

1 ENGROSSED HOUSE AMENDMENT

2 TO

2 ENGROSSED SENATE BILL NO. 688

By: Hall of the Senate

3 and

4 Hilbert of the House

5  
6  
7 An Act relating to ad valorem tax; amending 68 O.S.  
8 2021, Section 2902, as last amended by Section 1,  
9 Chapter 390, O.S.L. 2022 (68 O.S. Supp. 2024, Section  
10 2902), which relates to the exemption from ad valorem  
11 tax for manufacturing facilities; providing exception  
12 to payroll requirements for certain applications;  
13 updating statutory language; and declaring an  
14 emergency.

15  
16 AMENDMENT NO. 1. Strike the title, enacting clause, and entire bill  
17 and insert:

18  
19 "An Act relating to ad valorem tax; amending 68 O.S.  
20 2021, Section 2902, as last amended by Section 1,  
21 Chapter 390, O.S.L. 2022 (68 O.S. Supp. 2024, Section  
22 2902), which relates to the exemption from ad valorem  
23 tax for manufacturing facilities; providing exception  
24 to payroll requirements for certain applications;  
updating statutory language; and declaring an  
emergency.

1 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

3 last amended by Section 1, Chapter 390, O.S.L. 2022 (68 O.S. Supp.

4 2024, Section 2902), is amended to read as follows:

5 Section 2902. A. Except as otherwise provided by subsection H

6 of Section 3658 of this title pursuant to which the exemption

7 authorized by this section may not be claimed, a qualifying

8 manufacturing concern, as defined by Section 6B of Article X of the

9 Oklahoma Constitution, and as further defined herein, shall be

10 exempt from the levy of any ad valorem taxes upon new, expanded or

11 acquired manufacturing facilities including facilities engaged in

12 research and development, for a period of five (5) years. The

13 provisions of Section 6B of Article X of the Oklahoma Constitution

14 requiring an existing facility to have been unoccupied for a period

15 of twelve (12) months prior to acquisition shall be construed as a

16 qualification for a facility to initially receive an exemption, and

17 shall not be deemed to be a qualification for that facility to

18 continue to receive an exemption in each of the four (4) years

19 following the initial year for which the exemption was granted.

20 Such facilities are hereby classified for the purposes of taxation

21 as provided in Section 22 of Article X of the Oklahoma Constitution.

22 B. For purposes of this section, the following definitions

23 shall apply:

1       1. "Manufacturing facilities" means facilities engaged in the  
2 mechanical or chemical transformation of materials or substances  
3 into new products and except as provided by paragraph 6 of  
4 subsection C of this section shall include:  
5           a. establishments which have received a manufacturer  
6              exemption permit pursuant to the provisions of Section  
7              1359.2 of this title,  
8           b. facilities including repair and replacement parts,  
9              primarily engaged in aircraft repair, building and  
10             rebuilding whether or not on a factory basis,  
11           c. establishments primarily engaged in computer services  
12              and data processing as defined under Industrial Group  
13              Numbers 5112 and 5415, and U.S. Industry Number 334611  
14              and 519130 of the NAICS Manual, latest revision, and  
15              which derive at least fifty percent (50%) of their  
16              annual gross revenues from the sale of a product or  
17              service to an out-of-state buyer or consumer, and as  
18              defined under Industrial Group Number 5182 of the  
19              NAICS Manual, latest revision, which derive at least  
20              eighty percent (80%) of their annual gross revenues  
21              from the sale of a product or service to an out-of-  
22              state buyer or consumer. Eligibility as a  
23              manufacturing facility pursuant to this subparagraph  
24              shall be established, subject to review by the

Oklahoma Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such other information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers, all sales to the federal government shall be considered to be an out-of-state buyer,

- d. facilities that the investment cost of the construction, acquisition or expansion is Five Hundred Thousand Dollars (\$500,000.00) or more with respect to assets placed into service during calendar year 2022. For subsequent calendar years, the investment required shall be increased annually by a percentage equal to the previous year's increase in the Consumer Price Index-All Urban Consumers ("CPI-U") and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by this section. The Oklahoma Department of Commerce shall determine the amount of the increase, if any, on January 1 of each year. The Oklahoma Tax Commission shall publish on its website at least annually the adjusted dollar amount in order to qualify for the exemption authorized by this section and shall include

