

1 STATE OF OKLAHOMA

2 2nd Session of the 55th Legislature (2016)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 2689

By: Brumbaugh

6
7 COMMITTEE SUBSTITUTE

8 [tax credits - insurance premium tax - events -

9 depreciable property - coal - clean-burning motor

10 fuel - effective date -

11 emergency]

12
13
14 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

15 SECTION 1. AMENDATORY 36 O.S. 2011, Section 625.1, is
16 amended to read as follows:

17 Section 625.1 A. A foreign or alien insurer which is subject
18 to the tax imposed by Section 624 of this title shall be entitled to
19 a credit against said tax actually paid to and placed in the General
20 Revenue Fund of the state, not including any of said tax monies
21 placed in pension funds and not including any of said tax monies
22 placed in escrow, if, during the year for which the tax is being
23 assessed, the insurer or its affiliate maintained a regional home
24 office in this state in a building owned or leased by the insurer.

1 To receive a credit against the tax imposed for the year in which
2 the regional home office was established, said office must have been
3 maintained continuously from on or before August 1 of that year
4 through the last day of the calendar year. For succeeding years, an
5 insurer or its affiliate shall have maintained the regional home
6 office continuously from the first day of the calendar year for
7 which the tax is imposed through the last day of that calendar year.
8 The Home Office Credit shall be calculated as follows:

9 1. Until June 30, 2010, the credit shall be equal to the
10 following percentages of the amount due after the credits authorized
11 by Sections 624.1 and 625 of this title have been deducted:

12 a. fifteen percent (15%), if there are more than two
13 hundred full-time, year-round Oklahoma employees, but
14 less than three hundred full-time, year-round Oklahoma
15 employees,

16 b. twenty-five percent (25%), if there are more than
17 three hundred full-time, year-round Oklahoma
18 employees, but less than four hundred full-time, year-
19 round Oklahoma employees,

20 c. thirty-five percent (35%), if there are more than four
21 hundred full-time, year-round Oklahoma employees, but
22 less than five hundred full-time, year-round Oklahoma
23 employees, or
24

1 d. fifty percent (50%), if there are five hundred or more
2 full-time, year-round Oklahoma employees; and

3 2. Beginning July 1, 2010, in the calculation of the credit,
4 the amount to be apportioned to the Oklahoma Firefighters Pension
5 and Retirement Fund, the Oklahoma Police Pension and Retirement
6 System and the Law Enforcement Retirement Fund shall be applied
7 prior to the calculation of the credit. The amount of the credit
8 shall be derived from amounts remaining after the apportionment to
9 the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma
10 Police Pension and Retirement System and the Law Enforcement
11 Retirement Fund. The credit shall be calculated by first applying a
12 "Home Office Credit Allotment Rate" of forty-seven percent (47%) to
13 the gross premium tax owed by the insurer and then determining the
14 allowable credit by applying the following percentages of the amount
15 due after the credits authorized by Sections 624.1 and 625 of this
16 title have been deducted:

17 a. fifteen percent (15%), if there are more than two
18 hundred full-time, year-round Oklahoma employees, but
19 less than three hundred full-time, year-round Oklahoma
20 employees,

21 b. twenty-five percent (25%), if there are more than
22 three hundred full-time, year-round Oklahoma
23 employees, but less than four hundred full-time, year-
24 round Oklahoma employees,

- 1 c. thirty-five percent (35%), if there are more than four
2 hundred full-time, year-round Oklahoma employees, but
3 less than five hundred full-time, year-round Oklahoma
4 employees, or
- 5 d. fifty percent (50%), if there are five hundred or more
6 full-time, year-round Oklahoma employees.

7 B. A domestic insurer with four hundred or more full-time,
8 year-round Oklahoma employees which is subject to the tax imposed by
9 Section 624 of this title shall be entitled to a credit against said
10 tax actually paid to and placed in the General Revenue Fund of the
11 state, not including any of said tax monies placed in pension funds
12 and not including any of said tax monies placed in escrow, if,
13 during the year previous to the year for which the tax is being
14 assessed, the insurer or its affiliate maintained a regional home
15 office in this state in a building owned or leased by the insurer
16 and during the year for which the tax is being assessed, the insurer
17 establishes its home office in this state in a building owned or
18 leased by the insurer. To receive a credit against the tax imposed
19 for the year in which the home office was established, said office
20 must have been maintained continuously from on or before August 1 of
21 that year through the last day of the calendar year. For succeeding
22 years, an insurer shall have maintained the home office continuously
23 from the first day of the calendar year for which the tax is imposed
24 through the last day of that calendar year. Insurers who take

