Oklahoma Business Incentives: Maybe Your Business is Eligible

By **Brent Watson, CPA**

Long ago, while working at a large multi-state manufacturing firm, I discovered that our company had applied and was approved two years prior for a state tax credit of $2.7 million dollars. Personnel changes resulted in the credit being forgotten, and had I not spoken to a person who had a recollection that a credit might have been applied for, the credit would have been lost. I was honored as a "hero" for rediscovering this credit. You may have a similar chance to be a "hero" for your firm or a client by sharing information that could lead to substantial incentive benefits. This article presents the most popular business incentive credits.

The Oklahoma Quality Jobs Program

The most prominent incentive offered to new and expanding businesses in Oklahoma has been the Quality Jobs Program ("QJP"), although current emphasis has been shifting to two grant-type programs ("BEIP" and "OIEP") covered in this article. The QJP is a cash rebate program that can result in rebates of up to 5% of wages for newly hired employees for up to 10 years if the qualifying criteria are met. For example, if a manufacturer hires 50 additional employees, paid at a rate of $50/hour, or $2,500,000 annually, benefits of $125,000 per year for 10 years could be received.

Criteria

- A wage increase over the baseline payroll of $2,500,000 in new payroll is generally required, though an exception of $1,500,000 applies to food processors and laboratories performing R&D or testing services. Wages must average more than the lesser of the state or county average wage.
- Basic health insurance coverage must be provided within 6 months of hire, with the employer paying at least 50% of the premiums for employee-only coverage.
- The applicant firm must be included in a qualifying NAICS code. Some qualifying industries are manufacturers, R&D and testing laboratories, corporate headquarters or back-office facilities (such as performing administrative or technical services), aircraft maintenance (NAICS 488490), oil and gas processing (excluding field employees), motor freight, medical labs, and distribution centers. Some services qualify only if at least 75% of sales are made to out-of-

SELF-STUDY DETAILS

Designed for: **CPAs in public practice, industry roles, or business owners**

Interest Area: **Business Management and Organization**

Learning objectives:

1. Identify key Oklahoma business incentives and eligibility criteria to maximize tax credits and grants.

2. Explain how program choice strategies can impact benefits for new or expanding businesses.

Level: **Intermediate**

Prerequisite: **None**

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customers. These services include insurance carriers, debt collection, computer programming, data processing, and other computer-related services, and engineering.

Benefits

Benefits of up to 5% of qualifying wages may be received for up to 10 years if the criteria are met. For the first three years, benefits are payable for qualifying wages, but benefits only remain payable for the remaining seven years if the $2,500,000 threshold is met in the initial three years. If an applicant does not achieve the threshold, benefits cease, but are only required to be repaid to the State if the applicant closes all operations in Oklahoma.

Two variations of the Qualify Jobs Program Exist:

Small Employer QJP

This program is designed to benefit smaller employers, especially when located in smaller communities. Some benefits and criteria vary from the regular version of the QJP.

Benefits vary in that the length of the benefit period is limited to seven years, and benefits only begin when the applicant reaches the hiring required threshold.

Qualifications vary mainly in the threshold, which is based on the number of new employees, not in wages, and the number of required new jobs can range from as low as 5 employees or 5% of the applicant's base workforce in rural areas, to as much as 15 employees or 10% of the applicant's workforce in larger communities. Participation is limited to employers having fewer than 500 employees at the time of application.

21st Century QJP

This program is designed to attract and benefit high-wage employers.

Benefits vary from the regular QJP in that rebates can be up to 10% of qualifying wages for the 10-year life of contracts.

Qualifications vary mainly in the wage threshold, which is the lower of $127,243 in 2026 (indexed for inflation) or three times the average wage in a county, and the applicant must project at least 10 new jobs in the first three years of participation. Qualifying industries include knowledge-based industries such as specialty hospitals, scientific, professional, and technical services,

Business Expansion Incentive Program ("BEIP")

The BEIP provides quarterly cash payments to companies making major capital investments (such as building new facilities or purchasing equipment) as they expand, renovate, and create jobs in Oklahoma. Participation in the BEIP typically requires a new investment of at least nearly $2,000,000 that will result in an increased annual payroll of at least nearly $2,000,000. Typical benefits may range from 10% to 20% of the amount invested. The Oklahoma Development Finance Board approves projects, and the State has considerable flexibility in the amount awarded for each contract. Businesses can only apply before any expenditure is made for the project.