1                   the adjusted dollar amount in any of its relevant  
2                   forms or publications with respect to the exemption.  
3                   Provided, "investment cost" shall not include the cost  
4                   of direct replacement, refurbishment, repair or  
5                   maintenance of existing machinery or equipment, except  
6                   that "~~investment cost~~" investment cost shall include  
7                   capital expenditures for direct replacement,  
8                   refurbishment, repair or maintenance of existing  
9                   machinery or equipment that qualifies for depreciation  
10                  and/or amortization pursuant to the Internal Revenue  
11                  Code of 1986, as amended, and such expenditures shall  
12                  be eligible as a part of an "~~expansion~~" expansion that  
13                  otherwise qualifies under this section,

14                 e.           establishments primarily engaged in distribution as  
15                  defined under Industry Numbers 49311, 49312, 49313 and  
16                  49319 and Industry Sector Number 42 of the NAICS  
17                  Manual, latest revision, and which meet the following  
18                  qualifications:

- 19                 (1)           construction with an initial capital investment  
20                    of at least Five Million Dollars (\$5,000,000.00),  
21                 (2)           employment of at least one hundred (100) full-  
22                   time-equivalent employees, as certified by the  
23                   Oklahoma Employment Security Commission,

- (3) payment of wages or salaries to its employees at a wage which equals or exceeds the average wage requirements in the Oklahoma Quality Jobs Program Act for the year in which the real property was placed into service, and
- (4) commencement of construction on or after November 1, 2007, with construction to be completed within three (3) years from the date of the commencement of construction,

f. facilities engaged in the manufacturing, compounding, 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

1 required to pay new direct jobs, as defined by Section  
2 3603 of this title for purposes of the Oklahoma  
3 Quality Jobs Program Act, an average annualized wage  
4 which equals or exceeds the average wage requirement  
5 in the Oklahoma Quality Jobs Program Act for the year  
6 in which the real or personal property was placed into  
7 service. The Oklahoma Tax Commission may request  
8 verification from the Oklahoma Department of Commerce  
9 that an establishment seeking an exemption for real or  
10 personal property pays an average annualized wage that  
11 equals or exceeds the average wage requirement in  
12 effect for the year in which the real or personal  
13 property was placed into service. For purposes of  
14 this subparagraph, it shall not be necessary for the  
15 establishment to qualify for incentive payments  
16 pursuant to the Oklahoma Quality Jobs Program Act, but  
17 the establishment shall be subject to the wage  
18 requirements of the Oklahoma Quality Jobs Program Act  
19 with respect to new direct jobs in order to qualify  
20 for the exempt treatment authorized by this section.

21 Eligibility as a manufacturing facility pursuant to this  
22 subparagraph shall be established, subject to review by the Tax  
23 Commission, by annually filing an affidavit with the Tax Commission  
24

1 stating that the facility so qualifies and containing such other  
2 information as required by the Tax Commission.

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

6 Eligibility as a manufacturing facility pursuant to this  
7 subparagraph shall be established, subject to review by the Tax  
8 Commission, by annually filing an application with the Tax  
9 Commission stating that the facility so qualifies and containing  
10 such other information as required by the Tax Commission;

11 2. "Facility" and "facilities", except as otherwise provided by  
12 this section, means and includes the land, buildings, structures and  
13 improvements used directly and exclusively in the manufacturing  
14 process. Effective January 1, 2022, and for each calendar year  
15 thereafter, for establishments which have received a manufacturer  
16 exemption permit pursuant to the provisions of Section 1359.2 of  
17 this title, or facilities engaged in manufacturing activities  
18 defined or classified in the NAICS Manual under Industry Nos. 311111  
19 through 339999, inclusive, but for no other establishments, facility  
20 and facilities means and includes the land, buildings, structures,  
21 improvements, machinery, fixtures, equipment and other personal  
22 property used directly and exclusively in the manufacturing process;  
23 and

1       3. "Research and development" means activities directly related  
2 to and conducted for the purpose of discovering, enhancing,  
3 increasing or improving future or existing products or processes or  
4 productivity.

