

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 COMMITTEE SUBSTITUTE  
FOR ENGROSSED  
4 HOUSE BILL 1220

5 By: West (Kevin), Fugate,  
McCane, Roberts, and  
Kendrix of the House

6 and

7 Standridge of the Senate

8

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10 COMMITTEE SUBSTITUTE

11 An Act relating to cities and towns; providing  
12 legislative intent; prohibiting imposition of certain  
13 locally assessed taxes and franchise fees on certain  
14 bond revenue; amending 68 O.S. 2021, Section 2701,  
which relates to municipal taxation; conforming  
language; updating statutory language; providing for  
noncodification; providing for codification; and  
declaring an emergency.

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

18 SECTION 1. NEW LAW A new section of law not to be  
19 codified in the Oklahoma Statutes reads as follows:

20 The Legislature finds that cities and towns of the state have  
21 imposed certain franchise fees and local taxes on the securitization  
22 revenue stream required for defeasance of the obligations issued by  
23 the Oklahoma Development Finance Authority pursuant to the  
24 provisions of the February 2021 Regulated Utility Consumer

1 Protection Act and the February 2021 Unregulated Utility Consumer  
2 Protection Act. The Legislature finds that certain unregulated  
3 utilities, including electric cooperatives, utilized private  
4 financing methods to avoid burdening customers of the utility with  
5 immediate payment of extraordinary costs and extreme purchase costs,  
6 as such terms are defined in Section 9052 of Title 74 of the  
7 Oklahoma Statutes. Such actions were in the best interest of this  
8 state and those utility customers to reduce costs, and such actions  
9 were consistent with the intent of the Legislature as expressed in  
10 the February 2021 Unregulated Utility Consumer Protection Act. The  
11 Legislature finds that the purposes of such acts were a matter of  
12 statewide concern and not a matter of purely local or municipal  
13 concern, and that the imposition of franchise fees and local taxes  
14 by cities and towns of this state is contrary to the legislative  
15 intent of the February 2021 Regulated Utility Consumer Protection  
16 Act and the February 2021 Unregulated Utility Consumer Protection  
17 Act.

18 SECTION 2. NEW LAW A new section of law to be codified  
19 in the Oklahoma Statutes as Section 9061 of Title 74, unless there  
20 is created a duplication in numbering, reads as follows:

21 A. No municipality shall impose any franchise fee upon or with  
22 respect to the securitization revenue stream utilized pursuant to  
23 the provisions of the February 2021 Unregulated Utility Consumer  
24 Protection Act, any bond indenture related to the obligations issued

1 by the Oklahoma Development Finance Authority pursuant to the  
2 February 2021 Unregulated Utility Consumer Protection Act, or any  
3 order of the Corporation Commission authorizing an affected public  
4 utility to impose charges that constitute the securitization revenue  
5 stream to defease the obligations issued by the Oklahoma Development  
6 Finance Authority pursuant to the February 2021 Unregulated Utility  
7 Consumer Protection Act. For the purposes of the February 2021  
8 Unregulated Utility Consumer Protection Act, any stream of revenue  
9 created by rates and charges solely used for repayment of private  
10 financing that avoided burdening consumers with immediate payment of  
11 extraordinary costs and extreme purchase costs, as such terms are  
12 defined in Section 9052 of Title 74 of the Oklahoma Statutes, shall  
13 be considered a securitization revenue stream for purposes of this  
14 section, and no municipality shall impose any franchise fee upon  
15 such a securitization revenue stream.

16       B. The provisions of this section shall be applicable to the  
17 securitization revenue stream for bonds or other obligations issued  
18 by the Oklahoma Development Finance Authority or a revenue stream to  
19 repay private financing as described in subsection A of this section  
20 and shall also be applicable to the securitization revenue stream  
21 for any bonds or other obligations issued by the Oklahoma  
22 Development Finance Authority on or after the effective date of this  
23 act for a purpose similar to the obligations issued by the Oklahoma  
24 Development Finance Authority pursuant to the February 2021

1 Unregulated Utility Consumer Protection Act or a revenue stream to  
2 repay private financing as described in subsection A of this  
3 section.

4 SECTION 3. NEW LAW A new section of law to be codified  
5 in the Oklahoma Statutes as Section 9062 of Title 74, unless there  
6 is created a duplication in numbering, reads as follows:

7 A. No municipality shall impose any sales tax, use tax, or any  
8 other tax authorized pursuant to the provisions of Section 2701 et  
9 seq. of Title 68 of the Oklahoma Statutes on or with respect to the  
10 securitization revenue stream for bonds or other obligations issued  
11 by the Oklahoma Development Finance Authority as described in  
12 subsection A of Section 2 of this act. For the purposes of the  
13 February 2021 Unregulated Utility Consumer Protection Act, any  
14 stream of revenue created by rates and charges solely used for  
15 repayment of private financing which avoided burdening consumers  
16 with immediate payment of extraordinary costs and extreme purchase  
17 costs, as such terms are defined in Section 9052 of Title 74 of the  
18 Oklahoma Statutes, shall be considered a securitization revenue  
19 stream for purposes of this section, and no municipality shall  
20 impose any sales tax, use tax, or any other tax authorized pursuant  
21 to the provisions of Section 2701 et seq. of Title 68 of the  
22 Oklahoma Statutes on or with respect to such a securitization  
23 revenue stream.

