and fiscal impact of the programs. In Colorado, legislative reviews and audits revealed that the tax credit was no longer achieving its intended goals; despite benefitting from the reduced tax rate through the program, many qualified insurers were still reducing their in-state employment.[10] The program's repeal is set to take effect in 2026. Nevada's repeal followed a similar logic. The state is phasing out its premium tax credit in response to the lack of demonstrable job growth tied to the incentive. In both cases, the shift reflects a broader trend among states reassessing legacy tax incentives that no longer deliver measurable public benefits.

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[8] North Dakota Legislature, Chapter 45-03-06: Premium Tax Payments. Available at https://ndlegis.gov/prod/acdata/pdf/45-03-06.pdf.

[9] South Dakota Codified Laws §10-44-4, Tax Credit for Principal or Regional Home Office. Available at https://casetext.com/statute/south-dakota-codified-laws/title-10-taxation/chapter-44-insurance-company-premium-and-annuity-tax/section-10-44-4-tax-credit-for-principal-office-or-regional-home-office.

[10] Colorado General Assembly Tax Expenditure Evaluation, Regional Home Office Insurance Premium Tax Rate Reduction. Available at https://leg.colorado.gov/publications/regional-home-office-insurance-premium-tax-rate-reduction-0.

Appendix

Appendix A: Incentive Statute

36 O.S. § 625.1

A. A foreign or alien insurer which is subject to the tax imposed by Section 624 of this title shall be entitled to a credit against said tax actually paid to and placed in the General Revenue Fund of the state, not including any of said tax monies placed in pension funds and not including any of said tax monies placed in escrow, if, during the year for which the tax is being assessed, the insurer or its affiliate maintained a regional home office in this state in a building owned or leased by the insurer. To receive a credit against the tax imposed for the year in which the regional home office was established, said office must have been maintained continuously from on or before August 1 of that year through the last day of the calendar year. For succeeding years, an insurer or its affiliate shall have maintained the regional home office continuously from the first day of the calendar year for which the tax is imposed through the last day of that calendar year. The Home Office Credit shall be calculated as follows:

1. Until June 30, 2010, the credit shall be equal to the following percentages of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted:

> A. fifteen percent (15%), if there are more than two hundred full-time, year-round Oklahoma employees, but less than three hundred full-time, year-round Oklahoma employees,
> B. twenty-five percent (25%), if there are more than three hundred full-time, year-round Oklahoma employees, but less than four hundred full-time, year-round Oklahoma employees,
> C.thirty-five percent (35%), if there are more than four hundred full-time, year-round Oklahoma employees, but less than five hundred full-time, year-round Oklahoma employees, or
> D.fifty percent (50%), if there are five hundred or more full-time, year-round Oklahoma employees; and

2. Beginning July 1, 2010, in the calculation of the credit, the amount to be apportioned to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund shall be applied prior to the calculation of the credit. The amount of the credit shall be derived from amounts remaining after the apportionment to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund. The credit shall be calculated by first applying a "Home Office Credit Allotment Rate" of forty-seven percent (47%) to the gross premium tax owed by the insurer and then determining the allowable credit by applying the following percentages of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted:

> A.fifteen percent (15%), if there are more than two hundred full-time, year-round Oklahoma employees, but less than three hundred full-time, year-round Oklahoma employees,
> B.twenty-five percent (25%), if there are more than three hundred full-time, year-round Oklahoma employees, but less than four hundred full-time, year-round Oklahoma employees,
> C.thirty-five percent (35%), if there are more than four hundred full-time, year-round Oklahoma employees, but less than five hundred full-time, year-round Oklahoma employees, or
> D.fifty percent (50%), if there are five hundred or more full-time, year-round Oklahoma employees.

B. A domestic insurer with four hundred or more full-time, year-round Oklahoma employees which is subject to the tax imposed by Section 624 of this title shall be entitled to a credit against said tax actually paid to and placed in the General Revenue Fund of the state, not including any of said tax monies placed in pension funds and not including any of said tax monies placed in escrow, if, during the year previous to the year for which the tax is being assessed, the insurer or its affiliate maintained a regional home office in this state in a building owned or leased by the insurer and during the year for which the tax is being assessed, the insurer establishes its home office in this state in a building owned or leased by the insurer. To receive a credit against the tax imposed for the year in which the home office was established, said office must have been maintained continuously from on or before August 1 of that year through the last day of the calendar year. For succeeding years, an insurer shall have maintained the home office continuously from the first day of the calendar year for which the tax is imposed through the last day of that calendar year. Insurers who take action before August 1, 2000, to establish their home office in this state shall be entitled to a credit against the tax

imposed on or after January 1, 2001, which shall be in addition to the credit the insurer is entitled to for that year. The Home Office Credit shall be calculated as follows:

1. Until June 30, 2010, the credit shall be equal to the following percentages of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted:

A.thirty-five percent (35%), if there are more than four hundred full-time, year-round Oklahoma employees, but less than five hundred full-time, year-round Oklahoma employees, or
B.fifty percent (50%), if there are five hundred or more full-time, year-round Oklahoma employees; and

2. Beginning July 1, 2010, in the calculation of the credit, the amount to be apportioned to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund shall be applied prior to the calculation of the credit. The amount of the credit shall be derived from amounts remaining after the apportionment to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund. The credit shall be calculated by first applying a "Home Office Credit Allotment Rate" of forty-seven percent (47%) to the gross premium tax owed by the insurer and then determining the allowable credit by applying the following percentages of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted:

A.thirty-five percent (35%), if there are more than four hundred full-time, year-round Oklahoma employees, but less than five hundred full-time, year-round Oklahoma employees, or
B.fifty percent (50%), if there are five hundred or more full-time, year-round Oklahoma employees.
C. A domestic insurer which is subject to the tax imposed by Section 624 of this title shall be entitled to a credit against said tax actually paid to and placed in the General Revenue Fund of the state, not including any of said tax monies placed in pension funds and not including any of said tax monies placed in escrow, if, during the year for which the tax is being assessed, the insurer maintained a regional home office in at least five or more counties in this state in buildings owned or leased by the insurer. To receive a credit against the tax imposed for the year in which the regional home offices were established, said offices must have been maintained continuously from on or before August 1 of that year through the last day of the calendar year. For succeeding years, an insurer shall have maintained the regional home offices continuously from the first day of the calendar year for which the tax is imposed through the last day of that calendar year. The Home Office Credit shall be calculated as follows:

1. Until June 30, 2010, the credit shall be equal to the percentage of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted as established in subsection A of this section; and

2. Beginning July 1, 2010, in the calculation of the credit, the amount to be apportioned to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund shall be applied prior to the calculation of the credit. The amount of the credit shall be derived from amounts remaining after the apportionment to the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma Police Pension and Retirement System and the Law Enforcement Retirement Fund. The credit shall be calculated by first applying a "Home Office Credit Allotment Rate" of forty-seven percent (47%) to the gross premium tax owed by the insurer and then determining the allowable credit by applying the percentage of the amount due after the credits authorized by Sections 624.1 and 625 of this title have been deducted as established in subsection A of this section.

D. Proof that an insurer qualifies for the credit authorized by this section shall be on forms prescribed by the Insurance Commissioner and shall be submitted to the Commissioner annually with the report which is filed pursuant to Section 624 of the Insurance Code.

E. The credit provided for in subsections A, B and C of this section shall be based on the total number of Oklahoma employees in the regional or home office when a group of insurers which are under common

management and control maintain a regional home office or home office in this state in a building owned or leased by the group of insurers. The credit provided for in subsections A, B and C of this section may be allocated among the insurance company and the insurance company affiliates at the discretion of the insurance company on a per-insurance-company basis.

F. As used in this section:

1. "Regional home office" means an office transacting insurance, as defined in Section 105 of this title, and performing insurance company operations, which is defined as one or more or any combination of the following functions and services performed in connection with the development, sale, and administration of products giving rise to receipts subject to a premium tax on domestic and foreign insurance companies, or domestic or foreign health care insurance corporations: actuarial, medical, legal, investments, accounting, auditing, underwriting, policy issuance, information, policyholder services, premium collection, claims, advertising and publications, public relations, human resources, marketing, sales office staff, training of sales and service personnel, and clerical, managerial, and other support for any such functions or services;

2. "Common management and control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an insurer, whether through the ownership of voting securities, by contract, or otherwise, unless the power is executed by a person acting in an official capacity, performing duties imposed and exercising authority granted because of the person's position as an officer or employee of the insurer. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing twenty-five percent (25%) or more of the voting securities of the insurer;

3. “Oklahoma employees” means persons who are employed in Oklahoma after January 1, 2000, and who are common law employees of an insurance company or its affiliate. Oklahoma employees do not include independent contractors or any persons to the extent that the compensation of that person is based on commissions;

4. “Insurance company” means any entity subject to a premium tax on domestic and foreign insurance companies, or domestic or foreign health care insurance corporations, including the attorney-in-fact authorized by and acting for the subscribers of a reciprocal insurer or inter-insurance exchange under powers of attorney. A reciprocal and its attorney-in-fact shall be a single entity; and

5. “Home office” means the executive offices of an insurance company which is domiciled in this state.