5           C. The following provisions shall apply:

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

12           2. No manufacturing concern shall receive more than one five-  
13 year exemption for any one manufacturing facility unless the  
14 expansion which qualifies the manufacturing facility for an  
15 additional five-year exemption meets the requirements of paragraph 4  
16 of this subsection and the employment level established for any  
17 previous exemption is maintained;

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

21           4. All initial applications for any exemption for a new,  
22 acquired or expanded manufacturing facility shall be granted only  
23 if:

1           a. there is a net increase in annualized base payroll  
2                 over the initial payroll of at least Two Hundred Fifty  
3                 Thousand Dollars (\$250,000.00) if the facility is  
4                 located in a county with a population of fewer than  
5                 seventy-five thousand (75,000), according to the most  
6                 recent Federal Decennial Census, while maintaining or  
7                 increasing base payroll in subsequent years, or at  
8                 least One Million Dollars (\$1,000,000.00) if the  
9                 facility is located in a county with a population of  
10                 seventy-five thousand (75,000) or more, according to  
11                 the most recent Federal Decennial Census, while  
12                 maintaining or increasing base payroll in subsequent  
13                 years; provided, the payroll requirement of this  
14                 subparagraph shall be waived for claims for exemptions  
15                 including claims previously denied or on appeal on  
16                 March 3, 2010, for all initial applications for  
17                 exemption filed on or after January 1, 2004, and on or  
18                 before March 31, 2009, and all subsequent annual  
19                 exemption applications filed related to the initial  
20                 application for exemption, for an applicant, if the  
21                 facility has been located in Oklahoma for at least  
22                 fifteen (15) years engaged in marine engine  
23                 manufacturing as defined under U.S. Industry Number  
24                 333618 of the NAICS Manual, latest revision, and has

maintained an average employment of five hundred (500) or more full-time-equivalent employees over a ten-year period. Any applicant that qualifies for the payroll requirement waiver as outlined in the previous sentence and subsequently closes its Oklahoma manufacturing plant prior to January 1, 2012, may be disqualified for exemption and subject to recapture. For an applicant engaged in paperboard manufacturing as defined under U.S. Industry Number 322130 of the NAICS Manual, latest revision, union master payouts paid by the buyer of the facility to specified individuals employed by the facility at the time of purchase, as specified under the purchase agreement, shall be excluded from payroll for purposes of this section.

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

(1) "base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring,

1                   extraordinary items included in total payroll,  
2                   and

3       (2) "initial payroll" shall mean base payroll for the  
4                   year immediately preceding the initial  
5                   construction, acquisition or expansion.

6                   The Tax Commission shall verify payroll  
7                   information through the Oklahoma Employment  
8                   Security Commission by using reports from the  
9                   Oklahoma Employment Security Commission for the  
10                  calendar year immediately preceding the year for  
11                  which initial application is made for base-line  
12                  payroll, which must be maintained or increased  
13                  for each subsequent year; provided, a  
14                  manufacturing facility shall have the option of  
15                  excluding from its payroll, for purposes of this  
16                  section:

17                  i. payments to sole proprietors, members  
18                  of a partnership, members of a limited  
19                  liability company who own at least ten  
20                  percent (10%) of the capital of the  
21                  limited liability company or  
22                  stockholder-employees of a corporation  
23                  who own at least ten percent (10%) of  
24                  the stock in the corporation, and

any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers as reported by the Oklahoma Employment Security Commission. A manufacturing facility electing either option shall indicate such election upon its application for an exemption under this section. Any manufacturing facility electing either option shall submit such information as the Tax Commission may require in order to verify payroll information. Payroll information submitted pursuant to the provisions of this paragraph shall be submitted to the Tax Commission and shall be subject to the provisions of Section 205 of this title, and

b. the facility offers, or will offer within one hundred eighty (180) days of the date of employment, a basic health benefits plan to the full-time-equivalent employees of the facility, which is determined by the Oklahoma Department of Commerce to consist of the

elements specified in subparagraph b of paragraph 1 of subsection A of Section 3603 of this title or elements substantially equivalent thereto.