1 action before August 1, 2000, to establish their home office in this
2 state shall be entitled to a credit against the tax imposed on or
3 after January 1, 2001, which shall be in addition to the credit the
4 insurer is entitled to for that year. The Home Office Credit shall
5 be calculated as follows:

6 1. Until June 30, 2010, the credit shall be equal to the
7 following percentages of the amount due after the credits authorized
8 by Sections 624.1 and 625 of this title have been deducted:

9 a. thirty-five percent (35%), if there are more than four
10 hundred full-time, year-round Oklahoma employees, but
11 less than five hundred full-time, year-round Oklahoma
12 employees, or

13 b. fifty percent (50%), if there are five hundred or more
14 full-time, year-round Oklahoma employees; and

15 2. Beginning July 1, 2010, in the calculation of the credit,
16 the amount to be apportioned to the Oklahoma Firefighters Pension
17 and Retirement Fund, the Oklahoma Police Pension and Retirement
18 System and the Law Enforcement Retirement Fund shall be applied
19 prior to the calculation of the credit. The amount of the credit
20 shall be derived from amounts remaining after the apportionment to
21 the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma
22 Police Pension and Retirement System and the Law Enforcement
23 Retirement Fund. The credit shall be calculated by first applying a
24 "Home Office Credit Allotment Rate" of forty-seven percent (47%) to

1 the gross premium tax owed by the insurer and then determining the
2 allowable credit by applying the following percentages of the amount
3 due after the credits authorized by Sections 624.1 and 625 of this
4 title have been deducted:

5 a. thirty-five percent (35%), if there are more than four
6 hundred full-time, year-round Oklahoma employees, but
7 less than five hundred full-time, year-round Oklahoma
8 employees, or

9 b. fifty percent (50%), if there are five hundred or more
10 full-time, year-round Oklahoma employees.

11 C. A domestic insurer which is subject to the tax imposed by
12 Section 624 of this title shall be entitled to a credit against said
13 tax actually paid to and placed in the General Revenue Fund of the
14 state, not including any of said tax monies placed in pension funds
15 and not including any of said tax monies placed in escrow, if,
16 during the year for which the tax is being assessed, the insurer
17 maintained a regional home office in at least five or more counties
18 in this state in buildings owned or leased by the insurer. To
19 receive a credit against the tax imposed for the year in which the
20 regional home offices were established, said offices must have been
21 maintained continuously from on or before August 1 of that year
22 through the last day of the calendar year. For succeeding years, an
23 insurer shall have maintained the regional home offices continuously
24 from the first day of the calendar year for which the tax is imposed

1 through the last day of that calendar year. The Home Office Credit
2 shall be calculated as follows:

3 1. Until June 30, 2010, the credit shall be equal to the
4 percentage of the amount due after the credits authorized by
5 Sections 624.1 and 625 of this title have been deducted as
6 established in subsection A of this section; and

7 2. Beginning July 1, 2010, in the calculation of the credit,
8 the amount to be apportioned to the Oklahoma Firefighters Pension
9 and Retirement Fund, the Oklahoma Police Pension and Retirement
10 System and the Law Enforcement Retirement Fund shall be applied
11 prior to the calculation of the credit. The amount of the credit
12 shall be derived from amounts remaining after the apportionment to
13 the Oklahoma Firefighters Pension and Retirement Fund, the Oklahoma
14 Police Pension and Retirement System and the Law Enforcement
15 Retirement Fund. The credit shall be calculated by first applying a
16 "Home Office Credit Allotment Rate" of forty-seven percent (47%) to
17 the gross premium tax owed by the insurer and then determining the
18 allowable credit by applying the percentage of the amount due after
19 the credits authorized by Sections 624.1 and 625 of this title have
20 been deducted as established in subsection A of this section.

21 D. Proof that an insurer qualifies for the credit authorized by
22 this section shall be on forms prescribed by the Insurance
23 Commissioner and shall be submitted to the Commissioner annually
24

1 with the report which is filed pursuant to Section 624 of the
2 Insurance Code.

