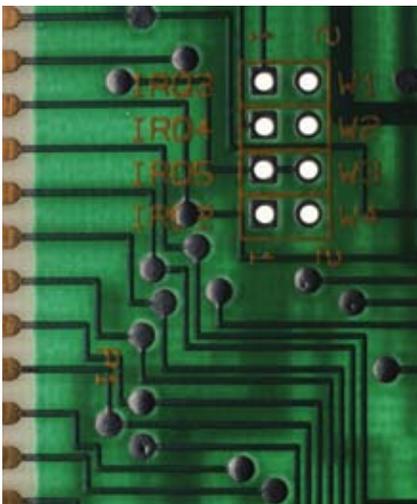


OKLAHOMA

DEPARTMENT OF COMMERCE

21st Century Oklahoma Quality Jobs Program



2014 Guidelines

Oklahoma Department of Commerce
Quality Jobs Program Management
900 North Stiles Ave.
Oklahoma City, OK 73104
405-815-5340
OKcommerce.gov

21st Century Quality Jobs Program Guidelines

Program Overview

This State incentive was created to attract growth industries and sectors to Oklahoma in the 21st Century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce. The intended purpose of the program is to promote indisputably impactful high wage jobs without competing with existing incentives. The framework of this program is based on the popular Quality Jobs Program developed in 1993.

The legislation for this program was passed in the spring of 2009, and became effective November 1, 2009. The intent is for existing or new companies locating to the state to create or bring a new piece of business in one of these identified industries. Job shuffling or restructuring to attain qualification is not permissible.

Qualifying companies may be eligible for up to twice the Net Benefit rate of the Quality Jobs program, or 10% of the taxable payroll of these new jobs, to be paid in cash on a quarterly basis. The program lasts for up to 10 years.

An application and supporting documents must be received by the Oklahoma Department of Commerce, and a resulting contract issued by the Department *before* a company may participate in the program.

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 to receive benefits. The list of qualifying industries includes all those of the regular Quality Jobs program (with the exception of Oil & Gas Companies), and an enhanced list from recent legislation. Applicants in some industries are required to have and maintain an out-of-state sales threshold of 50%. See Attachment A of this document for a full qualifying list of industries.

2. New Job Creation

The applicant must create a minimum of 10 New Direct Jobs within the qualifying industry activity. (A New Direct Job is one that did not exist in the state during the 6 month period prior to application date). The company has up to 3 years to “ramp up” to this level of jobs to qualify for a full 10 years of program participation. Should the company not be able to add the 10 new jobs by the end of the 3rd year, they are dismissed from the program. Employees in these New Direct Jobs must work 30 or more hours per week to be considered “quality jobs”. Under certain circumstances, “leased” employees may be eligible for program benefits with notification at the time of application and approval.

3. Health Insurance Coverage

Applicant companies must offer those working in New Direct Jobs a basic health insurance plan (which includes Dr. Office visits, hospitalization, maternity, mental health, substance abuse, and pharmacy benefits) within 12 months of employment. Coverage in areas such as dental, vision and life insurance are not required as part of the basic health plan. Employees must not be required to provide more than 50% of the premiums for this health coverage. Coverage for items such as dental, vision, life insurance or retirement are encouraged, but are not required as part of this program.

4. Average Wage Requirement

An average wage requirement applies to all New Direct Jobs eligible for program benefits. Those employees in such jobs must be paid an annualized wage which equals or exceeds 300% of the average of Oklahoma County wage for the county in which the applicant is located. Provided, no average wage requirement shall exceed the state index wage, currently \$94,000. Employees must be paid at this annualized wage on a quarter by quarter basis throughout the program for the company to receive benefit payments. Please refer to Attachment B of this document for a listing of current wage requirements on a county by county basis. As opposed to the regular Quality Jobs Program, Opportunity Zones are not recognized in this program.

Program Benefits

Upon application and approval, qualified companies may begin accruing program benefits for the hiring of new jobs that meet program criteria. During the first 12 quarters, the company may file quarterly benefit claims for those qualifying jobs hired to-date, even if less than the required 10 new jobs are in place. However, the actual jobs must have earned the required annualized average wage. For this performance a Net Benefit Rate (called an Initial NBR) of up to 7% will be paid on the new taxable wages earned by these jobs. Once the company has hired the full 10 new jobs at the required annualized average wage, the company may claim benefits on the Fulfillment NBR, or up to 10% of the taxable wages earned by the new jobs. Both the Initial and Fulfillment NBR are determined in a cost/benefit analysis, performed at the time of application. The rate is based upon the projected wage and economic factors related to the project.

