

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                   STATE OF OKLAHOMA

3                   1st Session of the 60th Legislature (2025)

4                   ENGROSSED SENATE  
BILL NO. 688

5                   By: Hall of the Senate

6                   and

7                   Hilbert of the House

9                   [ **ad valorem tax - exemption for manufacturing**  
10                  **facilities - exception - payroll requirements -**  
11                  **applications -**

12                  **emergency ]**

13  
14  
15                  **BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:**

16                  SECTION 1.       AMENDATORY       68 O.S. 2021, Section 2902, as

17                  last amended by Section 1, Chapter 390, O.S.L. 2022 (68 O.S. Supp.  
18                  2024, Section 2902), is amended to read as follows:

19                  Section 2902. A. Except as otherwise provided by subsection H  
20                  of Section 3658 of this title pursuant to which the exemption  
21                  authorized by this section may not be claimed, a qualifying  
22                  manufacturing concern, as defined by Section 6B of Article X of the  
23                  Oklahoma Constitution, and as further defined herein, shall be  
24                  exempt from the levy of any ad valorem taxes upon new, expanded or

1 acquired manufacturing facilities including facilities engaged in  
2 research and development, for a period of five (5) years. The  
3 provisions of Section 6B of Article X of the Oklahoma Constitution  
4 requiring an existing facility to have been unoccupied for a period  
5 of twelve (12) months prior to acquisition shall be construed as a  
6 qualification for a facility to initially receive an exemption, and  
7 shall not be deemed to be a qualification for that facility to  
8 continue to receive an exemption in each of the four (4) years  
9 following the initial year for which the exemption was granted.  
10 Such facilities are hereby classified for the purposes of taxation  
11 as provided in Section 22 of Article X of the Oklahoma Constitution.

12       B. For purposes of this section, the following definitions  
13 shall apply:

14           1. "Manufacturing facilities" means facilities engaged in the  
15 mechanical or chemical transformation of materials or substances  
16 into new products and except as provided by paragraph 6 of  
17 subsection C of this section shall include:

- 18           a. establishments which have received a manufacturer  
19                   exemption permit pursuant to the provisions of Section  
20                   1359.2 of this title,  
21           b. facilities including repair and replacement parts,  
22                   primarily engaged in aircraft repair, building and  
23                   rebuilding whether or not on a factory basis,

- 1           c. establishments primarily engaged in computer services  
2           and data processing as defined under Industrial Group  
3           Numbers 5112 and 5415, and U.S. Industry Number 334611  
4           and 519130 of the NAICS Manual, latest revision, and  
5           which derive at least fifty percent (50%) of their  
6           annual gross revenues from the sale of a product or  
7           service to an out-of-state buyer or consumer, and as  
8           defined under Industrial Group Number 5182 of the  
9           NAICS Manual, latest revision, which derive at least  
10          eighty percent (80%) of their annual gross revenues  
11          from the sale of a product or service to an out-of-  
12          state buyer or consumer. Eligibility as a  
13          manufacturing facility pursuant to this subparagraph  
14          shall be established, subject to review by the  
15          Oklahoma Tax Commission, by annually filing an  
16          affidavit with the Tax Commission stating that the  
17          facility so qualifies and such other information as  
18          required by the Tax Commission. For purposes of  
19          determining whether annual gross revenues are derived  
20          from sales to out-of-state buyers, all sales to the  
21          federal government shall be considered to be an out-  
22          of-state buyer,
- 23           d. facilities that the investment cost of the  
24          construction, acquisition or expansion is Five Hundred

1 Thousand Dollars (\$500,000.00) or more with respect to  
2 assets placed into service during calendar year 2022.  
3 For subsequent calendar years, the investment required  
4 shall be increased annually by a percentage equal to  
5 the previous year's increase in the Consumer Price  
6 Index-All Urban Consumers ("CPI-U") and such adjusted  
7 amount shall be the required investment cost in order  
8 to qualify for the exemption authorized by this  
9 section. The Oklahoma Department of Commerce shall  
10 determine the amount of the increase, if any, on  
11 January 1 of each year. The Oklahoma Tax Commission  
12 shall publish on its website at least annually the  
13 adjusted dollar amount in order to qualify for the  
14 exemption authorized by this section and shall include  
15 the adjusted dollar amount in any of its relevant  
16 forms or publications with respect to the exemption.  
17 Provided, "investment cost" shall not include the cost  
18 of direct replacement, refurbishment, repair or  
19 maintenance of existing machinery or equipment, except  
20 that "~~investment cost~~" investment cost shall include  
21 capital expenditures for direct replacement,  
22 refurbishment, repair or maintenance of existing  
23 machinery or equipment that qualifies for depreciation  
24 and/or amortization pursuant to the Internal Revenue

