



Research and Development: The Springboard to an Innovative Economy

January 2026

If Oklahoma is serious about strengthening its economy by accelerating GDP growth, creating jobs in advanced industries¹, and adding more value across its existing production base, then workforce and innovation must be top priorities. This means increasing Oklahoma's human capital is necessary for future prosperity. To be sure, "in a knowledge-based economy, the amount of human capital (or level of education) within a region is the best predictor of its economic prosperity."² In regions with higher human capital, the higher the wages, the lower the crime and unemployment, and the higher the population increase.³

Oklahoma's long-term economic competitiveness depends on its ability to create, attract, and retain innovative-driven industries. Research and development (R&D) investment is a key to increasing human capital and, therefore, is vital to the economic growth of a state. But these efforts need to be tailored to increase productivity and development of the strategic growth industries for Oklahoma.⁴

Long-term state investment into research centers, industry partnerships and universities would begin to reverse Oklahoma's slow GDP growth and allow Oklahoma to compete with peer states, like Colorado, Utah, Missouri and Illinois, that have more diverse, innovative-driven economies. Government-supported R&D produces long-term and compounding productivity gains that last 10 to 20 years.⁵ Some effects can be unintentional, creating a knowledge spillover effect. These effects allow other companies to build on R&D, thus creating more innovation and productivity for a state, the surrounding states and potentially other businesses.

Public investments and tax credits

Recent empirical work from the U.S. Census Bureau (2024–2025), the Dallas Federal Reserve (2024), AAAS (2025), and ITIF (2024–2025) shows that public and university-based R&D is directly linked to faster productivity growth, higher wages, more high-tech company formation, and successful regional economic transitions. All things Oklahoma strives for.

Many state policies are based on the federal credit. The federal tax credit for increasing research activity is taken against qualifying small business's payroll taxes up to \$500,000. Federal budget allocations are expected to decline by 20%, which will reduce the U.S.'s GDP by at least \$717 billion.⁷

Oklahoma was the last regional state to provide an R&D incentive to businesses making those expenditures and remains the lowest

¹ Economic Leadership, [Expect More and Achieve More- Actions for a More Competitive Oklahoma](#), August 2025

² The Hamilton Project, [Extending the Reach of Research Universities: A proposal for Productivity Growth in Lagging Communities](#), September 2018

³ *Id.*

⁴ Economic Leadership

⁵ Federal Reserve Bank of Dallas, [Government-Funded R&D Produces Long-Term Productivity Gains](#), May 2025.

⁶ See U.S. Census, [Business Enterprise Research and Development Survey](#), 2025; Federal Reserve Bank of Dallas, [Government-Funded R&D Produces Long-Term Productivity Gains](#), May 2025; American Association for the Advancement of Science, [State R&D Dashboard](#), March 2025; Information Technology & Innovation Foundation, [Why University Research is Crucial to US Competitiveness](#), April 2025; Information Technology & Innovation Foundation, [How R&D Keeps Businesses Alive and Economies Growing](#), April 2025

⁷ Information Technology & Innovation Foundation, [Why University Research is Crucial to US Competitiveness](#), April 2025

Regional States' Research and Development Tax Incentive		
State	Credit	Cap
Arkansas	R&D income tax credit incentive is 20% tax credit for in-house research employee wages, with a 10% bump for certain industries	\$50,000 per project
Colorado	An income tax credit to businesses within an Enterprise Zone that increases R&D spending by 3%	None
Kansas	A credit of 10% of the difference between R&D spending and the average of expenses over the previous two years	None
Missouri	A research expense tax credit for 15% of new research expenses, and provides a 5% increase should the company be working with one of the universities	\$10 million
New Mexico	A tax credit for increases in technology job payroll by \$75,000 over \$1,000,000	None
Texas	5% qualified research expenditure over base	50% of franchise tax due

University Research & Development and Business Partnerships

Universities play an integral role in spurring research and development investment in the state. When selecting sites, companies are no longer just looking at the economic friendliness of a state but are also looking toward the educational level of communities to ensure the needed workforce is present.⁸ To create the human capital necessary for future industry, universities cannot be merely educational engines but must also strive to export research and knowledge to the surrounding regions.⁹

To take advantage of a university's ability to create supply and demand for human capital, states are incentivizing university research, either by increasing the base R&D incentive amount to businesses or by a stand-alone incentive for the educational institution.

