Investment/New Jobs Credit Instructions

Title 68 O.S. Section 2357.4 and Rule 710:50-15-74

Tax Credit Moratorium

A tax credit moratorium has been established for the time period of July 1, 2010 through June 30, 2012.

No credit may be claimed for assets placed in service or new jobs created during the Moratorium, until July 1, 2012. Credits generated during this time period are deferred, and may be claimed beginning with tax year 2012 returns, subject to the following limitations:

- Credit accrued during the Moratorium shall be limited to a period of two taxable years.
- Only 50% of the total amount of the credit generated during the Moratorium may be claimed each taxable year.
- Amended returns shall not be filed after July 1, 2012 to claim the credits generated during the Moratorium for tax years prior to tax year 2012.

For an example see Rule 710:50-15-74.

General

Taxpayers who may claim the credit are individuals (including the pass-through credit from Partnerships and Sub-Chapter S Corporations), Partnerships, Fiduciaries, Corporations and Sub-Chapter S Corporations. When this credit is claimed as a pass-through from a partnership or Sub-Chapter S Corporation, the Form 506 must have the name of the Partnership or Sub-Chapter S Corporation entered in the space provided at the top of the Form. The pass-through entity shall provide to each partner, shareholder or member, documentation showing their share of the credit. Such documentation must be enclosed with the partner's, shareholder's or member's income tax return when their share of the credit is being claimed.

New Jobs Credit **(Web search portal establishments do not qualify for the New Jobs portion of the credit).**

a) For Column 1 and Column 2, "full-time-employee" refers to job positions that pay at least $7,000 and in which someone is employed during the final quarter regardless of whether the person occupying the job position has actually earned $7,000.

b) **No employee may be included in Column 3, for which a credit is being claimed on any other Form 506.**

c) No employee may be included in Column 3, if the increase in employees is the result of an investment in qualified depreciable property for which an income tax credit has been claimed and allowed on any other Form 506.

d) No employee may be included in Columns 1 or 2, who is not actually engaged in manufacturing or support of the manufacturing of a product. Employees engaged in administrative, legal, accounting, clerical, sales, delivery, housekeeping and yard upkeep are not generally considered support personnel and may not be included.

e) In the first year a credit is claimed based on jobs, a new employee may be included in Column 1 if the employee's wages are less than the $7,000 only if the following conditions are met:

   1) the employee was hired in any of the last three quarters of the tax year, and
   2) has wages or salary which will result in annual paid wages in excess of $7,000, and
   3) the taxpayer submits an affidavit stating that the employee's position will be retained the following tax year and result in the payment of wages in excess of $7,000.

Column 1: Enter the average number of qualified full-time employees engaged in manufacturing, including support, employed in the State of Oklahoma during the 4th quarter and during the taxable year received at least $7,000 in wages or salary subject to Oklahoma income tax withholding. The fourth quarter is generally defined as the last quarter of your taxable year.

Column 2: Enter the average number of qualified full-time employees engaged in manufacturing, including support, employed in the State of Oklahoma during the 4th quarter and during the base year who received at least $7,000 in wages or salary subject to Oklahoma income tax withholding. The base year is the preceding taxable year before the increase in employees.

Column 3: Net increase or decrease in employees. Subtract Column 2 from Column 1. The credit, once established, is also allowed in each of the four subsequent years if the level of new employees is maintained. For subsequent tax years, Column 3 is limited to the number of new employees in Column 3 of the initial tax year. **Enclose a schedule showing the computation of the employee count for all Columns. Include name, social security number, brief job description, annual wages for each employee and the date the new job was created.**

(New Jobs Credit continued on page 3)

Investment/New Jobs Credit Instructions

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New Jobs Credit (continued)

Column 4: The credit is $500* per new employee engaged in manufacturing including support personnel. However, the credits accrued during the moratorium period (July 1, 2010 through June 30, 2012) may only be claimed as follows:

Tax Year	Credit Allowed Equals	Credit for Jobs Created Prior to the Moratorium		Credit for Jobs Created On or After the Moratorium
2010	=	$500 per new employee		Credit deferred until tax years 2012 and 2013
2011	=	$500 per new employee if level of new employees is maintained		Credit deferred until tax years 2012 and 2013 if level of new employees was maintained
2012	=	$500 per new employee if level of new employees is maintained	**plus**	• $500 per new employee if level of new employees is maintained **plus** • $250 per new employee deferred from tax year 2010 **plus** • $250 per new employee deferred from tax year 2011 if level of new employees were maintained during tax year 2011
2013	=	$500 per new employee if level of new employees is maintained	**plus**	• $500 per new employee if level of new employees is maintained **plus** • $250 per new employee deferred from tax year 2010 **plus** • $250 per new employee deferred from tax year 2011 if level of new employees were maintained during tax year 2011
2014	=	$500 per new employee if level of new employees is maintained	**plus**	$500 per new employee if level of new employees is maintained

***NOTE:** If the box on page 1 is checked, indicating the facility is located in an enterprise zone, multiply by $1,000.