3 E. The credit provided for in subsections A, B and C of this
4 section shall be based on the total number of Oklahoma employees in
5 the regional or home office when a group of insurers which are under
6 common management and control maintain a regional home office or
7 home office in this state in a building owned or leased by the group
8 of insurers. The credit provided for in subsections A, B and C of
9 this section may be allocated among the insurance company and the
10 insurance company affiliates at the discretion of the insurance
11 company on a per-insurance-company basis.

12 F. As used in this section:

13 1. "Regional home office" means an office transacting
14 insurance, as defined in Section 105 of this title, and performing
15 insurance company operations, which is defined as one or more or any
16 combination of the following functions and services performed in
17 connection with the development, sale, and administration of
18 products giving rise to receipts subject to a premium tax on
19 domestic and foreign insurance companies, or domestic or foreign
20 health care insurance corporations: actuarial, medical, legal,
21 investments, accounting, auditing, underwriting, policy issuance,
22 information, policyholder services, premium collection, claims,
23 advertising and publications, public relations, human resources,
24 marketing, sales office staff, training of sales and service

1 personnel, and clerical, managerial, and other support for any such
2 functions or services;

3 2. "Common management and control" means the possession, direct
4 or indirect, of the power to direct or cause the direction of the
5 management and policies of an insurer, whether through the ownership
6 of voting securities, by contract, or otherwise, unless the power is
7 executed by a person acting in an official capacity, performing
8 duties imposed and exercising authority granted because of the
9 person's position as an officer or employee of the insurer. Control
10 shall be presumed to exist if any person, directly or indirectly,
11 owns, controls, holds with the power to vote, or holds proxies
12 representing twenty-five percent (25%) or more of the voting
13 securities of the insurer;

14 3. "Oklahoma employees" means persons who are employed in
15 Oklahoma after January 1, 2000, and who are common law employees of
16 an insurance company or its affiliate. Oklahoma employees do not
17 include independent contractors or any persons to the extent that
18 the compensation of that person is based on commissions;

19 4. "Insurance company" means any entity subject to a premium
20 tax on domestic and foreign insurance companies, or domestic or
21 foreign health care insurance corporations, including the attorney-
22 in-fact authorized by and acting for the subscribers of a reciprocal
23 insurer or inter-insurance exchange under powers of attorney. A
24 reciprocal and its attorney-in-fact shall be a single entity; and

1 5. "Home office" means the executive offices of an insurance
2 company which is domiciled in this state.

3 G. Each insurer or insurance group requesting a credit under
4 this section shall certify by affidavit, approved as to form by the
5 Commissioner, that the insurer has met all of the qualifications
6 required by this section and is authorized to a credit against the
7 premium tax which actually shall be paid to, and placed in the
8 General Revenue Fund of the state, exclusive of any amounts of the
9 tax which shall be credited to pension funds pursuant to law and
10 exclusive of any amounts which shall be placed into escrow. The
11 Commissioner may do an examination for the sole purpose of
12 certifying that all requirements of this section are being met by
13 the insurer requesting to obtain any credits against premium tax.

14 H. For the fiscal year beginning July 1, 2006, and for each
15 fiscal year thereafter, and notwithstanding any other provisions of
16 ~~Title 36 of the Oklahoma Statutes~~ this title or any other provision
17 of law governing the order in which the credit authorized by this
18 section is to be deducted from the liability of the company claiming
19 such credit to the contrary, the credit authorized by this section
20 shall be deducted from the insurance premium tax liability of the
21 company claiming such credit prior to the deduction of any other
22 credits that may be claimed against such liability.

23 I. Notwithstanding any other provisions of this section, the
24 tax credit amount computed for any tax year beginning on or after

1 January 1, 2017, and ending not later than December 31, 2018, shall
2 be reduced by twenty-five percent (25%) of the amount otherwise
3 allowable. The provisions of this subsection shall not be
4 applicable to tax credits carried forward from a tax year which
5 began at any time prior to January 1, 2017. The provisions of this
6 subsection shall cease to have the force and effect of law on
7 January 1, 2019. The Legislature shall review the impact of the
8 provisions of this subsection upon taxpayers, the revenue system of
9 the state and the economic effects of the tax credit reduction in
10 order to determine whether tax credits will be subject to reduction
11 for any future tax years.