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. Technical assistance in completing the application and other necessary documents is provided at no charge by persons associated with the Oklahoma Department of Commerce.

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. Benefits are based on this projected average wage. These excel forms accompany the application and will calculate the average wage and payroll when cells are populated with data.

OES-3 Reports

OES-3 reports are filed by all Oklahoma companies with the Oklahoma Employment Security Commission at the end of 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.

Health Insurance Coverage

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 must be attached. Additionally, applicants are required to indicate that some coverage for basic hospital care, physician care, mental health care, substance abuse treatment, maternity coverage and prescription drugs is provided.

Company Background Form

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 (not jobs or individuals, just corporate entities), annual sales figures and investment projections. The information, used as an indication of a company's preparedness to create the new jobs projected, is highly confidential and is viewed only by internal staff of the Oklahoma Department of Commerce, in the approval process. The Company Background Form is Attachment C of this document.

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. 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 21st Century Quality Jobs Program is available upon request and encouraged. Questions may be directed to representatives within the Department of Commerce's Global Recruiting and Business Customer Service 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 21st Century 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 21st Century Quality Jobs Program Applications throughout the year since there are no specific deadlines. Applications are evaluated and acted upon as expediently as possible, depending upon their satisfactory completion.

Approval Process

Once an Application is submitted to the Department of Commerce with the required documentation, program administrators will verify eligibility and prepare a final cost/benefit analysis to determine the Initial and Fulfillment benefit rates 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. 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 10 new job requirement, the company must meet the average wage requirement quarter by quarter.

At the time the first incentive payment is made to the company, the Department of Commerce is paid an origination fee. The amount of the fee ranges from \$2,500 to \$7,500, depending upon the maximum benefit dollar amount in the contract.

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
- 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 investment in Qualified Recycling Facility
- Pooled Finance Program

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.**

21st Century Quality Jobs Program
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, 524291, and 551114

Certain Warehouse/Distribution Operations

See NAICS Manual No 42, where at least 40% of inventory is shipped out-of-state.

Transportation by Air

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

Flight Training Services

See NAICS Manual 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

- The following Service Companies qualify if 50% of the sales are out-of-state:

Rail Transportation

See NAICS No. 482

Motor Freight Transportation and Warehousing

See NAICS Nos. 493, 484, 4884-4889

Arrangement of Passenger Transportation

See NAICS Nos. 561510, 561599

Transportation of Freight or Cargo

See NAICS No. 541614

Certain Communications Services

See NAICS Nos. 5117110, 51741 and 51791

Certain Refuse Systems that Distribute Methane Gas

See NAICS No. 5622

Grocery Wholesale Distributing

See NAICS Nos. 4244 and 4245

Securities, Commodities, Investments

See NAICS No. 523

Insurance Carriers

See NAICS No. 5241

Insurance Claims Processors only

See NAICS Nos. 524210 and 524292

Adjustment and Collection Services

See NAICS No. 561440 (75% of loans are made to out of state debtors)

Miscellaneous Equipment Rental

See NAICS Nos. 5324

**Computer Programming, Data Processing and Other
Computer-Related Services**

See NAICS Nos. 5112, 5182, 5191, 5415

Miscellaneous Business Services

See NAICS Nos. 561410, 56142, and 519110

Medical and Diagnostic Laboratories

See NAICS No. 6215

Engineering, Management and Related Services

See NAICS Nos. 5412, 5414, 5415, 5416, 5417, 54131, 54133, 54136-54137,
541990

Agricultural Production

See NAICS Nos. 112120

Professional Organizations

See NAICS No. 813920

Alternative Energy Structure Construction

See NAICS No. 237130

Alternative Energy Equipment Installation

See NAICS Nos. 238160, 238220

Electric Services Companies

The program also applies to electric service 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.

