

**SENATE FLOOR VERSION**

February 19, 2025

SENATE BILL NO. 573

By: Rader

An Act relating to small business incubators; amending 74 O.S. 2021, Section 5078, which relates to state income tax exemption and annual reports; requiring tenant to submit certain information to receive certain exemption; requiring the Oklahoma Department of Commerce to prescribe certain form; requiring certain information to be included in annual report provided by the Department; and providing an effective date.

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

SECTION 1. AMENDATORY 74 O.S. 2021, Section 5078, is amended to read as follows:

Section 5078. A. For a period of up to ten (10) years from the date of tenant's occupancy in an incubator, income earned by the tenant as a result of activities conducted as an occupant in an incubator, including income distributed to partners, shareholders of a corporation for which a Subchapter S election is in effect and to the members of a limited liability company, shall be exempt from state income tax. The exemption provided by this section shall remain in effect for such activities by such tenant after the date

1 | the tenant is no longer an occupant in an incubator, but not to  
2 | exceed a total duration of ten (10) years for any tenant.

3 |       B. For tax years ending before January 1, 2020, in order to  
4 | qualify for the income tax exemption for the sixth through tenth  
5 | year as authorized by this section, the tenant must make at least  
6 | seventy-five percent (75%) of its gross sales constituting the  
7 | principal business activity of the business to buyers located  
8 | outside the state or to buyers whose principal business activity is  
9 | conducted outside the state or to the federal government or to  
10 | buyers located within the state if the product or service is resold  
11 | to an out-of-state customer or buyer for ultimate use. Provided, if  
12 | a tenant does not achieve the qualifying percentage for any one of  
13 | the above tax years, the tenant shall not be disqualified for  
14 | subsequent tax years in which the qualifying percentage is achieved.

15 |       C. For tax year 2026 and subsequent tax years, following the  
16 | first tax year a tenant is provided the exemption pursuant to  
17 | subsection A of this section, in order to continue to qualify for  
18 | the exemption, the tenant shall submit information on a form  
19 | prescribed by the Oklahoma Department of Commerce which shall  
20 | include, but not be limited to, the following:

- 21 |           1. Employment levels, including full-time-equivalent levels and  
22 | the ratio of part-time employees to full-time employees;  
23 |           2. Interns employed;  
24 |           3. Payments to subcontractors and their purpose;

1           4. Estimated gross annual revenues;  
2           5. Estimated annual costs for property and services;  
3           6. A statement of any additional financial assistance,  
4 incentives, credits, or exemptions provided by this state or any  
5 political subdivision of this state; and  
6           7. A statement of any taxable income exempted pursuant to this  
7 subsection in the previous tax year.

8           The Oklahoma Tax Commission shall promulgate rules to implement  
9 the provisions of this section.

10          SECTION 2. This act shall become effective November 1, 2025.

11          COMMITTEE REPORT BY: COMMITTEE ON ECONOMIC DEVELOPMENT, WORKFORCE  
12 AND TOURISM

February 19, 2025 - DO PASS