

ENGROSSED HOUSE
BILL NO. 2363

By: Ross, Gilbert, Ferguson,
Sullivan (Leonard) and
Settle of the House

and

Hendrick of the Senate

(economic development - Redevelopment Zone Incentive Act -
amending 68 O.S., Section 2370 - taxes in lieu of income
tax - codification - effective date - emergency)

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 691.1 of Title 62, unless there
is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Redevelopment
Zone Incentive Act".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 691.2 of Title 62, unless there
is created a duplication in numbering, reads as follows:

As used in this act:

1. "Blighted condition" means a number of commercial or
residential properties exhibiting obvious neglect or extended
vacancy and which create an undesirable appearance likely to
dissuade business entities or persons from transacting business or
establishing a residence, respectively, within the area;

2. "Business entity" means a sole proprietor, a general
partnership, a joint venture, a limited partnership, a corporation,
a limited liability company, a trust, an estate, or any other legal

entity or combination of legal entities the principal purpose of which is to engage in the lawful sale of goods or services or a combination of goods and services for profit, regardless of whether the business entity was doing business in an area prior to the effective date of this act which qualifies as a Redevelopment Zone on or after the effective date of this act or whether the business entity begins conducting business within a Redevelopment Zone designated on or after the effective date of this act;

3. "Certified income distress area" means a "census tract" or "block numbering area" as defined by the United States Bureau of the Census surrounding the business location of a qualified business entity and in which reside a number of persons, whose gross household incomes from all sources for the calendar year preceding the year in which the determination is made are below the poverty level established by the United States Bureau of the Census, equal to or greater than thirty percent (30%) of the total number of residents of the area;

4. "Conducts business" means any activity which relates to the production of income or to the expenditure of money or its equivalent to achieve any of the purposes for which the business entity has been organized;

5. "Located" means having a physical location at which sales of goods or services or a combination of goods and services are made or at which sales of goods or services or a combination of goods and services are organized, administered, marketed or promoted with the objective of achieving a profit;

6. "Poverty level" means the total amount of income, based upon the number of persons living in a household, as determined by the United States Bureau of the Census for the most recent year in which data is available for the determination; and

7. "Redevelopment Zone" means an area located within an incorporated city or town which is blighted and which is a certified

income distress area or an area which is unincorporated, but which is in close proximity to the compact form of an incorporated city or town.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.3 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. The Oklahoma Department of Commerce shall determine, not later than the last day of January each year, the areas within an incorporated city or town or, although not located within an incorporated city or town are in close proximity to the compact form of an incorporated city or town, that qualify as Redevelopment Zones based upon analysis of data from the calendar year ending the immediately preceding December 31.

B. The Oklahoma Department of Commerce shall notify each city or town that one or more areas located within or in close proximity to the municipality qualify for designation as Redevelopment Zones.

C. For purposes of the Redevelopment Zone Incentive Act, the Oklahoma Department of Commerce shall certify no more than five Redevelopment Zones for a municipality with a population in excess of one hundred thousand (100,000) persons according to the latest Federal Decennial Census.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.4 of Title 62, unless there is created a duplication in numbering, reads as follows:

A business entity which is located within a Redevelopment Zone and conducts business within a Redevelopment Zone or contiguous to a Redevelopment Zone may make application to the municipality in which the business entity is located or proposes to locate for certification as a qualified business entity. Upon certification by the governing body of the municipality or its administrative agency designated for such purpose, the business entity shall be entitled to the benefits of the Redevelopment Zone Incentive Act.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.5 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. A qualified business entity having received a certification from a municipality pursuant to Section 4 of this act shall be exempt from the payment of the following fees for a period of ten (10) years from the date as of which the business conducts business within a Redevelopment Zone and shall be able to claim a refund, for a period not to exceed five (5) years, of any of the following amounts paid prior to its certification as a qualified business entity upon obtaining certification from a municipality:

1. The fees imposed pursuant to Section 1142 of Title 18 of the Oklahoma Statutes for the organization of the business entity or for the qualification of the business entity to do business if the business entity is a corporation organized pursuant to the Oklahoma General Corporation Act or is qualified to do business within the state pursuant to that act;

2. The fees imposed pursuant to Section 2055 of Title 18 of the Oklahoma Statutes for the organization of the business entity or for the qualification of the business entity to do business if the business entity is a limited liability company organized pursuant to the Oklahoma Limited Liability Company Act or is qualified to do business within the state pursuant to that act;

3. The fee imposed pursuant to Section 143 of Title 54 of the Oklahoma Statutes for the organization of the business entity if the business entity is a limited partnership organized pursuant to the Oklahoma Uniform Limited Partnership Act;

4. The fee imposed pursuant to Section 174 of Title 54 of the Oklahoma Statutes for the registration of a foreign entity if the business entity is a foreign limited partnership qualified to do business within the state pursuant to the Oklahoma Uniform Limited Partnership Act;

5. The fee imposed pursuant to Section 314 of Title 54 of the Oklahoma Statutes for the organization of the business entity if the business entity is a limited partnership organized pursuant to the Oklahoma Revised Uniform Limited Partnership Act; and

6. The fee imposed pursuant to Section 350 of Title 54 of the Oklahoma Statutes for the registration of the business entity if the business entity is a foreign limited partnership qualified to do business within the state pursuant to the Oklahoma Revised Uniform Limited Partnership Act.