For purposes of this section, calculation of the amount of increased base payroll shall be measured from the start of initial construction or expansion to the completion of such construction or expansion or for three (3) years from the start of initial construction or expansion, whichever occurs first. The amount of increased base payroll shall include payroll for full-time-equivalent employees in this state who are employed by an entity other than the facility which has previously or is currently qualified to receive an exemption pursuant to the provisions of this section and who are leased or otherwise provided to the facility, if such employment did not exist in this state prior to the start of initial construction or expansion of the facility. The manufacturing concern shall submit an affidavit to the Tax Commission, signed by an officer, stating that the construction, acquisition or expansion of the facility will result in a net increase in the annualized base payroll as required by this paragraph and that full-time-equivalent employees of the facility are or will be offered a basic health benefits plan as required by this paragraph. If, after the completion of such construction or expansion or after three (3) years from the start of initial construction or expansion, whichever occurs first, the construction,

1 acquisition or expansion has not resulted in a net increase in the  
2 amount of annualized base payroll, if required, or any other  
3 qualification specified in this paragraph has not been met, the  
4 manufacturing concern shall pay an amount equal to the amount of any  
5 exemption granted including penalties and interest thereon, to the  
6 Tax Commission for deposit to the Ad Valorem Reimbursement Fund;

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

15           a. there is a net increase in annualized payroll of the  
16              applicant at any facility or facilities of the  
17              applicant in this state of at least Two Hundred Fifty  
18              Thousand Dollars (\$250,000.00), which is attributable  
19              to the capital improvements, or a net increase of  
20              Seven Million Dollars (\$7,000,000.00) or more in  
21              capital improvements, while maintaining or increasing  
22              payroll at the facility or facilities in this state  
23              which are included in the application, and

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

10          An establishment described by this paragraph, the primary  
11         business activity of which is described by Industry No. 518210 of  
12         the North American Industry Classification System (NAICS) Manual,  
13         2017 revision, that has applied for and been granted an exemption  
14         for personal property at any time within five (5) years prior to  
15         November 1, 2021, may apply for exemptions for items of eligible  
16         personal property to be located within improvements to real property  
17         and such real property and improvements having been exempt from ad  
18         valorem taxation prior to November 1, 2021, pursuant to the  
19         provisions of this section if such personal property is placed in  
20         service not later than December 31, 2036. No additional personal  
21         property of such establishment placed in service after such date  
22         shall qualify for the exempt treatment otherwise authorized pursuant  
23         to this paragraph;

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

11       7. An entity or applicant engaged in an industry as defined  
12 under U.S. Industry Number 324110 of the NAICS Manual, latest  
13 revision, which has applied for or been granted an exemption for a  
14 time period which began on or after calendar year 2012 and before  
15 calendar year 2016 but which did not meet the payroll requirements  
16 of subparagraph a of paragraph 4 of this subsection because of  
17 nonrecurring bonuses, exercise of stock option or stock rights or  
18 other nonrecurring, extraordinary items included in total payroll in  
19 the previous year, shall be allowed an exemption, beginning with  
20 calendar year 2016, for the number of years including the calendar  
21 year for which the exemption was denied, remaining in the entity's  
22 five-year exemption period, provided such entity attains or  
23 increases payroll at or above the initial or base payroll  
24 established for the exemption;

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

9       9. A facility engaged in manufacturing which otherwise  
10 qualifies for the exemption or exemptions pursuant to the provisions  
11 of this section shall have the payroll requirements of paragraph 4  
12 of this subsection waived for tax year 2021, which is based in part  
13 on the 2020 calendar year payroll reported to the Oklahoma  
14 Employment Security Commission, and for tax year 2022, which is  
15 based in part on the 2021 calendar year payroll reported to the  
16 Oklahoma Employment Security Commission, and may continue to receive  
17 the exemption for the five-year period provided in this section only  
18 if all other requirements of this section are met. Provided, a  
19 facility engaged in manufacturing as defined under Industrial Group  
20 Number 3364 of the NAICS Manual, latest revision, which otherwise  
21 qualifies or qualified to receive the exemption for the five-year  
22 period provided in this section, including claims previously denied,  
23 shall have the payroll requirements of paragraph 4 of this  
24 subsection waived for the five-year exemption period of those

1   initial exemption applications filed after January 1, 2020, and  
2   before March 16, 2021.

