

3 Senate Bill No. 337
4 As Amended

5 SENATE BILL NO. 337 - By: KERR of the Senate and DeWITT of the
6 House.

7 [state government - modifying tax exemption - Inventor's
8 Assistance Act - effective date]

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

10 SECTION 1. AMENDATORY 74 O.S. 2001, Section 5064.7, is
11 amended to read as follows:

12 Section 5064.7 A. The following incentives shall be available
13 to inventors for products developed and manufactured in this state
14 and to instate manufacturers of said products; provided, to qualify
15 for the incentives, the product shall be patented or have patent
16 pending pursuant to federal law and shall be registered with the
17 Oklahoma Center for the Advancement of Science and Technology
18 (OCAST):

19 1. Royalty earned by an inventor from a product developed and
20 manufactured in this state shall be exempt from state income tax for
21 a period of seven (7) years from January 1 of the first year in
22 which such royalty is received as long as the manufacturer remains
23 in the state; and

1 2. An instate manufacturer of a product developed in this state
2 by an inventor shall be eligible for a tax credit, as provided for
3 in Section 2357.4 of Title 68 of the Oklahoma Statutes. In addition
4 such manufacturer may exclude from Oklahoma taxable income, or in
5 the case of an individual, the Oklahoma adjusted gross income,
6 sixty-five percent (65%) of the cost of depreciable property
7 purchased and utilized directly in manufacturing the product and
8 sixty-five percent (65%) of the cost of professional services
9 rendered specifically for purposes of manufacturing the product.
10 The maximum exclusion for all eligible costs shall not exceed Five
11 Hundred Thousand Dollars (\$500,000.00). If the exclusion allowed by
12 this paragraph exceeds the Oklahoma taxable income, or in the case
13 of an individual, the Oklahoma adjusted gross income, the amount of
14 the exclusion that is in excess of such income may be carried
15 forward as an exclusion against subsequent Oklahoma taxable income
16 or in the case of an individual, subsequent Oklahoma adjusted gross
17 income, for a period not to exceed four (4) years. For the purposes
18 of this paragraph, "depreciable property" means machinery, fixtures,
19 equipment, buildings, or substantial improvements thereto, placed in
20 service in this state during the taxable year. For purposes of this
21 paragraph, "professional services" means services which are rendered
22 during the taxable year and are predominantly mental or intellectual
23 in character rather than physical or manual, including, but not

1 limited to, those of an architect, attorney, certified public
2 accountant, public accountant or professional engineer licensed
3 pursuant to the laws of this or any other state.

4 B. The Oklahoma Tax Commission, in conjunction with the
5 Oklahoma Center for the Advancement of Science and Technology, shall
6 promulgate rules to implement the provisions of this section.

7 SECTION 2. This act shall become effective January 1, 2006.

8 COMMITTEE REPORT BY: COMMITTEE ON FINANCE, dated 2-22-05 - DO PASS,
9 As Amended and Coauthored.