

SHORT TITLE: Corporations; expanding limitations on entities allowed to engage in farming and ranching. Effective date.

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

SENATE BILL NO. 1189

By: Smith

AS INTRODUCED

An Act relating to corporations; amending 18 O.S.

1991, Section 955, as last amended by Section 6, Chapter 2, O.S.L. 1994 (18 O.S. Supp. 1997, Section 955), which relates to farming or ranching business corporations; expanding limitations on entities allowed to engage in certain activities; modifying language; and providing an effective date.

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

SECTION 1. AMENDATORY 18 O.S. 1991, Section 955, as last amended by Section 6, Chapter 2, O.S.L. 1994 (18 O.S. Supp. 1997, Section 955), is amended to read as follows:

Section 955. A. No person, corporation, association or any other entity shall engage in farming or ranching, or own or lease any interest in land to be used in the business of farming or ranching, except the following:

1. Natural persons and the estates of such persons;
2. Trustees of trusts created pursuant to the provisions of the Oklahoma Trust Act or similar law of another jurisdiction;
3. Trustees of trusts, other than trustees described in paragraph 2 of this subsection; provided that:
 - a. each beneficiary shall be a person or entity enumerated in paragraphs 1 through ~~5~~ 6 of this subsection, ~~and~~

- b. there shall not be more than ten beneficiaries unless the beneficiaries in excess of ten are related as lineal descendants or are or have been related by marriage or adoption to lineal descendants, and
- c. at least sixty-five percent (65%) of the trust's annual gross receipts shall be derived from farming or ranching, or from allowing others to extract minerals underlying lands held by the trust. If the trust cannot comply with the annual gross receipts test, the trust may furnish records of its gross receipts for each of the previous five (5) years, or for each year that it has been in existence if less than five (5) years, and the average of such annual gross receipts may be used for purposes of complying with this section;

~~3.~~ 4. Corporations, as provided for in Sections 951 through 954 of this title, or as otherwise permitted by law;

~~4.~~ 5. Partnerships and limited partnerships; provided that:

- a. each partner shall be a person or entity enumerated in paragraphs 1 through ~~5~~ 6 of this subsection, ~~and~~
- b. there shall not be more than ten partners unless ~~said~~ the partners in excess of ten are related as lineal descendants or are or have been related by marriage or adoption to lineal descendants, and
- c. at least sixty-five percent (65%) of the partnership's annual gross receipts shall be derived from farming or ranching, or from allowing others to extract minerals underlying lands held by the partnership. If the partnership cannot comply with the annual gross receipts test, the partnership may furnish records of its gross receipts for each of the previous five (5) years, or for each year that it has been in existence

if less than five (5) years, and the average of such annual gross receipts may be used for purposes of complying with this section;

~~5.~~ 6. Limited liability companies formed pursuant to the Oklahoma Limited Liability Company Act; provided that:

- a. each member shall be a person or entity enumerated in paragraphs 1 through ~~5~~ 6 of this subsection, ~~and~~
- b. there shall not be more than ten members unless ~~said~~ the members in excess of ten are related as lineal descendants or are or have been related by marriage or adoption to lineal descendants, and
- c. at least sixty-five percent (65%) of the limited liability company's annual gross receipts shall be derived from farming or ranching, or from allowing others to extract minerals underlying lands held by the limited liability company. If the limited liability company cannot comply with the annual gross receipts test, the limited liability company may furnish records of its gross receipts for each of the previous five (5) years, or for each year that it has been in existence if less than five (5) years, and the average of such annual gross receipts may be used for purposes of complying with this section.

B. Any farming or ranching corporation, trust, partnership, limited partnership, limited liability company or other entity which knowingly violates any ~~provisions~~ provision of this section is guilty of a misdemeanor, and, upon conviction, shall be fined an amount not to exceed Five Hundred Dollars (\$500.00). ~~Any other person or entity who knowingly violates this section shall be deemed guilty of a misdemeanor.~~ The provisions of this subsection shall not apply to any trustee described in paragraph 2 of subsection A of this section.

C. The provisions of this act shall not apply to interests in land acquired prior to June 1, 1978.

SECTION 2. This act shall become effective November 1, 1998.

46-2-2074

KSM