3           D. 1. Except as provided in paragraph 2 of this subsection,  
4       the five-year period of exemption from ad valorem taxes for any  
5       qualifying manufacturing facility property shall begin on January 1  
6       following the initial qualifying use of the property in the  
7       manufacturing process.

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

- 18           a. a manufacturing facility as defined in subparagraph c  
19                   of paragraph 1 of subsection B of this section, and  
20           b. an establishment primarily engaged in distribution as  
21                   defined under Industry Number 49311 of the North  
22                   American Industry Classification System for which the  
23                   initial capital investment was at least One Hundred  
24                   Eighty Million Dollars (\$180,000,000.00); provided,

1                   that the qualifying job creation and depreciable  
2                   property investment occurred prior to calendar year  
3                   2017 but not earlier than calendar year 2013.

4       E. Any person, firm or corporation claiming the exemption  
5       herein provided for shall file each year for which exemption is  
6       claimed, an application therefor with the county assessor of the  
7       county in which the new, expanded or acquired facility is located.  
8       The application shall be on a form or forms prescribed by the Tax  
9       Commission, and shall be filed on or before March 15, except as  
10      provided in Section 2902.1 of this title, of each year in which the  
11      facility desires to take the exemption or within thirty (30) days  
12      from and after receipt by such person, firm or corporation of notice  
13      of valuation increase, whichever is later. In a case where  
14      completion of the facility or facilities will occur after January 1  
15      of a given year, a facility may apply to claim the ad valorem tax  
16      exemption for that year. If such facility is found to be qualified  
17      for exemption, the ad valorem tax exemption provided for herein  
18      shall be granted for that entire year and shall apply to the ad  
19      valorem valuation as of January 1 of that given year. For  
20      applicants who qualify under the provisions of subparagraph b of  
21      paragraph 1 of subsection B of this section, the application shall  
22      include a copy of the affidavit and any other information required  
23      to be filed with the Tax Commission.

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

11 Incomplete applications and applications filed after June 15 will be  
12 declared null and void by the Tax Commission. In the event that a  
13 taxpayer qualified to receive an exemption pursuant to the  
14 provisions of this section shall make payment of ad valorem taxes in  
15 excess of the amount due, the county treasurer shall have the  
16 authority to credit the taxpayer's real or personal property tax  
17 overpayment against current taxes due. The county treasurer may  
18 establish a schedule of up to five (5) years of credit to resolve  
19 the overpayment.

20       G. Nothing herein shall in any manner affect, alter or impair  
21 any law relating to the assessment of property, and all property,  
22 real or personal, which may be entitled to exemption hereunder shall  
23 be valued and assessed as is other like property and as provided by  
24 law. The valuation and assessment of property for which an

1 exemption is granted hereunder shall be performed by the Tax  
2 Commission using one or more of the cost, income and expense and  
3 sales comparison approaches to estimate fair cash value in  
4 accordance with the Uniform Standards of Professional Appraisal  
5 Practice.

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

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

13 Passed the House of Representatives the 8th day of May, 2025.

14  
15  
16 \_\_\_\_\_  
17 Presiding Officer of the House of  
18 Representatives

19 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2025.

20  
21 \_\_\_\_\_  
22 Presiding Officer of the Senate  
23  
24

1 ENGROSSED SENATE  
2 BILL NO. 688

3 By: Hall of the Senate

4 and

5 Hilbert of the House

6 An Act relating to ad valorem tax; amending 68 O.S.  
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14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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17 2024, Section 2902), is amended to read as follows:

18 Section 2902. A. Except as otherwise provided by subsection H  
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20 authorized by this section may not be claimed, a qualifying  
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22 Oklahoma Constitution, and as further defined herein, shall be  
23 exempt from the levy of any ad valorem taxes upon new, expanded or  
24 acquired manufacturing facilities including facilities engaged in  
research and development, for a period of five (5) years. The  
provisions of Section 6B of Article X of the Oklahoma Constitution

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

9 |       B. For purposes of this section, the following definitions  
10 | shall apply:

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12 | mechanical or chemical transformation of materials or substances  
13 | into new products and except as provided by paragraph 6 of  
14 | subsection C of this section shall include:

- 15 |           a. establishments which have received a manufacturer  
16 |              exemption permit pursuant to the provisions of Section  
17 |              1359.2 of this title,  
18 |           b. facilities including repair and replacement parts,  
19 |              primarily engaged in aircraft repair, building and  
20 |              rebuilding whether or not on a factory basis,  
21 |           c. establishments primarily engaged in computer services  
22 |              and data processing as defined under Industrial Group  
23 |              Numbers 5112 and 5415, and U.S. Industry Number 334611  
24 |              and 519130 of the NAICS Manual, latest revision, and

which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer, and as defined under Industrial Group Number 5182 of the NAICS Manual, latest revision, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer. Eligibility as a manufacturing facility pursuant to this subparagraph shall be established, subject to review by the Oklahoma Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such other information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers, all sales to the federal government shall be considered to be an out-of-state buyer,

- d. facilities that the investment cost of the construction, acquisition or expansion is Five Hundred Thousand Dollars (\$500,000.00) or more with respect to assets placed into service during calendar year 2022. For subsequent calendar years, the investment required shall be increased annually by a percentage equal to

the previous year's increase in the Consumer Price Index-All Urban Consumers ("CPI-U") and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by this section. The Oklahoma Department of Commerce shall determine the amount of the increase, if any, on January 1 of each year. The Oklahoma Tax Commission shall publish on its website at least annually the adjusted dollar amount in order to qualify for the exemption authorized by this section and shall include the adjusted dollar amount in any of its relevant forms or publications with respect to the exemption.

Provided, "investment cost" shall not include the cost of direct replacement, refurbishment, repair or maintenance of existing machinery or equipment, except that ~~"investment cost"~~ investment cost shall include capital expenditures for direct replacement, refurbishment, repair or maintenance of existing machinery or equipment that qualifies for depreciation and/or amortization pursuant to the Internal Revenue Code of 1986, as amended, and such expenditures shall be eligible as a part of an ~~"expansion"~~ expansion that otherwise qualifies under this section,

1           e. establishments primarily engaged in distribution as  
2           defined under Industry Numbers 49311, 49312, 49313 and  
3           49319 and Industry Sector Number 42 of the NAICS  
4           Manual, latest revision, and which meet the following  
5           qualifications:

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

20           f. facilities engaged in the manufacturing, compounding,  
21           processing or fabrication of materials into articles  
22           of tangible personal property according to the special  
23           order of a customer (custom order manufacturing) by  
24           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

1 establishment to qualify for incentive payments  
2 pursuant to the Oklahoma Quality Jobs Program Act, but  
3 the establishment shall be subject to the wage  
4 requirements of the Oklahoma Quality Jobs Program Act  
5 with respect to new direct jobs in order to qualify  
6 for the exempt treatment authorized by this section.

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

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

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

20 2. "Facility" and "facilities", except as otherwise provided by  
21 this section, means and includes the land, buildings, structures and  
22 improvements used directly and exclusively in the manufacturing  
23 process. Effective January 1, 2022, and for each calendar year  
24 thereafter, for establishments which have received a manufacturer

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

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

13       C. The following provisions shall apply:

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

20       2. No manufacturing concern shall receive more than one five-  
21 year exemption for any one manufacturing facility unless the  
22 expansion which qualifies the manufacturing facility for an  
23 additional five-year exemption meets the requirements of paragraph 4

1 of this subsection and the employment level established for any  
2 previous exemption is maintained;