1                   Code of 1986, as amended, and such expenditures shall  
2                   be eligible as a part of an "~~expansion~~" expansion that  
3                   otherwise qualifies under this section,

4                 e. establishments primarily engaged in distribution as  
5                   defined under Industry Numbers 49311, 49312, 49313 and  
6                   49319 and Industry Sector Number 42 of the NAICS  
7                   Manual, latest revision, and which meet the following  
8                   qualifications:

- 9                 (1) construction with an initial capital investment  
10                   of at least Five Million Dollars (\$5,000,000.00),  
11                 (2) employment of at least one hundred (100) full-  
12                   time-equivalent employees, as certified by the  
13                   Oklahoma Employment Security Commission,  
14                 (3) payment of wages or salaries to its employees at  
15                   a wage which equals or exceeds the average wage  
16                   requirements in the Oklahoma Quality Jobs Program  
17                   Act for the year in which the real property was  
18                   placed into service, and  
19                 (4) commencement of construction on or after November  
20                   1, 2007, with construction to be completed within  
21                   three (3) years from the date of the commencement  
22                   of construction,

23                 f. facilities engaged in the manufacturing, compounding,  
24                   processing or fabrication of materials into articles

of tangible personal property according to the special  
order of a customer (custom order manufacturing) by  
manufacturers classified as operating in North  
American Industry Classification System (NAICS)  
Sectors 32 and 33, but does not include such custom  
order manufacturing by manufacturers classified in  
other NAICS code sectors, and

g. with respect to any entity making an application for  
the exemption authorized by this section on or after  
January 1, 2023, the establishment making application  
for exempt treatment of real or personal property  
acquired or improved beginning January 1, 2022, and  
for any calendar year thereafter, the entity shall be  
required to pay new direct jobs, as defined by Section  
3603 of this title for purposes of the Oklahoma  
Quality Jobs Program Act, an average annualized wage  
which equals or exceeds the average wage requirement  
in the Oklahoma Quality Jobs Program Act for the year  
in which the real or personal property was placed into  
service. The Oklahoma Tax Commission may request  
verification from the Oklahoma Department of Commerce  
that an establishment seeking an exemption for real or  
personal property pays an average annualized wage that  
equals or exceeds the average wage requirement in

effect for the year in which the real or personal property was placed into service. For purposes of this subparagraph, it shall not be necessary for the establishment to qualify for incentive payments pursuant to the Oklahoma Quality Jobs Program Act, but the establishment shall be subject to the wage requirements of the Oklahoma Quality Jobs Program Act with respect to new direct jobs in order to qualify for the exempt treatment authorized by this section.

10        Eligibility as a manufacturing facility pursuant to this  
11 subparagraph shall be established, subject to review by the Tax  
12 Commission, by annually filing an affidavit with the Tax Commission  
13 stating that the facility so qualifies and containing such other  
14 information as required by the Tax Commission.

15       Provided, eating and drinking places, as well as other retail  
16 establishments, shall not qualify as manufacturing facilities for  
17 purposes of this section, nor shall centrally assessed properties.

18        Eligibility as a manufacturing facility pursuant to this  
19 subparagraph shall be established, subject to review by the Tax  
20 Commission, by annually filing an application with the Tax  
21 Commission stating that the facility so qualifies and containing  
22 such other information as required by the Tax Commission;

23        2. "Facility" and "facilities", except as otherwise provided by  
24 this section, means and includes the land, buildings, structures and

1 improvements used directly and exclusively in the manufacturing  
2 process. Effective January 1, 2022, and for each calendar year  
3 thereafter, for establishments which have received a manufacturer  
4 exemption permit pursuant to the provisions of Section 1359.2 of  
5 this title, or facilities engaged in manufacturing activities  
6 defined or classified in the NAICS Manual under Industry Nos. 311111  
7 through 339999, inclusive, but for no other establishments, facility  
8 and facilities means and includes the land, buildings, structures,  
9 improvements, machinery, fixtures, equipment and other personal  
10 property used directly and exclusively in the manufacturing process;  
11 and

12       3. "Research and development" means activities directly related  
13 to and conducted for the purpose of discovering, enhancing,  
14 increasing or improving future or existing products or processes or  
15 productivity.

