



OKLAHOMA

DEPARTMENT OF COMMERCE

Oklahoma Quality Jobs Program

2010 Guidelines

Oklahoma Department of Commerce

Quality Jobs Program Management

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OKcommerce.gov

Oklahoma Quality Jobs Program Guidelines Program Overview

Oklahoma's award winning Quality Jobs Program cash back incentive has placed the State at the forefront as a location for new or expanding businesses. The business incentive gives qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for 10 years. Since inception, the State has enrolled over 535 companies that have received over \$562 million in wage rebates.

The program, targeted to manufacturers and certain service companies that project having a new payroll investment of \$2.5 million or more, is a valuable asset to improving a company's bottom line and a primary reason why Oklahoma ranks high in incentives.

A fully executed contract, with the Department of Commerce, must be in place before any new jobs can be included in the new taxable payroll.

Threshold Requirements

The following requirements must be met before an application will be reviewed:

1. Basic Industry

All applicants must be within a qualifying basic industry in order to receive benefits (see Attachment A). Regardless of a company's overall North American Industry Classification System number (NAICS No.), the activities and functions of new direct jobs must be within a qualifying basic industry.

2. New Payroll Threshold

A qualified company must achieve \$2.5 million in new annualized payroll, for new fulltime employees, during any four consecutive quarters in its first 12 quarters in the program. If the payroll threshold is not achieved, payments cease. Payments received to date, however, do not have to be paid back to the State. These new positions must be located within the state of Oklahoma.

A lower payroll threshold of \$1.5 million is available for certain food processing and research and development projects or to firms that locate on certain former military bases.

A threshold of \$1 million is available to businesses that produce new direct jobs to the State that are equal to or greater than 1% of the total labor force of the county in which located. These High Impact Projects can be effectively located in over a third of Oklahoma counties. The payments, which are set at 2.5% of new qualified payroll, may only extend for up to six years.

A no payroll threshold is available to businesses locating within 10 acres that are on Superfund sites or the National Priorities List. Sites may still qualify if not on the list, if they have been formally deferred to the State, or if they are being remediated pursuant to a clean-up plan approved by the Department of Environmental Quality.

3. Health Insurance Coverage

All businesses must offer basic health insurance coverage to all employees working 30 hours or more per week, whose pay is included in the payroll figures for qualification. Employees must pay no more than 50% of the premium cost. Employees must be allowed access to the coverage within 180 days of employment.

4. Minimum Wage Requirement

Minimum average wage requirements, based on the Average County Wage where the jobs are located, apply (see Attachment B). The maximum required in any county, regardless of the average county wage, is \$28,878. Applicants located in opportunity zones, designated by the Department of Commerce, are exempted from the requirement. Eighty percent of employees, whose pay is included in the new payroll, must work at least 30 hours per week. Under certain circumstances, leased employees may be included in payroll calculations. While a company has three years to ramp up to the \$2.5 million payroll threshold, they must meet the average wage requirement quarter by quarter. New jobs and wages are tracked beginning with the first quarter after the company enters the program.

Application Requirements

Application

Applicants must provide responses to all application form questions and satisfy all documentation requirements. An original must be signed by a representative of the company and submitted to the Department of Commerce prior to hiring any new employees whose payroll will be claimed for benefits. Note: the application packet provides a line by line instruction sheet to assist in preparation of the form.

OES-3 Reports

OES-3 reports are filed with the Oklahoma Employment Security Commission each quarter. The reports list the number of employees on the payroll of a business as of the 12th of each month during a calendar quarter and the dollar amount of payroll for those employees during that time period. Along with the Application, the most recent four quarterly reports must be provided. The average number of employees, for the three months reported on each of the four quarterly summary reports, should be the figures used on the Application.

New Hire Summary

Applications must include a break down of the proposed new hires by job title and average wage for both first and third year. Only eligible new direct jobs and average taxable wages should be used in the calculation. Even though jobs may be projected for a total of five years, just the 3rd year projected average wage is shown on the application and used to base benefits on.