12 SECTION 2. AMENDATORY 68 O.S. 2011, Section 2357.4, as
13 amended by Section 1, Chapter 336, O.S.L. 2015 (68 O.S. Supp. 2015,
14 Section 2357.4), is amended to read as follows:

15 Section 2357.4 A. Except as otherwise provided in subsection F
16 of Section 3658 of this title and in subsections J ~~and~~, K and L of
17 this section, for taxable years beginning after December 31, 1987,
18 there shall be allowed a credit against the tax imposed by Section
19 2355 of this title for:

20 1. Investment in qualified depreciable property placed in
21 service during those years for use in a manufacturing operation, as
22 defined in Section 1352 of this title, which has received a
23 manufacturer exemption permit pursuant to the provisions of Section
24 1359.2 of this title or a qualified aircraft maintenance or

1 manufacturing facility as defined in Section 1357 of this title in
2 this state or a qualified web search portal as defined in Section
3 1357 of this title; or

4 2. A net increase in the number of full-time-equivalent
5 employees in a manufacturing operation, as defined in Section 1352
6 of this title, which has received a manufacturer exemption permit
7 pursuant to the provisions of Section 1359.2 of this title or a
8 qualified aircraft maintenance or manufacturing facility defined in
9 Section 1357 of this title in this state or in a qualified web
10 search portal as defined in Section 1357 of this title including
11 employees engaged in support services.

12 B. Except as otherwise provided in subsection F of Section 3658
13 of this title and in subsections J and, K and L of this section, for
14 taxable years beginning after December 31, 1998, there shall be
15 allowed a credit against the tax imposed by Section 2355 of this
16 title for:

17 1. Investment in qualified depreciable property with a total
18 cost equal to or greater than Forty Million Dollars (\$40,000,000.00)
19 within three (3) years from the date of initial qualifying
20 expenditure and placed in service in this state during those years
21 for use in the manufacture of products described by any Industry
22 Number contained in Division D of Part I of the Standard Industrial
23 Classification (SIC) Manual, latest revision; or

24

1 2. A net increase in the number of full-time-equivalent
2 employees in this state engaged in the manufacture of any goods
3 identified by any Industry Number contained in Division D of Part I
4 of the Standard Industrial Classification (SIC) Manual, latest
5 revision, if the total cost of qualified depreciable property placed
6 in service by the business entity within the state equals or exceeds
7 Forty Million Dollars (\$40,000,000.00) within three (3) years from
8 the date of initial qualifying expenditure.

9 C. The business entity may claim the credit authorized by
10 subsection B of this section for expenditures incurred or for a net
11 increase in the number of full-time-equivalent employees after the
12 business entity provides proof satisfactory to the Oklahoma Tax
13 Commission that the conditions imposed pursuant to paragraph 1 or
14 paragraph 2 of subsection B of this section have been satisfied.

15 D. If a business entity fails to expend the amount required by
16 paragraph 1 or paragraph 2 of subsection B of this section within
17 the time required, the business entity may not claim the credit
18 authorized by subsection B of this section but shall be allowed to
19 claim a credit pursuant to subsection A of this section if the
20 requirements of subsection A of this section are met with respect to
21 the investment in qualified depreciable property or net increase in
22 the number of full-time-equivalent employees.

23 E. The credit provided for in subsection A of this section, if
24 based upon investment in qualified depreciable property, shall not

1 be allowed unless the investment in qualified depreciable property
2 is at least Fifty Thousand Dollars (\$50,000.00). The credit
3 provided for in subsection A or B of this section shall not be
4 allowed if the applicable investment is the direct cause of a
5 decrease in the number of full-time-equivalent employees. Qualified
6 property shall be limited to machinery, fixtures, equipment,
7 buildings or substantial improvements thereto, placed in service in
8 this state during the taxable year. The taxable years for which the
9 credit may be allowed if based upon investment in qualified
10 depreciable property shall be measured from the year in which the
11 qualified property is placed in service. If the credit provided for
12 in subsection A or B of this section is calculated on the basis of
13 the cost of the qualified property, the credit shall be allowed in
14 each of the four (4) subsequent years. If the qualified property on
15 which a credit has previously been allowed is acquired from a
16 related party, the date such property is placed in service by the
17 transferor shall be considered to be the date such property is
18 placed in service by the transferee, for purposes of determining the
19 aggregate number of years for which credit may be allowed.