16       C. The following provisions shall apply:

17       1. A manufacturing concern shall be entitled to the exemption  
18 herein provided for each new manufacturing facility constructed,  
19 each existing manufacturing facility acquired and the expansion of  
20 existing manufacturing facilities on the same site, as such terms  
21 are defined by Section 6B of Article X of the Oklahoma Constitution  
22 and by this section;

23       2. No manufacturing concern shall receive more than one five-  
24 year exemption for any one manufacturing facility unless the

1 expansion which qualifies the manufacturing facility for an  
2 additional five-year exemption meets the requirements of paragraph 4  
3 of this subsection and the employment level established for any  
4 previous exemption is maintained;

5       3. Any exemption as to the expansion of an existing  
6 manufacturing facility shall be limited to the increase in ad  
7 valorem taxes directly attributable to the expansion;

8       4. All initial applications for any exemption for a new,  
9 acquired or expanded manufacturing facility shall be granted only  
10 if:

11           a. there is a net increase in annualized base payroll  
12 over the initial payroll of at least Two Hundred Fifty  
13 Thousand Dollars (\$250,000.00) if the facility is  
14 located in a county with a population of fewer than  
15 seventy-five thousand (75,000), according to the most  
16 recent Federal Decennial Census, while maintaining or  
17 increasing base payroll in subsequent years, or at  
18 least One Million Dollars (\$1,000,000.00) if the  
19 facility is located in a county with a population of  
20 seventy-five thousand (75,000) or more, according to  
21 the most recent Federal Decennial Census, while  
22 maintaining or increasing base payroll in subsequent  
23 years; provided, the payroll requirement of this  
24 subparagraph shall be waived for claims for exemptions

1 including claims previously denied or on appeal on  
2 March 3, 2010, for all initial applications for  
3 exemption filed on or after January 1, 2004, and on or  
4 before March 31, 2009, and all subsequent annual  
5 exemption applications filed related to the initial  
6 application for exemption, for an applicant, if the  
7 facility has been located in Oklahoma for at least  
8 fifteen (15) years engaged in marine engine  
9 manufacturing as defined under U.S. Industry Number  
10 333618 of the NAICS Manual, latest revision, and has  
11 maintained an average employment of five hundred (500)  
12 or more full-time-equivalent employees over a ten-year  
13 period. Any applicant that qualifies for the payroll  
14 requirement waiver as outlined in the previous  
15 sentence and subsequently closes its Oklahoma  
16 manufacturing plant prior to January 1, 2012, may be  
17 disqualified for exemption and subject to recapture.  
18 For an applicant engaged in paperboard manufacturing  
19 as defined under U.S. Industry Number 322130 of the  
20 NAICS Manual, latest revision, union master payouts  
21 paid by the buyer of the facility to specified  
22 individuals employed by the facility at the time of  
23 purchase, as specified under the purchase agreement,  
24

1 shall be excluded from payroll for purposes of this  
2 section.

3 In order to provide certainty with respect to  
4 investments in manufacturing facilities pertaining to  
5 all initial applications for exemption filed on or  
6 after January 1, 2016, the following definitions shall  
7 apply:

8 (1) "base payroll" shall mean total payroll adjusted  
9 for any nonrecurring bonuses, exercise of stock  
10 option or stock rights and other nonrecurring,  
11 extraordinary items included in total payroll,  
12 and

13 (2) "initial payroll" shall mean base payroll for the  
14 year immediately preceding the initial  
15 construction, acquisition or expansion.