Oklahoma Innovation Expansion Program ("OIEP")

The OIEP is a grant program designed to boost high-impact capital investment in existing Oklahoma companies by providing funds for expansion, equipment, and technology. It provides cash payments for projects that improve supply chain resiliency, increase capacity, or target new markets. Eligible businesses must be for-profit, have at least $625,000 in annual payroll, and a minimum of $50,000 in capital expenditure. Note that the program is not limited to certain types of industries. Companies apply for specific projects that enhance productivity using improved technology. The 2025 application window is limited annually to the first two weeks of April, and businesses can only apply before any expenditure is made for the project.

New Jobs/New Investment Income Tax Credit for Manufacturers

This state income tax credit pertains only to manufacturers and applies to entities taxed at the entity level or passes through to owners of pass-through entities. The credit is based on one of two factors: (1) Investment in depreciable property (including buildings and warehouses associated with manufacturing), or (2) increased employment level. The credit is the greater of two factors: (1) Investment – 1% of the investment amount, or (2) new employees at $500/year. If a project occurs in an Opportunity Zone, the credit amounts are doubled. The threshold for this credit is low, requiring only one new employee or $50,000 in investment in depreciable property.

Mutual Exclusivity

Participation in the afore-mentioned programs requires non-participation in the other programs. An exception applies to projects with investments of at least $40,000,000.

Ad Valorem Five-Year Exemption for Manufacturers

This exemption is available to manufacturing, research and development, warehouse and distribution, certain computer/data processing services, refineries, and aircraft repair companies. If criteria are met, the property added for a qualifying year is exempt for the first five years it is reported for property taxation. The state pays the tax to the county for the exempted property.

Criteria for participation require investment in assets of at least $544,000 in 2026 (adjusted annually for inflation), and additional payroll of $250,000 in counties with a population of less than 75,000 or $1,000,000 for counties with a population of 75,000 or more. These increases must be maintained to continue the exemption in subsequent years. If an applicant cannot achieve the payroll increase in the initial year, they can sign an affidavit to have three years to achieve the payroll increase. If the required payroll is not met, repayment of the tax will be required.

Ad Valorem Freeport Exemption for Inventory

The Freeport Exemption exempts inventory that would otherwise be subject to tax as of January 1 each year. The exempted portion is based on the lesser of the ratios of inventory ultimately to be sold out-of-state or raw materials purchased out of state. Application for exemption is made annually with the filing of property tax renditions.

Income Tax Credits for Hiring Civil Engineers

Employers can claim a tax credit equal to 10% of the compensation paid to a qualified civil engineer who graduated from an Oklahoma institution, or 5% for graduates from out-of-state institutions. This credit is capped at $12,500 per employee per year and can be claimed for up to five years

Tuition Reimbursement Credit: Employers reimbursing tuition for civil engineering employees can claim a tax credit equal to 50% of the tuition reimbursed. This applies for up to four years of employment.

Personal Income Tax Credit: Qualified civil engineers can receive a personal income tax credit of up to $5,000 per year.

Income Tax Credits for Hiring Aerospace Engineers

A 50% tax credit for reimbursed tuition costs for the first four years of employment is provided to employers. Additionally, employers can claim credits of up to 10% of wages paid for Oklahoma graduate engineers or 5% of wages paid to non-Oklahoma graduate engineers. Additionally, employee engineers are eligible for an individual tax credit up to $5,000 per year.

Summary

The incentives described in this article are only the most prominent of an arsenal of incentives available to new and expanding businesses in Oklahoma. Consultation with the Department of Commerce may yield benefits (such as participation in Tax-Increment-Financing districts) that are beyond the scope of this article.

Usage of third-party providers during the application process may aid applicants in more effectively preparing their application for the approval process and to ensure that they are best positioned to receive the maximum credit that may be received. Additionally, as was described in the introductory paragraph of this article, surprisingly, many benefits that have been granted are not received due to participants' failure to file claims. Usage of third parties can also be a valuable strategy to ensure that claims are filed and benefits are received.

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