20 F. The credit provided for in subsection A or B of this
21 section, if based upon an increase in the number of full-time-
22 equivalent employees, shall be allowed in each of the four (4)
23 subsequent years only if the level of new employees is maintained in
24 the subsequent year. In calculating the credit by the number of new

1 employees, only those employees whose paid wages or salary were at
2 least Seven Thousand Dollars (\$7,000.00) during each year the credit
3 is claimed shall be included in the calculation. Provided, that the
4 first year a credit is claimed for a new employee, such employee may
5 be included in the calculation notwithstanding paid wages of less
6 than Seven Thousand Dollars (\$7,000.00) if the employee was hired in
7 the last three quarters of the tax year, has wages or salary which
8 will result in annual paid wages in excess of Seven Thousand Dollars
9 (\$7,000.00) and the taxpayer submits an affidavit stating that the
10 employee's position will be retained in the following tax year and
11 will result in the payment of wages in excess of Seven Thousand
12 Dollars (\$7,000.00). The number of new employees shall be
13 determined by comparing the monthly average number of full-time
14 employees subject to Oklahoma income tax withholding for the final
15 quarter of the taxable year with the corresponding period of the
16 prior taxable year, as substantiated by such reports as may be
17 required by the Tax Commission.

18 G. The credit allowed by subsection A of this section shall be
19 the greater amount of either:

20 1. One percent (1%) of the cost of the qualified property in
21 the year the property is placed in service; or

22 2. Five Hundred Dollars (\$500.00) for each new employee. No
23 credit shall be allowed in any taxable year for a net increase in
24 the number of full-time-equivalent employees if such increase is a

1 result of an investment in qualified depreciable property for which
2 an income tax credit has been allowed as authorized by this section.

3 H. The credit allowed by subsection B of this section shall be
4 the greater amount of either:

5 1. Two percent (2%) of the cost of the qualified property in
6 the year the property is placed in service; or

7 2. One Thousand Dollars (\$1,000.00) for each new employee.

8 No credit shall be allowed in any taxable year for a net
9 increase in the number of full-time-equivalent employees if such
10 increase is a result of an investment in qualified depreciable
11 property for which an income tax credit has been allowed as
12 authorized by this section.

13 I. Except as provided by subsection G of Section 3658 of this
14 title, any credits allowed but not used in any taxable year may be
15 carried over in order as follows:

16 1. To each of the four (4) years following the year of
17 qualification;

18 2. To the extent not used in those years in order to each of
19 the fifteen (15) years following the initial five-year period; and

20 3. If a C corporation that otherwise qualified for the credits
21 under subsection A of this section subsequently changes its
22 operating status to that of a pass-through entity which is being
23 treated as the same entity for federal tax purposes, the credits
24 will continue to be available as if the pass-through entity had

1 originally qualified for the credits subject to the limitations of
2 this section.

3 To the extent not used in paragraphs 1 and 2 of this subsection,
4 such credits from qualified depreciable property placed in service
5 on or after January 1, 2000, may be utilized in any subsequent tax
6 years after the initial twenty-year period.

7 J. No credit otherwise authorized by the provisions of this
8 section may be claimed for any event, transaction, investment,
9 expenditure or other act occurring on or after July 1, 2010, for
10 which the credit would otherwise be allowable until the provisions
11 of this subsection shall cease to be operative on July 1, 2012.
12 Beginning July 1, 2012, the credit authorized by this section may be
13 claimed for any event, transaction, investment, expenditure or other
14 act occurring on or after July 1, 2010, according to the provisions
15 of this section; provided, credits accrued during the period from
16 July 1, 2010, through June 30, 2012, shall be limited to a period of
17 two (2) taxable years. The credit shall be limited in each taxable
18 year to fifty percent (50%) of the total amount of the accrued
19 credit. Any tax credits which accrue during the period of July 1,
20 2010, through June 30, 2012, may not be claimed for any period prior
21 to the taxable year beginning January 1, 2012. No credits which
22 accrue during the period of July 1, 2010, through June 30, 2012, may
23 be used to file an amended tax return for any taxable year prior to
24 the taxable year beginning January 1, 2012.