B. A qualified business entity having received a certification from a municipality pursuant to Section 4 of this act shall be exempt from the levy and payment of the following taxes for a period of ten (10) years from the date as of which the business entity conducts or begins to conduct business in a Redevelopment Zone on or after July 1, 1998:

1. The franchise tax imposed pursuant to Section 1201 et seq. of Title 68 of the Oklahoma Statutes;

2. The sales tax imposed pursuant to Section 1361 et seq. of Title 68 of the Oklahoma Statutes, upon purchases made by the qualified business entity, not otherwise exempt;

3. The use tax imposed pursuant to Section 1401 et seq. of Title 68 of the Oklahoma Statutes, upon purchases made by the qualified business entity, not otherwise exempt; and

4. The income tax imposed pursuant to Section 2351 et seq. of Title 68 of the Oklahoma Statutes.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.6 of Title 62, unless there is created a duplication in numbering, reads as follows:

Any person who makes a false statement upon any application for certification as a qualified business entity shall, upon conviction, be deemed guilty of a misdemeanor and may be punished by the imposition of a fine not to exceed One Thousand Dollars (\$1,000.00)

or by confinement in the county jail for a period not to exceed thirty (30) days or by both such fine and imprisonment.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.7 of Title 62, unless there is created a duplication in numbering, reads as follows:

In order to initially qualify for the benefits provided by this act and to remain qualified for the benefits provided by this act, a business entity shall make available to all of its employees a job training program consisting of instruction designed to maintain the job skills required for performance of the duties and responsibilities imposed upon an employee as a condition of initial or continued employment with the business entity. The business entity may conduct the job training program on its business premises or may offer the program in conjunction with a vocational-technical school under the jurisdiction of the Department of Vocational and Technical Education or an institution within The Oklahoma State System of Higher Education.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 691.8 of Title 62, unless there is created a duplication in numbering, reads as follows:

The Oklahoma Department of Commerce shall contract with private, nonprofit entities for purposes of providing business-expediter services to business entities located in or in an area contiguous to a Redevelopment Zone. Business-expediter services shall consist of information to prospective or existing businesses regarding:

1. Financial assistance available through federal, state or local economic development programs;
2. Federal, state or local tax incentives;
3. Workforce development or job training programs;
4. Ombudsman services; or

5. Such other information, training or assistance as the Oklahoma Department of Commerce may determine to fulfill the purposes of the Redevelopment Zone Incentive Act.

SECTION 9. AMENDATORY 68 O.S. 1991, Section 2370, is amended to read as follows:

Section 2370. A. For taxable years beginning after December 31, 1989, for the privilege of doing business within this state, every state banking association, national banking association and credit union organized under the laws of this state, located or doing business within the limits of the State of Oklahoma shall annually pay to this state a privilege tax at the rate of six percent (6%) of the amount of the taxable income as provided in this section.

B. 1. The privilege tax levied by this section shall be in addition to the franchise tax levied in Article 12 of this title and in lieu of the tax levied by Section 2355 of this title and in lieu of all taxes levied by the State of Oklahoma, or any subdivision thereof, upon the shares of stock or personal property of any banking association or credit union subject to taxation under this section.

2. Nothing in this section shall be construed to exempt the real property of any banking associations or credit unions from taxation to the same extent, according to its value, as other real property is taxed. Nothing herein shall be construed to exempt an association from payment of any fee or tax authorized or levied pursuant to the banking laws.

3. Personal property which is subject to a lease agreement between a bank or credit union, as lessor, and a nonbanking business entity or individual, as lessee, is not exempt from personal property ad valorem taxation. Provided, further, that it shall be the duty of the lessee of such personal property to return sworn lists or schedules of their taxable property within each county to

the county assessor of such county as provided in Sections 2433 and 2434 of this title.

C. Any tax levied under this section shall accrue on the last day of the taxable year and be payable as provided in Section 2375 of this title. The accrual of such tax for the first taxable year to which this act applies, shall apply notwithstanding the prior accrual of a tax in the same taxable year based upon the net income of the next preceding taxable year; provided, however, any additional deduction enuring to the benefit of the taxpayer shall be deducted in accordance with the optional transitional deduction procedures in Section 2354 of this title.

D. The basis of the tax shall be United States taxable income as defined in paragraph 10 of Section 2353 of this title and any adjustments thereto under the provisions of Section 2358 of this title with the following adjustments:

1. There shall be deducted all interest income on obligations of the United States government and agencies thereof not otherwise exempted and all interest income on obligations of the State of Oklahoma or political subdivisions thereof, including public trust authorities, not otherwise exempted under the laws of this state; ~~and~~

2. Expense deductions claimed in arriving at taxable income under paragraph 10 of Section 2353 of this title shall be reduced by an amount equal to fifty percent (50%) of excluded interest income on obligations of the United States government or agencies thereof and obligations of the State of Oklahoma or political subdivisions thereof; and

3. There shall be deducted all interest income from a loan of money to a qualified business entity certified by a municipality as eligible for the benefits provided pursuant to the Redevelopment Zone Incentive Act if the loan is originated on or after July 1, 1998. As used in this paragraph, "loan of money" means an extension

of credit pursuant to which the obligor has made a binding and
legally enforceable commitment for repayment of the funds, with or
without the granting of a security interest or mortgage to the
financial institution lending funds to the qualified business
entity.

SECTION 10. This act shall become effective July 1, 1998.

SECTION 11. 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 House of Representatives the 25th day of February, 1998.

Speaker of the House of
Representatives

Passed the Senate the ____ day of _____, 1998.

President of the Senate