

ENGROSSED HOUSE
BILL NO. 2959

By: Pope (Clay), Bonny,
Begley, Beutler,
Deutschendorf, Ervin,
Hefner, Hiett, Leist,
Maddux, Reese, Taylor,
Voskuhl and Widener of
the House

and

Price of the Senate

(revenue and taxation - credit against income tax -
agricultural cooperative marketing associations -
codification - effective date)

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

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 2367.4A of Title 68, unless
there is created a duplication in numbering, reads as follows:

A. 1. For taxable years beginning after December 31, 1996,
there shall be allowed a credit against the tax imposed by Section
2355 of Title 68 of the Oklahoma Statutes for direct investments by
Oklahoma agricultural producers in Oklahoma producer-owned
agricultural processing cooperatives created and designed to develop
and advance the production, processing, handling and marketing of
agricultural commodities grown, made or manufactured in Oklahoma.

2. a. The credit authorized by this subsection shall be
allowed for the direct investment in an Oklahoma
producer-owned agricultural processing cooperative
within this state by Oklahoma agricultural producers.

- b. The total amount of credits authorized by this subsection per tax year for all agricultural joint ventures shall not exceed Two Million Dollars (\$2,000,000.00) per year.
- c. The credit shall be subject to a maximum amount of Ten Thousand Dollars (\$10,000.00) per taxpayer for investment in any one Oklahoma producer-owned agricultural processing cooperative. In no event shall the credit be claimed more than once by a taxpayer per year except for carry-overs, or be used to reduce the liability of any taxpayer below zero (\$0.00) for any taxable year.

3. In the event that the total tax credits exceed Two Million Dollars (\$2,000,000.00) for all Oklahoma producer-owned agricultural processing cooperatives in this state, the Oklahoma Tax Commission shall promulgate rules for determining the percentage of credit to which each such taxpayer is entitled.

4. Any credits allowed but not used in any taxable year may be carried over in order to each of the four (4) years following the year in which the investment was originally made.

5. The credit authorized by this subsection shall be claimed upon the income tax return of each taxpayer who directly invests in Oklahoma producer-owned agricultural processing cooperatives.

B. The Oklahoma Tax Commission shall have the authority to prescribe forms for purposes of claiming the credit authorized by this section. The Oklahoma Tax Commission shall be authorized to conduct such investigation of the relevant facts as may be required in order to verify the eligibility of a claimant to receive a credit for any applicable income tax year.

C. 1. For any taxable year during which a taxpayer sells or otherwise disposes of the ownership interest for which a tax credit has previously been allowed to the taxpayer or for which a tax

credit will be allowed to the taxpayer for the year in which the sale or other disposition of the ownership interest is made, the taxpayer shall be required to reduce the cost of the ownership interest in the Oklahoma producer-owned agricultural processing cooperative, as reported upon the applicable income tax return, by the amount of the tax credit which has previously been granted or for which the taxpayer is claiming credit if the credit is allowable for the year during which the sale or other disposition is made.

2. If a taxpayer sells or otherwise disposes of an ownership interest in the Oklahoma producer-owned agricultural processing cooperative for which the tax credit authorized by this section may be taken in a taxable year following the year in which the ownership interest in the Oklahoma producer-owned agricultural processing cooperative is sold or otherwise disposed of, the credit authorized by this section shall be reduced to account for the prior sale or other disposition.

D. The Oklahoma Tax Commission, on or before January 31 of each year, shall submit a report regarding the tax credit authorized by this section to the Speaker of the House of Representatives and the President Pro Tempore of the Senate of the Oklahoma Legislature. The report shall summarize the total amount of tax credits claimed and likely to be claimed and allowed pursuant to this section.

E. The tax credit authorized by this section shall not be available or taken for any calendar year during which the claimant of the credit received any incentive payments pursuant to the Oklahoma Quality Jobs Program Act or the Saving Quality Jobs Act.

F. 1. As used in this section:

- a. "direct investment" means the payment of money in an Oklahoma producer-owned agricultural processing cooperative or the transfer of any form of economic value, whether tangible or intangible, other than money,

- b. "Oklahoma producer-owned agricultural processing cooperative" means a legal entity in the nature of a partnership or business undertaking agricultural transactions or agricultural commercial enterprises for mutual profit which are owned and controlled by Oklahoma agricultural producers. An Oklahoma producer-owned agricultural processing cooperative requires a community of interest in the performance of the undertaking, transaction or enterprise, a right to direct and govern the policy in connection therewith and the duty, which may be altered by agreement, to share both in profit and losses,
- c. "Oklahoma agricultural producer" means a person who produces agricultural commodities in this state, and
- d. "agricultural commodities" means a farm or ranch product including but not limited to wheat, corn, soybeans, cotton, cattle, hogs, sheep, horses or poultry produced in farming or ranching operations or a product of such crop or livestock in its unmanufactured state such as ginned cotton, wool-dip, maple syrup, milk and eggs.

H. For purposes of this section, an agricultural commodity shall be deemed to be produced within this state if it is substantially produced, by any person, partnership, company, association or corporation:

1. Authorized to do and doing business under the laws of this state;
2. Paying all taxes duly assessed; and
3. Domiciled within this state by having a location of production within this state.

SECTION 2. This act shall become effective November 1, 1997.

Passed the House of Representatives the 13th day of February,
1996.

Speaker of the House of
Representatives

Passed the Senate the ____ day of _____, 1996.

President of the Senate