16 The Tax Commission shall verify payroll  
17 information through the Oklahoma Employment  
18 Security Commission by using reports from the  
19 Oklahoma Employment Security Commission for the  
20 calendar year immediately preceding the year for  
21 which initial application is made for base-line  
22 payroll, which must be maintained or increased  
23 for each subsequent year; provided, a  
24 manufacturing facility shall have the option of

1                         excluding from its payroll, for purposes of this  
2                         section:

- 3                         i.        payments to sole proprietors, members  
4                                 of a partnership, members of a limited  
5                                 liability company who own at least ten  
6                                 percent (10%) of the capital of the  
7                                 limited liability company or  
8                                 stockholder-employees of a corporation  
9                                 who own at least ten percent (10%) of  
10                                 the stock in the corporation, and  
11                         ii.      any nonrecurring bonuses, exercise of  
12                                 stock option or stock rights or other  
13                                 nonrecurring, extraordinary items  
14                                 included in total payroll numbers as  
15                                 reported by the Oklahoma Employment  
16                                 Security Commission. A manufacturing  
17                                 facility electing either option shall  
18                                 indicate such election upon its  
19                                 application for an exemption under this  
20                                 section. Any manufacturing facility  
21                                 electing either option shall submit  
22                                 such information as the Tax Commission  
23                                 may require in order to verify payroll  
24                                 information. Payroll information

1 submitted pursuant to the provisions of  
2 this paragraph shall be submitted to  
3 the Tax Commission and shall be subject  
4 to the provisions of Section 205 of  
5 this title, and

6 b. the facility offers, or will offer within one hundred  
7 eighty (180) days of the date of employment, a basic  
8 health benefits plan to the full-time-equivalent  
9 employees of the facility, which is determined by the  
10 Oklahoma Department of Commerce to consist of the  
11 elements specified in subparagraph b of paragraph 1 of  
12 subsection A of Section 3603 of this title or elements  
13 substantially equivalent thereto.

14 For purposes of this section, calculation of the amount of  
15 increased base payroll shall be measured from the start of initial  
16 construction or expansion to the completion of such construction or  
17 expansion or for three (3) years from the start of initial  
18 construction or expansion, whichever occurs first. The amount of  
19 increased base payroll shall include payroll for full-time-  
20 equivalent employees in this state who are employed by an entity  
21 other than the facility which has previously or is currently  
22 qualified to receive an exemption pursuant to the provisions of this  
23 section and who are leased or otherwise provided to the facility, if  
24 such employment did not exist in this state prior to the start of

1 initial construction or expansion of the facility. The  
2 manufacturing concern shall submit an affidavit to the Tax  
3 Commission, signed by an officer, stating that the construction,  
4 acquisition or expansion of the facility will result in a net  
5 increase in the annualized base payroll as required by this  
6 paragraph and that full-time-equivalent employees of the facility  
7 are or will be offered a basic health benefits plan as required by  
8 this paragraph. If, after the completion of such construction or  
9 expansion or after three (3) years from the start of initial  
10 construction or expansion, whichever occurs first, the construction,  
11 acquisition or expansion has not resulted in a net increase in the  
12 amount of annualized base payroll, if required, or any other  
13 qualification specified in this paragraph has not been met, the  
14 manufacturing concern shall pay an amount equal to the amount of any  
15 exemption granted including penalties and interest thereon, to the  
16 Tax Commission for deposit to the Ad Valorem Reimbursement Fund;

17       5. Except as otherwise provided by this paragraph, any new,  
18 acquired or expanded computer data processing, data preparation or  
19 information processing services provider classified in U.S. Industry  
20 Number 518210 of the North American Industrial Classification System  
21 (NAICS) Manual, 2017 revision, may apply for exemptions under this  
22 section for each year in which new, acquired, or expanded capital  
23 improvements to the facility are made for assets placed in service  
24 not later than December 31, 2021, if:

- 1           a. there is a net increase in annualized payroll of the  
2           applicant at any facility or facilities of the  
3           applicant in this state of at least Two Hundred Fifty  
4           Thousand Dollars (\$250,000.00), which is attributable  
5           to the capital improvements, or a net increase of  
6           Seven Million Dollars (\$7,000,000.00) or more in  
7           capital improvements, while maintaining or increasing  
8           payroll at the facility or facilities in this state  
9           which are included in the application, and
- 10          b. the facility offers, or will offer within one hundred  
11           eighty (180) days of the date of employment of new  
12           employees attributable to the capital improvements, a  
13           basic health benefits plan to the full-time-equivalent  
14           employees of the facility, which is determined by the  
15           Oklahoma Department of Commerce to consist of the  
16           elements specified in subparagraph b of paragraph 1 of  
17           subsection A of Section 3603 of this title or elements  
18           substantially equivalent thereto.