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1       B. The provisions of this section shall be applicable to the  
2 securitization revenue stream for bonds or other obligations issued  
3 by the Oklahoma Development Finance Authority pursuant to the  
4 February 2021 Unregulated Utility Consumer Protection Act and shall  
5 also be applicable to the securitization revenue stream for any  
6 bonds or other obligations issued by the Oklahoma Development  
7 Finance Authority or revenue stream to repay private financing  
8 created on or after the effective date of this act for a purpose  
9 similar to the obligations issued by the Oklahoma Development  
10 Finance Authority pursuant to the February 2021 Unregulated Utility  
11 Consumer Protection Act.

12       SECTION 4.       NEW LAW       A new section of law to be codified  
13 in the Oklahoma Statutes as Section 9083 of Title 74, unless there  
14 is created a duplication in numbering, reads as follows:

15       A. No municipality shall impose any franchise fee upon or with  
16 respect to the securitization revenue stream required pursuant to  
17 the provisions of the February 2021 Regulated Utility Consumer  
18 Protection Act, any bond indenture related to the obligations issued  
19 by the Oklahoma Development Finance Authority pursuant to the Act,  
20 or any order of the Corporation Commission authorizing an affected  
21 public utility to impose charges that constitute the securitization  
22 revenue stream to defease the obligations issued by the Oklahoma  
23 Development Finance Authority pursuant to the February 2021  
24 Regulated Utility Consumer Protection Act.

1       B. The provisions of this section shall be applicable to the  
2 securitization revenue stream for bonds or other obligations issued  
3 by the Oklahoma Development Finance Authority as described in  
4 subsection A of this section and shall also be applicable to the  
5 securitization revenue stream for any bonds or other obligations  
6 issued by the Oklahoma Development Finance Authority on or after the  
7 effective date of this act for a purpose similar to the obligations  
8 issued by the Oklahoma Development Finance Authority pursuant to the  
9 February 2021 Regulated Utility Consumer Protection Act.

10       SECTION 5.       NEW LAW       A new section of law to be codified  
11 in the Oklahoma Statutes as Section 9084 of Title 74, unless there  
12 is created a duplication in numbering, reads as follows:

13       A. No municipality shall impose any sales tax, use tax, or any  
14 other tax authorized pursuant to the provisions of Section 2701 et  
15 seq. of Title 68 of the Oklahoma Statutes on or with respect to the  
16 securitization revenue stream for bonds or other obligations issued  
17 by the Oklahoma Development Finance Authority as described in  
18 subsection A of Section 4 of this act.

19       B. The provisions of this section shall be applicable to the  
20 securitization revenue stream for bonds or other obligations issued  
21 by the Oklahoma Development Finance Authority pursuant to the  
22 February 2021 Regulated Utility Consumer Protection Act and shall  
23 also be applicable to the securitization revenue stream for any  
24 bonds or other obligations issued by the Oklahoma Development

1 Finance Authority on or after the effective date of this act for a  
2 purpose similar to the obligations issued by the Oklahoma  
3 Development Finance Authority pursuant to the February 2021  
4 Regulated Utility Consumer Protection Act.

5 SECTION 6. AMENDATORY 68 O.S. 2021, Section 2701, is  
6 amended to read as follows:

7 Section 2701. A. Any incorporated city or town in this state  
8 is hereby authorized to assess, levy, and collect taxes for general  
9 and special purposes of municipal government as the Legislature may  
10 levy and collect for purposes of state government, subject to the  
11 provisions of subsection F of this section, except ad valorem  
12 property taxes. Provided:

13 1. Taxes shall be uniform upon the same class subjects, and any  
14 tax, charge, or fee levied upon or measured by income or receipts  
15 from the sale of products or services shall be uniform upon all  
16 classes of taxpayers;

17 2. Motor vehicles may be taxed by the city or town only when  
18 such vehicles are primarily used or located in such city or town for  
19 a period of time longer than six (6) months of a taxable year;

20 3. The provisions of this section shall not be construed to  
21 authorize imposition of any tax upon persons, firms, or corporations  
22 exempted from other taxation under the provisions of Sections 348.1,  
23 624 and 321 of Title 36 of the Oklahoma Statutes, by reason of  
24 payment of taxes imposed under such sections;