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

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

- 9           a. there is a net increase in annualized base payroll  
10              over the initial payroll of at least Two Hundred Fifty  
11              Thousand Dollars (\$250,000.00) if the facility is  
12              located in a county with a population of fewer than  
13              seventy-five thousand (75,000), according to the most  
14              recent Federal Decennial Census, while maintaining or  
15              increasing base payroll in subsequent years, or at  
16              least One Million Dollars (\$1,000,000.00) if the  
17              facility is located in a county with a population of  
18              seventy-five thousand (75,000) or more, according to  
19              the most recent Federal Decennial Census, while  
20              maintaining or increasing base payroll in subsequent  
21              years; provided, the payroll requirement of this  
22              subparagraph shall be waived for claims for exemptions  
23              including claims previously denied or on appeal on  
24              March 3, 2010, for all initial applications for

exemption filed on or after January 1, 2004, and on or before March 31, 2009, and all subsequent annual exemption applications filed related to the initial application for exemption, for an applicant, if the facility has been located in Oklahoma for at least fifteen (15) years engaged in marine engine manufacturing as defined under U.S. Industry Number 333618 of the NAICS Manual, latest revision, and has maintained an average employment of five hundred (500) or more full-time-equivalent employees over a ten-year period. Any applicant that qualifies for the payroll requirement waiver as outlined in the previous sentence and subsequently closes its Oklahoma manufacturing plant prior to January 1, 2012, may be disqualified for exemption and subject to recapture. For an applicant engaged in paperboard manufacturing as defined under U.S. Industry Number 322130 of the NAICS Manual, latest revision, union master payouts paid by the buyer of the facility to specified individuals employed by the facility at the time of purchase, as specified under the purchase agreement, shall be excluded from payroll for purposes of this section.

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

- (1) "base payroll" shall mean total payroll adjusted for any nonrecurring bonuses, exercise of stock option or stock rights and other nonrecurring, extraordinary items included in total payroll, and
- (2) "initial payroll" shall mean base payroll for the year immediately preceding the initial construction, acquisition or expansion.

The Tax Commission shall verify payroll information through the Oklahoma Employment Security Commission by using reports from the Oklahoma Employment Security Commission for the calendar year immediately preceding the year for which initial application is made for base-line payroll, which must be maintained or increased for each subsequent year; provided, a manufacturing facility shall have the option of excluding from its payroll, for purposes of this section:

- i. payments to sole proprietors, members of a partnership, members of a limited liability company who own at least ten percent (10%) of the capital of the limited liability company or stockholder-employees of a corporation who own at least ten percent (10%) of the stock in the corporation, and
- ii. any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers as reported by the Oklahoma Employment Security Commission. A manufacturing facility electing either option shall indicate such election upon its application for an exemption under this section. Any manufacturing facility electing either option shall submit such information as the Tax Commission may require in order to verify payroll information. Payroll information submitted pursuant to the provisions of this paragraph shall be submitted to

the Tax Commission and shall be subject to the provisions of Section 205 of this title, and

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

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

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

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

23                   a. there is a net increase in annualized payroll of the  
24                   applicant at any facility or facilities of the

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

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

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

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

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

1   the previous year, shall be allowed an exemption, beginning with  
2   calendar year 2016, for the number of years including the calendar  
3   year for which the exemption was denied, remaining in the entity's  
4   five-year exemption period, provided such entity attains or  
5   increases payroll at or above the initial or base payroll  
6   established for the exemption;

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

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

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

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

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

23                     a. a manufacturing facility as defined in subparagraph c  
24                             of paragraph 1 of subsection B of this section, and

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

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

1 applicants who qualify under the provisions of subparagraph b of  
2 paragraph 1 of subsection B of this section, the application shall  
3 include a copy of the affidavit and any other information required  
4 to be filed with the Tax Commission.

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

15 Incomplete applications and applications filed after June 15 will be  
16 declared null and void by the Tax Commission. In the event that a  
17 taxpayer qualified to receive an exemption pursuant to the  
18 provisions of this section shall make payment of ad valorem taxes in  
19 excess of the amount due, the county treasurer shall have the  
20 authority to credit the taxpayer's real or personal property tax  
21 overpayment against current taxes due. The county treasurer may  
22 establish a schedule of up to five (5) years of credit to resolve  
23 the overpayment.

24

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

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

14       SECTION 4. It being immediately necessary for the preservation  
15 of the public peace, health or safety, an emergency is hereby  
16 declared to exist, by reason whereof this act shall take effect and  
17 be in full force from and after its passage and approval.

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Passed the Senate the 26th day of March, 2025.

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Presiding Officer of the Senate

Passed the House of Representatives the \_\_\_\_\_ day of \_\_\_\_\_,  
2025.

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Presiding Officer of the House  
of Representatives