Major Medical Employee Health Plan

Along with the Application, a current copy of the company's health benefits plan must be included. A statement, indicating the percentage paid for the employee's portion of the plan, the waiting period before the plan is offered, and the number of hours worked per week to be eligible for coverage should be attached. Additionally, applicants are required to indicate that some coverage for basic

hospital care, physician care, mental health care, substance abuse treatment, prenatal care and prescription drugs is provided.

Company Background

At a minimum, company background information must consist of product/service descriptions, a projected growth explanation, a listing of other locations, a corporate family organizational chart, annual sales figures and investment projections (see Attachment C). The information, used as an indication of a company's preparedness to create the new jobs projected, is confidential.

Out-of-State Sales Verification

Companies required to provide proof of out-of-state sales may do so by submitting a breakdown of annual sales by state, delineating the Oklahoma percentage of total sales, or by furnishing an Oklahoma income tax form showing the three-factor formula. Sales to the federal government and to in-state customers who resell to an out-of-state consumer may be included. The applicant will be required to sign an affidavit asserting that the out-of-state sales requirement will be achieved and maintained throughout the life of the contract. Only sales associated with Oklahoma operations are applicable.

Technical Assistance

Technical assistance regarding program concepts, eligible companies, application guidelines and other information pertaining to the Quality Jobs Program is available upon request and encouraged. Questions may be directed to representatives within the Department of Commerce's Site Location and Business Solutions Teams, or to program administrators in the Quality Jobs Program at (405) 815-5269. The Oklahoma Department of Commerce offers a free service to assist companies in completing the Quality Jobs application.

Application Submission

Applications are submitted via a Department of Commerce Quality Jobs representative. This person will assist you with the application process. To contact a representative to assist you please call the Quality Jobs Program office at 405-815-5269, or toll free at 800-879-6552, x5269.

The Department of Commerce accepts Quality Jobs Program Applications throughout the year since there are no specific deadlines. Applications are evaluated and acted upon as expeditiously as possible, depending upon their satisfactory completion.

Approval Process

Once an Application is returned to the Department of Commerce with the required documentation, program administrators will verify eligibility and prepare a final cost/benefit analysis to determine the percentage of new Oklahoma payroll that will be rebated and a maximum amount for the applicant's project. The information is then presented to an internal review team that makes a recommendation, for approval or

denial, to the Executive Director of the Oklahoma Department of Commerce. Certain service companies may be required to additionally receive approval from an Incentive Approval Committee, made up of representatives from the Tax Commission, Office of State Finance and Department of Commerce.

Once approved, an incentive offer, in contractual form, is issued to the company for acceptance. A corporate official, who is authorized to bind the company contractually, must sign the contract. At this point, only the company's name, municipality location, number of projected new jobs, NAICS No., benefit rate and maximum benefit amount become public information. The Department of Commerce issues a monthly press release of all new enrollees in the program and will communicate with the applicant's media contact regarding the information it contains.

All approved companies must be registered to do business in Oklahoma and in good standing with the Secretary of State's Office, Tax Commission, and Employment Security Commission.

Claims for Payment

The Oklahoma Tax Commission is the primary contact for submitting benefit claims under the contract. Once a contract is returned to the Department of Commerce it is forwarded to the Tax Commission to set up a reimbursement account in order to monitor jobs, payroll and pay qualifying claims. The company contact stated on the contract will be proactively contacted regarding reporting arrangements.

Claims are made quarterly for three years. If threshold is achieved, they may extend for an additional seven years. Note: while the company has three years to reach the \$2.5 million threshold, the company must meet the average wage requirement quarter by quarter.

At the time the first incentive payment is made, the Department of Commerce is paid a \$1000 origination fee.

Incentives Excluded

Companies enrolled in the Quality Jobs Program may not be eligible to receive certain credits or exemptions in conjunction with the same activity. They include the following:

- Investment/New Jobs Tax Credit
- Sales and Use Tax Refunds
- Clean Burning Motor Fuel Income Tax Credit
- Investment in Oklahoma Producer-Owned Agricultural Processing
- Purchase of Equipment when primary activity is Computer/Data Processing
- Insurance Premium Tax Credit
- Recycle, Reuse, Source Reduction Tax Credits
- Income Tax Credit for net Increase in Computer and R&D jobs
- Sales of Electronics to Qualified Aircraft Maintenance Facilities
- Investment in Qualified Venture Capital Companies
- Tax Credit for Employer Provided Health Plans
- Tax Credit for Commercial Space Operations

All applicants should consult with a tax advisor to determine the most appropriate incentive plan based on value and financial goals. Additionally, a comparative estimate is available from Department of Commerce representatives.