1       4. Cooperatives and communications companies are hereby  
2 authorized to pass on to their subscribers in the incorporated city  
3 or town involved, the amount of any special municipal fee, charge,  
4 or tax hereafter assessed or levied on or collected from such  
5 cooperatives or communications companies;

6       5. No earnings, payroll, or income taxes may be levied on  
7 nonresidents of the cities or towns levying such tax;

8       6. The governing body of any city or town shall be prohibited  
9 from proposing taxing ordinances more often than three times in any  
10 calendar year, or twice in any six-month period; and

11       7. Any revenues derived from a tax authorized by this  
12 subsection not dedicated to a limited purpose shall be deposited in  
13 the municipal general fund; and

14       8. No governing body of any city or town shall impose local  
15 taxes on the securitization revenue stream required for defeasance  
16 of the obligations issued by the Oklahoma Development Finance  
17 Authority pursuant to the provisions of the February 2021 Regulated  
18 Utility Consumer Protection Act and the February 2021 Unregulated  
19 Utility Consumer Protection Act.

20       B. A sales tax authorized in subsection A of this section may  
21 be levied for limited purposes specified in the ordinance levying  
22 the tax. Such ordinance shall be submitted to the voters for  
23 approval as provided in Section 2705 of this title. Any sales tax  
24 levied or any change in the rate of a sales tax levied pursuant to

1 the provisions of this section shall become effective on the first  
2 day of the calendar quarter following approval by the voters of the  
3 city or town unless another effective date, which shall also be on  
4 the first day of a calendar quarter, is specified in the ordinance  
5 levying the sales tax or changing the rate of sales tax. Such  
6 ordinance shall describe with specificity the projects or  
7 expenditures for which the limited-purpose tax levy would be made.  
8 The municipal governing body shall create a limited-purpose fund and  
9 deposit therein any revenue generated by any tax levied pursuant to  
10 this subsection. Money in the fund shall be accumulated from year  
11 to year. The fund shall be placed in an insured interest-bearing  
12 account and the interest which accrues on the fund shall be retained  
13 in the fund. The fund shall be nonfiscal and shall not be  
14 considered in computing any levy when the municipality makes its  
15 estimate to the excise board for needed appropriations. Money in  
16 the limited-purpose tax fund shall be expended only as accumulated  
17 and only for the purposes specifically described in the taxing  
18 ordinance as approved by the voters.

19 C. The Oklahoma Tax Commission shall give notice to all vendors  
20 of a rate change at least sixty (60) days prior to the effective  
21 date of the rate change. Provided, for purchases from printed  
22 catalogs wherein the purchaser computed the tax based upon local tax  
23 rates published in the catalog, the rate change shall not be  
24 effective until the first day of a calendar quarter after a minimum

1 | of ~~one hundred twenty days'~~ one hundred twenty (120) days' notice to  
2 | vendors. Failure to give notice as required by this section shall  
3 | delay the effective date of the rate change to the first day of the  
4 | next calendar quarter.

5 |       D. The change in the boundary of a municipality shall be  
6 | effective, for sales and use tax purposes only, on the first day of  
7 | a calendar quarter after a minimum of sixty (60) days' notice to  
8 | vendors.

9 |       E. If the proceeds of any sales tax levied by a municipality  
10 | pursuant to subsection B of this section are being used by the  
11 | municipality for the purpose of retiring indebtedness incurred by  
12 | the municipality or by a public trust of which the municipality is a  
13 | beneficiary for the specific purpose for which the sales tax was  
14 | imposed, the sales tax shall not be repealed until such time as the  
15 | indebtedness is retired. However, in no event shall the life of the  
16 | tax be extended beyond the duration approved by the voters of the  
17 | municipality. The provisions of this subsection shall apply to all  
18 | sales tax levies imposed by a municipality and being used by the  
19 | municipality for the purposes set forth in this subsection prior to  
20 | or after July 1, 1995.

21 |       F. The sale of an article of clothing or footwear designed to  
22 | be worn on or about the human body shall be exempt from the sales  
23 | tax imposed by any incorporated city or town, in accordance with and  
24 | to the extent set forth in Section 1357.10 of this title.

1       G. Any municipality that levies a dedicated tax pursuant to a  
2 vote of the people for the purpose of funding public safety or any  
3 other governmental purpose shall not redirect all or a portion of  
4 the dedicated tax revenue to another purpose without a vote of the  
5 people authorizing such action.

6       SECTION 7. It being immediately necessary for the preservation  
7 of the public peace, health or safety, an emergency is hereby  
8 declared to exist, by reason whereof this act shall take effect and  
9 be in full force from and after its passage and approval.

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11       60-1-2027

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