G. Each insurer or insurance group requesting a credit under this section shall certify by affidavit, approved as to form by the Commissioner, that the insurer has met all of the qualifications required by this section and is authorized to a credit against the premium tax which actually shall be paid to, and placed in the General Revenue Fund of the state, exclusive of any amounts of the tax which shall be credited to pension funds pursuant to law and exclusive of any amounts which shall be placed into escrow. The Commissioner may do an examination for the sole purpose of certifying that all requirements of this section are being met by the insurer requesting to obtain any credits against premium tax.

H. For the fiscal year beginning July 1, 2006, and for each fiscal year thereafter, and notwithstanding any other provisions of Title 36 of the Oklahoma Statutes or any other provision of law governing the order in which the credit authorized by this section is to be deducted from the liability of the company claiming such credit to the contrary, the credit authorized by this section shall be deducted from the insurance premium tax liability of the company claiming such credit prior to the deduction of any other credits that may be claimed against such liability.

Added by Laws 1987, c. 137, § 1, eff. Nov. 1, 1987. Amended by Laws 2000, c. 346, § 1, eff. Jan. 1, 2001; Laws 2005, c. 381, § 2, eff. July 1, 2006; Laws 2008, c. 344, § 1, eff. Nov. 1, 2008.

36 O.S. § 625.2

A. The tax credits set forth in Section 1 of this act shall apply to insurers who take action after November 1, 1987, to:
1. Establish new regional home offices; or
2. Expand existing regional home offices, and hire new employees.
B. An insurer in either category of the requirements of paragraph A of this section must also meet the hiring minimum requirements for the applicable tax credit bracket in Section 1 of this act.

Added by Laws 1987, c. 137, § 2, eff. Nov. 1, 1987.

36 O.S. § 625.3

An insurance company that has operated a regional home office in this state that has qualified for the tax credit provided for in Section 625.1 of Title 36 of the Oklahoma Statutes and that redomiciles and moves its home office to this state shall continue to receive such tax credit under the terms for which is was originally allowed.

Added by Laws 2000, c. 315, § 10, eff. July 1, 2000.

36 O.S. § 625.4

A. One hundred percent (100%) of any assessment paid by an insurer under the Oklahoma Property and Casualty Insurance Guaranty Association Act shall be allowed to that insurer as a credit against its premium tax levied under Section 624 of Title 36 of the Oklahoma Statutes. The tax credit referred to in this section shall be allowed at a rate of ten percent (10%) per year for ten (10) successive years following the date of assessment and, at the option of the insurer, may be taken over an additional number of years. The balance of any tax credit not claimed in a particular year may be reflected in the books and records of the insurer as an admitted asset of the insurer for all purposes.
B. Available credit against premium tax allowed under subsection A of this section may be transferred or assigned among or between insurers if:
1. A merger, acquisition, or total assumption of reinsurance among or between the insurers occurs; or
2. The Insurance Commissioner by order approves the transfer or assignment.

Added by Laws 2002, c. 307, § 11, eff. Nov. 1, 2002.

Appendix B: IMPLAN Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN, 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.

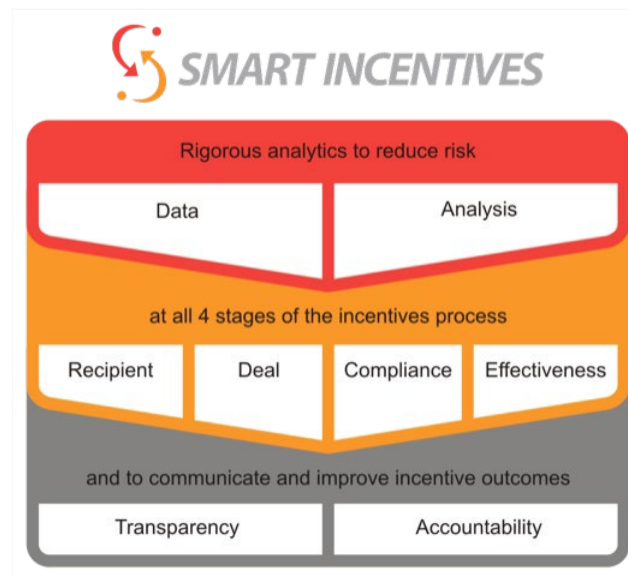
- **Direct** effects are determined by the Event as defined by the user (i.e., a $10 million order is a $10 million direct effect).
- The **indirect** effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- Finally, the **induced**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

Appendix C: Incentive Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[11] 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:

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

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[11] Three resources in particular were relied upon 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

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.