19           An establishment described by this paragraph, the primary  
20           business activity of which is described by Industry No. 518210 of  
21           the North American Industry Classification System (NAICS) Manual,  
22           2017 revision, that has applied for and been granted an exemption  
23           for personal property at any time within five (5) years prior to  
24           November 1, 2021, may apply for exemptions for items of eligible

1 personal property to be located within improvements to real property  
2 and such real property and improvements having been exempt from ad  
3 valorem taxation prior to November 1, 2021, pursuant to the  
4 provisions of this section if such personal property is placed in  
5 service not later than December 31, 2036. No additional personal  
6 property of such establishment placed in service after such date  
7 shall qualify for the exempt treatment otherwise authorized pursuant  
8 to this paragraph;

9       6. Effective January 1, 2017, an entity engaged in electric  
10 power generation by means of wind, as described by the North  
11 American Industry Classification System, No. 221119, shall not be  
12 defined as a qualifying manufacturing concern for purposes of the  
13 exemption otherwise authorized pursuant to Section 6B of Article X  
14 of the Oklahoma Constitution or qualify as a "manufacturing  
15 facility" manufacturing facility as defined in this section. No  
16 initial application for exemption shall be filed by or accepted from  
17 an entity engaged in electric power generation by means of wind on  
18 or after January 1, 2018;

19       7. An entity or applicant engaged in an industry as defined  
20 under U.S. Industry Number 324110 of the NAICS Manual, latest  
21 revision, which has applied for or been granted an exemption for a  
22 time period which began on or after calendar year 2012 and before  
23 calendar year 2016 but which did not meet the payroll requirements  
24 of subparagraph a of paragraph 4 of this subsection because of

1 nonrecurring bonuses, exercise of stock option or stock rights or  
2 other nonrecurring, extraordinary items included in total payroll in  
3 the previous year, shall be allowed an exemption, beginning with  
4 calendar year 2016, for the number of years including the calendar  
5 year for which the exemption was denied, remaining in the entity's  
6 five-year exemption period, provided such entity attains or  
7 increases payroll at or above the initial or base payroll  
8 established for the exemption;

9       8. A facility engaged in manufacturing defined under U.S.  
10 Industry Number 327310 of the NAICS Manual shall have the payroll  
11 requirements of paragraph 4 of this subsection waived for tax year  
12 2021, which is based in part on the 2020 calendar year payroll  
13 reported to the Oklahoma Employment Security Commission, and may  
14 continue to receive the exemption for the five-year period provided  
15 in this section only if all other requirements of this section are  
16 met; and

17       9. A facility engaged in manufacturing which otherwise  
18 qualifies for the exemption or exemptions pursuant to the provisions  
19 of this section shall have the payroll requirements of paragraph 4  
20 of this subsection waived for tax year 2021, which is based in part  
21 on the 2020 calendar year payroll reported to the Oklahoma  
22 Employment Security Commission, and for tax year 2022, which is  
23 based in part on the 2021 calendar year payroll reported to the  
24 Oklahoma Employment Security Commission, and may continue to receive

1 the exemption for the five-year period provided in this section only  
2 if all other requirements of this section are met. Provided, a  
3 facility engaged in manufacturing as defined under Industrial Group  
4 Number 3364 of the NAICS Manual, latest revision, which otherwise  
5 qualifies to continue to receive the exemption for the five-year  
6 period provided in this section shall have the payroll requirements  
7 of paragraph 4 of this subsection waived for the five-year exemption  
8 period of those initial exemption applications filed after January  
9 1, 2020, and before March 16, 2021.

10 D. 1. Except as provided in paragraph 2 of this subsection,  
11 the five-year period of exemption from ad valorem taxes for any  
12 qualifying manufacturing facility property shall begin on January 1  
13 following the initial qualifying use of the property in the  
14 manufacturing process.

