

ENROLLED SENATE
BILL NO. 86

By: Hooper and Helton of the
Senate

and

Benson, Kirby and Stites of
the House

An Act relating to revenue and taxation;
amending 68 O.S. 1991, Section 2902, as amended
by Section 2, Chapter 396, O.S.L. 1992 (68 O.S.
Supp. 1992, Section 2902), which relates to ad
valorem tax exemptions for manufacturing
facilities; modifying date before which certain
construction must commence; and declaring an
emergency.

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

SECTION 1. AMENDATORY 68 O.S. 1991, Section 2902, as
amended by Section 2, Chapter 396, O.S.L. 1992 (68 O.S. Supp. 1992,
Section 2902), is amended to read as follows:

Section 2902. A. A qualifying manufacturing concern, as
defined by Section 6B of Article X of the Oklahoma Constitution, and
as further defined herein, shall be exempt from the levy of any ad
valorem taxes upon new, expanded or acquired manufacturing
facilities, including facilities engaged in research and
development, for a period of five (5) years. Such facilities are
hereby classified for the purposes of taxation as provided in
Section 22 of Article X of the Constitution of the State of
Oklahoma.

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

1. "Manufacturing facilities" shall mean facilities engaged in
the mechanical or chemical transformation of materials or substances
into new products and shall include:
 - a. establishments as defined or classified under Division
D of the Standard Industrial Classification (SIC)
Manual, latest revision,
 - b. facilities, including repair and replacement parts,
primarily engaged in aircraft repair, building and
rebuilding whether or not on a factory basis,
 - c. establishments primarily engaged in computer services
and data processing as defined under Industrial Group
Numbers 7372 and 7373 of the SIC 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
7374 of the SIC 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 Oklahoma Tax Commission stating that the facility so qualifies and such other information as required by the 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, or

- d. establishments primarily engaged in distribution as defined under Industrial Group Number 4221, 4222, 4225 or 4226 or Major Group Number 50 or 51 of the SIC Manual, latest revision, and which were constructed with an initial capital investment of at least Five Million Dollars (\$5,000,000.00) and which employ at least one hundred (100) full-time-equivalent employees, as certified by the Employment Security Commission. 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 Oklahoma Tax Commission stating that the facility so qualifies and such other information as required by the Commission. The exemption provided for in this subparagraph shall apply only to an establishment for which construction of the facility has commenced prior to October 1, ~~1992~~ 1993.

Provided, eating and drinking places, as well as other retail establishments, shall not qualify as manufacturing facilities for purposes of this section, nor shall publicly regulated utilities.

2. For tax years beginning after December 31, 1992, "manufacturing facilities" shall mean those facilities as defined in paragraph 1 of this subsection for which the investment cost of the construction, acquisition or expansion of the manufacturing facility is Two Hundred Fifty Thousand Dollars (\$250,000.00) or more;

3. "Facility" and "facilities" shall mean and include the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process; and

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

C. For applications for a five-year exemption in tax years beginning on or before December 31, 1992, the exemption herein provided for shall apply to new or acquired manufacturing facilities as defined by Section 6B of Article X of the Oklahoma Constitution and to the expansion of existing facilities on the same site. Any exemption as to expansions of existing facilities shall be limited to the increase in ad valorem taxes directly attributable to the expansion. Provided further, any exemption as to equipment used in the manufacturing process for manufacturing facilities which qualify pursuant to subparagraph b of paragraph 1 of subsection B of this section shall be granted only if such equipment results in a net increase in the number of full-time-equivalent employees of the facility in the year for which the exemption is initially granted and in each of the four (4) subsequent years only if the level of new employees is maintained in the subsequent year. Calculation of the number of new employees shall be made in the same manner as

required under Section 2357.4 of this title for an investment tax credit.

D. For applications for a five-year exemption in tax years beginning after December 31, 1992, the following provisions shall apply:

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

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

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

4. Any exemption for a new, acquired or expanded manufacturing facility shall be granted only if the construction, acquisition or expansion results in a net increase of twenty-five (25) or more full-time-equivalent employees of said manufacturing facility in the year for which the exemption is initially granted and in each of the four (4) subsequent years only if the level of new employees is maintained in the subsequent year. Calculation of the number of new employees shall be made in the same manner as required under Section 2357.4 of this title for an investment tax credit.

E. Any person, firm or corporation claiming the exemption herein provided for shall file each year for which exemption is claimed, an application therefor with the county assessor of the county in which the new, expanded or acquired facility is located. Said application shall be on a form or forms prescribed by the Oklahoma Tax Commission, and shall be filed before March 15 of each year in which the facility desires to take the exemption or within thirty (30) days from and after receipt by such person, firm or corporation of notice of valuation increase, whichever is later. In a case where completion of the facility or facilities will occur after January 1 of a given year, a facility may apply to claim the ad valorem tax exemption for said year. If such facility is found to be qualified for exemption, the ad valorem tax exemption provided for herein shall be granted for that entire year and shall apply to the ad valorem valuation as of January 1st of that given year. For applicants which qualify under the provisions of subparagraph b of paragraph 1 of subsection B of this section, the application shall include a copy of the affidavit and any other information required to be filed with the Oklahoma Tax Commission pursuant to said provisions.

F. Said application shall be examined by the county assessor and approved or rejected by him in the same manner as provided by law for approval or rejection of claims for homestead exemptions. The taxpayer shall have the same right of review by and appeal from the county board of equalization, in the same manner and subject to the same requirements as provided by law for review and appeals concerning homestead exemption claims. Approved applications shall be filed by the county assessor with the Oklahoma Tax Commission no later than June 15 of the year in which the facility desires to take the exemption. Incomplete applications and applications filed after said date will be declared null and void by the Commission.

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

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

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

Passed the Senate the 24th day of February, 1993.

President of the Senate

Passed the House of Representatives the 7th day of April, 1993.

Speaker of the House of Representatives