Investment Credit

Column 5: Enter the amount invested in qualified depreciable property placed in service, in the State of Oklahoma, during the taxable year. The investment must be at least $50,000 in qualified depreciable property used in manufacturing or in a web search portal establishment in this state. The credit shall not be allowed if such investment is the direct cause of a decrease in the number of employees. Qualified property shall be limited to machinery, fixtures, equipment, buildings or substantial improvements thereto, placed in service in this state during the taxable year. The investment in Oklahoma Qualified Property must be reduced when the property is sold, disposed of or transferred. **Enclose a detailed schedule showing the description of the qualified property, the amount invested (cost), and the date the assets were placed in service.**

(Investment Credit continued on page 4)

Investment/New Jobs Credit Instructions

Title 68 O.S. Section 2357.4 and Rule 710:50-15-74

Investment Credit (continued)

Column 7: The credit is 1%* of the cost of the qualified depreciable property. However, the credits accrued during the moratorium period (July 1, 2010 through June 30, 2012) may only be claimed as follows:

Tax Year	Credit Allowed Equals	Credit for Assets Placed in Service Prior to the Moratorium		Credit for Assets Placed in Service On or After the Moratorium
2010	=	1%		Credit deferred until tax years 2012 and 2013
2011	=	1% of assets which have not been sold, disposed of or transferred		Credit deferred until tax years 2012 and 2013 for assets not sold, disposed of or transferred
2012	=	1% of assets which have not been sold, disposed of or transferred	**plus**	• 1% of assets which have not been sold, disposed of or transferred **plus** • 1/2 of 1% (.005) of assets deferred from tax year 2010 **plus** • 1/2 of 1% (.005) of assets deferred from tax year 2011 which had not been sold, disposed of or transferred during tax year 2011
2013	=	1% of assets which have not been sold, disposed of or transferred	**plus**	• 1% of assets which have not been sold, disposed of or transferred **plus** • 1/2 of 1% (.005) of assets deferred from tax year 2010 **plus** • 1/2 of 1% (.005) of assets deferred from tax year 2011 which had not been sold, disposed of or transferred during tax year 2011
2014	=	1% of assets which have not been sold, disposed of or transferred	**plus**	1% of assets which have not been sold, disposed of or transferred

***NOTE:** If the box on page 1 is checked, indicating the facility is located in an enterprise zone, multiply by 2%.

Allowable Credit - Carryover **

Column 9: The credit is allowed for the greater of New Jobs Credit or Investment Credit, but not both. Enter the greater amount from Column 4 or Column 7. Once the type of allowable credit is determined in the first year, that type of credit will be used in all remaining tax years on that particular Form 506.

Column 10: Enter the amount of credit used this tax year.

Column 11: Enter the amount of credit not used this tax year. Any credit claimed and not used in any taxable year may be carried over, in order, to each of the four years following the year of qualification and to the extent not used in those years, in order, to each of the fifteen years following the initial five-year period. To the extent not used, any credit from qualified depreciable property may be utilized in subsequent tax years after the initial twenty-year period. Enclose schedule showing all carryover credits by tax year claimed and used.

** If a C corporation that otherwise qualified for the credits under subsection A of Title 68 Section 2357.4 subsequently changes its operating status to that of a pass-through entity which is being treated as the same entity for federal tax purposes, the credits will continue to be available as if the pass-through entity had originally qualified for the credits subject to the limitations of such Section. The pass-through entity shall provide, to each member, documentation showing their share of the credit. Such documentation must be enclosed with the member's income tax return when their share of the credit is being claimed.

Notice

If the business entity manufactures any product described in Division D of Part I of the Standard Industrial Classification Manual, latest revision, they may be entitled to double their Investment/New Jobs Credit. To qualify for the double credit the total cost of qualified depreciable property used in the manufacture of such product must be at least $40 million dollars and be placed in service in this state within 3 years from the date of the initial qualifying expenditure. The credit for each new employee in Column 4 will be $1,000 and the rate for qualified depreciable property in column 6 will be 2%. Enter the amount of doubled credit in Column 4 and/or Column 7 and note the reason for the double credit.