15 2. The five-year period of exemption from ad valorem taxes for  
16 any qualifying manufacturing facility, as specified in subparagraphs  
17 a and b of this paragraph, which is located within a tax incentive  
18 district created pursuant to the Local Development Act by a county  
19 having a population of at least five hundred thousand (500,000),  
20 according to the most recent Federal Decennial Census, shall begin  
21 on January 1 following the expiration or termination of the ad  
22 valorem exemption, abatement, or other incentive provided through  
23 the tax incentive district. Facilities qualifying pursuant to this  
24 subsection shall include:

1                   a. a manufacturing facility as defined in subparagraph c  
2                   of paragraph 1 of subsection B of this section, and  
3                   b. an establishment primarily engaged in distribution as  
4                   defined under Industry Number 49311 of the North  
5                   American Industry Classification System for which the  
6                   initial capital investment was at least One Hundred  
7                   Eighty Million Dollars (\$180,000,000.00); provided,  
8                   that the qualifying job creation and depreciable  
9                   property investment occurred prior to calendar year  
10                  2017 but not earlier than calendar year 2013.

11                 E. Any person, firm or corporation claiming the exemption  
12                 herein provided for shall file each year for which exemption is  
13                 claimed, an application therefor with the county assessor of the  
14                 county in which the new, expanded or acquired facility is located.  
15                 The application shall be on a form or forms prescribed by the Tax  
16                 Commission, and shall be filed on or before March 15, except as  
17                 provided in Section 2902.1 of this title, of each year in which the  
18                 facility desires to take the exemption or within thirty (30) days  
19                 from and after receipt by such person, firm or corporation of notice  
20                 of valuation increase, whichever is later. In a case where  
21                 completion of the facility or facilities will occur after January 1  
22                 of a given year, a facility may apply to claim the ad valorem tax  
23                 exemption for that year. If such facility is found to be qualified  
24                 for exemption, the ad valorem tax exemption provided for herein

1 shall be granted for that entire year and shall apply to the ad  
2 valorem valuation as of January 1 of that given year. For  
3 applicants who qualify under the provisions of subparagraph b of  
4 paragraph 1 of subsection B of this section, the application shall  
5 include a copy of the affidavit and any other information required  
6 to be filed with the Tax Commission.

7 F. The application shall be examined by the county assessor and  
8 approved or rejected in the same manner as provided by law for  
9 approval or rejection of claims for homestead exemptions. The  
10 taxpayer shall have the same right of review by and appeal from the  
11 county board of equalization, in the same manner and subject to the  
12 same requirements as provided by law for review and appeals  
13 concerning homestead exemption claims. Approved applications shall  
14 be filed by the county assessor with the Tax Commission no later  
15 than June 15, except as provided in Section 2902.1 of this title, of  
16 the year in which the facility desires to take the exemption.

17 Incomplete applications and applications filed after June 15 will be  
18 declared null and void by the Tax Commission. In the event that a  
19 taxpayer qualified to receive an exemption pursuant to the  
20 provisions of this section shall make payment of ad valorem taxes in  
21 excess of the amount due, the county treasurer shall have the  
22 authority to credit the taxpayer's real or personal property tax  
23 overpayment against current taxes due. The county treasurer may

24

1 establish a schedule of up to five (5) years of credit to resolve  
2 the overpayment.

3 G. Nothing herein shall in any manner affect, alter or impair  
4 any law relating to the assessment of property, and all property,  
5 real or personal, which may be entitled to exemption hereunder shall  
6 be valued and assessed as is other like property and as provided by  
7 law. The valuation and assessment of property for which an  
8 exemption is granted hereunder shall be performed by the Tax  
9 Commission using one or more of the cost, income and expense and  
10 sales comparison approaches to estimate fair cash value in  
11 accordance with the Uniform Standards of Professional Appraisal  
12 Practice.

13 H. The Tax Commission shall have the authority and duty to  
14 prescribe forms and to promulgate rules as may be necessary to carry  
15 out and administer the terms and provisions of this section.

16 SECTION 2. It being immediately necessary for the preservation  
17 of the public peace, health or safety, an emergency is hereby  
18 declared to exist, by reason whereof this act shall take effect and  
19 be in full force from and after its passage and approval.

20  
21 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
04/16/2025 - DO PASS, As Amended.  
22  
23  
24