Additional codes added for 21st Century Quality Jobs Program only:

Specialty Hospitals

See NAICS No. 62231 (no out-of-state sales requirements)

Performing Arts Companies

See NAICS No. 7111 (no out-of-state sales requirements)

The following qualifying NAICS codes have a 50% out-of-state sales requirement:

Heavy and Civil Engineering Construction

See NAICS No. 237

Motion Picture and Video Industries

See NAICS No. 5121

Sound Recording Industries

See NAICS No. 5122

Insurance Carriers and Related Activities

See NAICS No. 524

Funds, Trusts, and other Financial Vehicles

See NAICS No. 525

Professional, Scientific, and Technical Services

See NAICS No. 5411, 5412, 5413, 5414, 5418, 5419-

Effective 11.1.2013

21st Century Average County Wage: 2013

Year 2011 data to be used November 1, 2013 - January 31, 2014

State Threshold Wage: \$94,000

County	100% Wage	300% Wage
Adair	\$29,233	\$87,699
Alfalfa	\$32,130	\$94,000
Atoka	\$29,342	\$88,026
Beaver	\$35,959	\$94,000
Beckham	\$42,367	\$94,000
Blaine	\$32,037	\$94,000
Bryan	\$31,448	\$94,000
Caddo	\$33,146	\$94,000
Canadian	\$38,072	\$94,000
Carter	\$38,254	\$94,000
Cherokee	\$30,661	\$91,983
Choctaw	\$29,215	\$87,645
Cimarron	\$28,899	\$86,697
Cleveland	\$34,048	\$94,000
Coal	\$31,261	\$93,783
Comanche	\$41,582	\$94,000
Cotton	\$31,376	\$94,000
Craig	\$31,815	\$94,000
Creek	\$36,998	\$94,000
Custer	\$38,355	\$94,000
Delaware	\$28,777	\$86,331
Dewey	\$35,431	\$94,000
Ellis	\$36,639	\$94,000
Garfield	\$38,637	\$94,000
Garvin	\$36,973	\$94,000
Grady	\$34,454	\$94,000
Grant	\$38,785	\$94,000
Greer	\$30,679	\$92,037
Harmon	\$32,017	\$94,000
Harper	\$32,698	\$94,000
Haskell	\$27,007	\$81,021
Hughes	\$30,028	\$90,084
Jackson	\$35,705	\$94,000
Jefferson	\$29,716	\$89,148
Johnston	\$31,751	\$94,000
Kay	\$36,808	\$94,000
Kingfisher	\$38,825	\$94,000
Kiowa	\$31,496	\$94,000
Latimer	\$40,830	\$94,000

County	100% Wage	300% Wage
Le Flore	\$31,042	\$93,126
Lincoln	\$32,095	\$94,000
Logan	\$30,653	\$91,959
Love	\$30,293	\$90,879
McClain	\$32,975	\$94,000
McCurtain	\$30,871	\$92,613
McIntosh	\$27,641	\$82,923
Major	\$34,948	\$94,000
Marshall	\$31,797	\$94,000
Mayes	\$35,363	\$94,000
Murray	\$33,487	\$94,000
Muskogee	\$36,331	\$94,000
Noble	\$37,261	\$94,000
Nowata	\$29,653	\$88,959
Okfuskee	\$28,591	\$85,773
Oklahoma	\$46,018	\$94,000
Okmulgee	\$31,533	\$94,000
Osage	\$32,583	\$94,000
Ottawa	\$30,455	\$91,365
Pawnee	\$34,418	\$94,000
Payne	\$34,604	\$94,000
Pittsburg	\$38,741	\$94,000
Pontotoc	\$34,385	\$94,000
Pottawatomie	\$31,506	\$94,000
Pushmataha	\$27,979	\$83,937
Roger Mills	\$37,930	\$94,000
Rogers	\$39,686	\$94,000
Seminole	\$33,106	\$94,000
Sequoyah	\$26,363	\$79,089
Stephens	\$39,586	\$94,000
Texas	\$35,933	\$94,000
Tillman	\$31,372	\$94,000
Tulsa	\$46,000	\$94,000
Wagoner	\$31,389	\$94,000
Washington	\$44,937	\$94,000
Washita	\$34,792	\$94,000
Woods	\$33,549	\$94,000
Woodward	\$42,392	\$94,000

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

Company Background

Please provide the following information related to the Quality Jobs Program applicant.

1. Describe the company's line(s) of business.
2. Outline the reason for expansion or new lines of business and projected growth.
3. List other locations within and outside Oklahoma.
4. Provide most current fiscal year sales and anticipated growth.
5. Furnish new investment projections applicable to current project.
6. Please furnish an organization chart showing the relationship between companies (family of companies, not individuals) if the entity has more than one company.