States with increased incentives to boost university research and development		
	Base Credit Structure	University Collaboration Incentive
Arizona	24% on first \$2.5 million; 15% of excess	Additional 10% if made basic research payments to university; \$10 million annual cap
Michigan	3% on in state R&D up to base level, 10% more for large firms, 15% for small firms; \$100 million cap total and \$2 million for large firm	5% bonus; \$200,000 cap
Missouri	15% on qualified expenditures; \$10 million	20% of Qualified expenses
Nebraska	15% of the federal R&D credit	35% of federal credit if university partnership

⁸ Hamilton Project

⁹ *Id.*

States with increased incentives to boost university research and development		
	Base Credit Structure	University Collaboration Incentive
Texas	5% qualified research expenditure over base; capped at 50% of franchise tax due	extra 2.18% if university partnership
Virginia	15% on first \$300,000; \$7.7 million cap with \$45,000 per company	extra 5% of qualifying expenses if research is done within university; \$60,000 per company

Universities also generate their own research and inventions that could be commercialized. Creating a lab-to-market culture within a university can produce more innovation and advancement. But the lab-to-market priorities of a university can vary among the parties involved. When an invention is created within the university setting and using university resources for the creation, the university has the patenting rights.

Oklahoma's flagship universities are ranked in the top 150 universities for research and development expenditures, according to the National Center for Science and Engineering Statistics Higher Education Research and Development Survey (OU at 76 and OSU at 129).¹⁰ Both could better encourage more technology commercialization.

In Oklahoma, the State Regents of Higher Education delegate the responsibility to ensure revenues from patented or commercialized inventions to the individual institutions. At the University of Oklahoma, the university retains 65% of any royalties stemming from the creation. This leaves 35% of the royalties for any investors and inventor.¹¹ Oklahoma State University provides the creator with 50% of revenues after the university recovers some costs, the rest split between the general fund and the creators' college.¹²

Meanwhile, inventors at the University of Michigan (ranking 4th in the HERD Survey) receive "50% of the first \$200,000 of Net Revenues, followed by 30% of Net Revenues over \$200,000." Then based on the net revenue, the University distributes various amounts to the inventor's department, school or college and the central administration. The University of Arkansas, like the University of Michigan, Arkansas provides inventors with 50% of the first \$200,000 in net revenues then 35% but has different policies for different programs.

The Texas A&M System takes a different approach. After costs are covered, the inventor receives a lump sum of the net income of 37.5%, the commercial development fund receives 5%, and the remaining 57.5% is based on the amount of income the project received in the fiscal year.

Conclusion

Creating a robust innovation ecosystem for Oklahoma's economy begins with a strong research and development culture, including a tax incentive and competitive inventor payments for university inventions. Without these things, Oklahoma will be unable to make up the lagging GDP growth and increase to advanced industries.

¹⁰ National Center for Science and Engineering Statistics, [Higher Education Research and Development Survey](#), 2023

¹¹ University of Oklahoma, [Intellectual Property Policy](#)

¹² Oklahoma State University, Intellectual Property, [Policy 1-0202](#)

¹³ National Center for Science and Engineering Statistics, [Higher Education Research and Development Survey](#), 2023

¹⁴ University of Michigan, [Policy on Intellectual Property and Commercialization](#)

¹⁵ *Id.*

¹⁶ University of Arkansas, [Board Policy 210.1](#)

¹⁷ Texas A&M University System, [Distribution of Royalties, License Fees and Sale Proceeds from Licensing](#)

Recommendations

- Increase the Research and Development Rebate, providing more of a rebate to strategic industries, university partnerships and rural area locations
- Modify the technology commercialization intellectual property revenue share to be more competitive