Disclaimer

The materials contained in this document have been prepared by the Oklahoma Department of Commerce for informational purposes only and do not constitute legal or tax advice. This information is subject to change based on judicial interpretation and legislative action. The application of the information is subject to your unique facts and circumstances.

YOU SHOULD NOT ACT UPON ANY INFORMATION CONTAINED IN THESE MATERIALS WITHOUT SEEKING YOUR OWN PROFESSIONAL LEGAL AND TAX ADVICE.

Qualifying Basic Industries

Manufacturing –

Industries classified under NAICS Manual Nos. 31, 32, 33, 5111 or 11331.

Research and Development and Testing Laboratories –

See NAICS Manual Nos. 541711, 541712 and 541380.

Central Administrative Offices, Corporate Offices and Technical Services -

See NAICS Manual Nos. 5611, 5612, 51821, 519130, 52232, 56142, 54191, 524291, 551114.

Certain jobs related to the mining of oil and gas

See NAICS No. 2111

Certain Warehouse/Distribution Operations –

Where 40% of inventory is shipped out of state.

Transportation by Air –

See NAICS Manual No. 4811 if corporate headquarters and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers.

Flight Training Services

See NAICS No. 611512

Other Support Activities for Air Transportation

See NAICS Manual No. 488190

Wind Power Electric Generation Equipment Repair & Maintenance

See NAICS Manual No. 811310

Sports Teams & Clubs

See NAICS Manual No. 711211

Services –

The program also covers the following service companies, if 75% of sales are out-of-state:

Motor Freight Transportation and Warehousing

See NAICS Nos. 493, 484, 4884-4889

Arrangement of Passenger Transportation

See NAICS Nos. 561510, 561520, 561599

Transportation of Freight or Cargo

See NAICS No. 541614

Certain Communications Services

See NAICS Nos. 51741 and 51791

Certain Refuse Systems that distribute methane gas

See NAICS No. 5622

Grocery Wholesale Distributing

See NAICS Nos. 4244 and 4245

Insurance Carriers

See NAICS No. 5241

Insurance Claims Processors Only

Included in NAICS Nos. 524210 and 524292

Adjustment and Collection Services

See NAICS No. 561440

Mailing, Reproduction, Commercial Art, Photography and Stenographic Services

See NAICS Nos. 541430, 541860, 541922, 561439 and 561492

Services to Dwellings and Other Buildings

NAICS No. 5617 (excluding 5617-30)

Miscellaneous Equipment Rental

See NAICS Nos. 5323 and 5324

Personnel Supply Services

See NAICS No. 5613

Computer Programming, Data Processing and Other Computer-Related Services

See NAICS Nos. 5112, 5182, 5191, 519130, and 5415

Miscellaneous Business Services

See NAICS Nos. 53120, 561410 through 561439, 5616, 51911, and 813920

Medical and Diagnostic Laboratories

See NAICS No. 6215

Engineering, Management and Related Services

See NAICS Nos. 5412, 5414-5417, 54131, 54133, 54136, 54137, 54182, and 541990

Animal Production

See NAICS Nos. 112120, 112310

Electric Service Companies –

The program also applies to electric services companies within NAICS Nos. 221111-221122 - Exempt Electric Wholesale Generators, if 90% of energy input is consumed from in-state sources and 90% of sales are out-of-state.

Average County Wage: 2007

Year 2007 data to be used as of February 2, 2009

State Threshold Wage: \$28,878

County	100% Wage	110% Wage	125% Wage	County	100% Wage	110% Wage	125% Wage
Adair	\$24,768	\$27,245	\$30,960	Le Flore	\$26,770	\$29,447	\$33,463
Alfalfa	\$24,883	\$27,371	\$31,104	Lincoln	\$27,678	\$30,446	\$34,598
Atoka	\$25,185	\$27,704	\$31,481	Logan	\$26,510	\$29,161	\$33,138
Beaver	\$28,649	\$31,514	\$35,811	Love	\$23,138	\$25,452	\$28,923
Beckham	\$37,214	\$40,935	\$46,518	McClain	\$27,136	\$29,850	\$33,920
Blaine	\$26,994	\$29,693	\$33,743	McCurtain	\$29,678	\$32,646	\$37,098
Bryan	\$26,944	\$29,638	\$33,680	McIntosh	\$23,384	\$25,722	\$29,230
Caddo	\$27,692	\$30,461	\$34,615	Major	\$27,961	\$30,757	\$34,951
Canadian	\$32,360	\$35,596	\$40,450	Marshall	\$28,672	\$31,539	\$35,840
Carter	\$33,119	\$36,431	\$41,399	Mayes	\$29,719	\$32,691	\$37,149
Cherokee	\$26,436	\$29,080	\$33,045	Murray	\$25,509	\$28,060	\$31,886
Choctaw	\$25,008	\$27,509	\$31,260	Muskogee	\$31,271	\$34,398	\$39,089
Cimarron	\$24,823	\$27,305	\$31,029	Noble	\$33,998	\$37,398	\$42,498
Cleveland	\$30,118	\$33,130	\$37,648	Nowata	\$24,931	\$27,424	\$31,164
Coal	\$22,467	\$24,714	\$28,084	Okfuskee	\$24,422	\$26,864	\$30,528
Comanche	\$35,131	\$38,644	\$43,914	Oklahoma	\$39,510	\$43,461	\$49,388
Cotton	\$25,316	\$27,848	\$31,645	Okmulgee	\$26,932	\$29,625	\$33,665
Craig	\$28,112	\$30,923	\$35,140	Osage	\$28,699	\$31,569	\$35,874
Creek	\$32,314	\$35,545	\$40,393	Ottawa	\$27,770	\$30,547	\$34,713
Custer	\$29,311	\$32,242	\$36,639	Pawnee	\$28,987	\$31,886	\$36,234
Delaware	\$25,433	\$27,976	\$31,791	Payne	\$28,692	\$31,561	\$35,865
Dewey	\$27,667	\$30,434	\$34,584	Pittsburg	\$33,055	\$36,361	\$41,319
Ellis	\$29,041	\$31,945	\$36,301	Pontotoc	\$27,847	\$30,632	\$34,809
Garfield	\$33,449	\$36,794	\$41,811	Pottawatomie	\$27,365	\$30,102	\$34,206
Garvin	\$36,679	\$40,347	\$45,849	Pushmataha	\$24,320	\$26,752	\$30,400
Grady	\$28,972	\$31,869	\$36,215	Roger Mills	\$30,725	\$33,798	\$38,406
Grant	\$29,073	\$31,980	\$36,341	Rogers	\$35,632	\$39,195	\$44,540
Greer	\$26,523	\$29,175	\$33,154	Seminole	\$29,051	\$31,956	\$36,314
Harmon	\$24,110	\$26,521	\$30,138	Sequoyah	\$24,213	\$26,634	\$30,266
Harper	\$26,350	\$28,985	\$32,938	Stephens	\$32,774	\$36,051	\$40,968
Haskell	\$23,256	\$25,582	\$29,070	Texas	\$30,669	\$33,736	\$38,336
Hughes	\$24,844	\$27,328	\$31,055	Tillman	\$26,167	\$28,784	\$32,709
Jackson	\$32,219	\$35,441	\$40,274	Tulsa	\$40,089	\$44,098	\$50,111
Jefferson	\$24,339	\$26,773	\$30,424	Wagoner	\$29,239	\$32,163	\$36,549
Johnston	\$26,380	\$29,018	\$32,975	Washington	\$36,283	\$39,911	\$45,354
Kay	\$34,638	\$38,102	\$43,298	Washita	\$28,829	\$31,712	\$36,036
Kingfisher	\$33,183	\$36,501	\$41,479	Woods	\$23,166	\$25,483	\$28,958
Kiowa	\$24,580	\$27,038	\$30,725	Woodward	\$35,726	\$39,299	\$44,658
Latimer	\$39,580	\$43,538	\$49,475				

Source: US Department of Commerce, Bureau of Economic Analysis, Table CA34