1 K. Beginning January 1, 2017, except with respect to tax
2 credits allowed from investment or job creation occurring prior to
3 January 1, 2017, the credits authorized by this section shall not be
4 allowed for investment or job creation in electric power generation
5 by means of wind as described by the North American Industry
6 Classification System, No. 221119.

7 L. Notwithstanding any other provisions of this section, the
8 tax credit amount computed for any tax year beginning on or after
9 January 1, 2017, and ending not later than December 31, 2018, shall
10 be reduced by twenty-five percent (25%) of the amount otherwise
11 allowable. The provisions of this subsection shall not be
12 applicable to tax credits carried forward from a tax year which
13 began at any time prior to January 1, 2017. The provisions of this
14 subsection shall cease to have the force and effect of law on
15 January 1, 2019. The Legislature shall review the impact of the
16 provisions of this subsection upon taxpayers, the revenue system of
17 the state and the economic effects of the tax credit reduction in
18 order to determine whether tax credits will be subject to reduction
19 for any future tax years.

20 SECTION 3. AMENDATORY 68 O.S. 2011, Section 2357.11, as
21 amended by Section 1, Chapter 371, O.S.L. 2013 (68 O.S. Supp. 2015,
22 Section 2357.11), is amended to read as follows:

23 Section 2357.11 A. For purposes of this section, the term
24 "person" means any legal business entity including limited and

1 general partnerships, corporations, sole proprietorships, and
2 limited liability companies, but does not include individuals.

3 B. 1. Except as provided in ~~subsection M~~ subsections M and N
4 of this section, for tax years beginning on or after January 1,
5 1993, and ending on or before December 31, 2021, there shall be
6 allowed a credit against the tax imposed by Section 1803 or Section
7 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
8 Statutes for every person in this state furnishing water, heat,
9 light or power to the state or its citizens, or for every person in
10 this state burning coal to generate heat, light or power for use in
11 manufacturing operations located in this state.

12 2. For tax years beginning on or after January 1, 1993, and
13 ending on or before December 31, 2005, and for the period of January
14 1, 2006, through June 30, 2006, the credit shall be in the amount of
15 Two Dollars (\$2.00) per ton for each ton of Oklahoma-mined coal
16 purchased by such person.

17 3. For the period of July 1, 2006 through December 31, 2006,
18 and for tax years beginning on or after January 1, 2007, and ending
19 on or before December 31, 2021, the credit shall be in the amount of
20 Two Dollars and eighty-five cents (\$2.85) per ton for each ton of
21 Oklahoma-mined coal purchased by such person.

22 4. In addition to the credit allowed pursuant to the provisions
23 of paragraph 3 of this subsection, for the period of July 1, 2006,
24 through December 31, 2006, and except as provided in ~~subsection M~~

1 subsections M and N of this section, for tax years beginning on or
2 after January 1, 2007, and ending on or before December 31, 2021,
3 there shall be allowed a credit in the amount of Two Dollars and
4 fifteen cents (\$2.15) per ton for each ton of Oklahoma-mined coal
5 purchased by such person. The credit allowed pursuant to the
6 provisions of this paragraph may not be claimed or transferred prior
7 to January 1, 2008.

8 C. For tax years beginning on or after January 1, 1995, and
9 ending on or before December 31, 2005, and for the period beginning
10 January 1, 2006, through June 30, 2006, there shall be allowed, in
11 addition to the credits allowed pursuant to subsection B of this
12 section, a credit against the tax imposed by Section 1803 or Section
13 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
14 Statutes for every person in this state which:

15 1. Furnishes water, heat, light or power to the state or its
16 citizens, or burns coal to generate heat, light or power for use in
17 manufacturing operations located in this state; and

18 2. Purchases at least seven hundred fifty thousand (750,000)
19 tons of Oklahoma-mined coal in the tax year.

20 The additional credit allowed pursuant to this subsection shall
21 be in the amount of Three Dollars (\$3.00) per ton for each ton of
22 Oklahoma-mined coal purchased by such person.

23 D. Except as otherwise provided in subsection E of this section
24 and in ~~subsection M~~ subsections M and N of this section, for tax

1 years beginning on or after January 1, 2001, and ending on or before
2 December 31, 2021, there shall be allowed a credit against the tax
3 imposed by Section 1803 or Section 2355 of this title or Section 624
4 or 628 of Title 36 of the Oklahoma Statutes for every person in this
5 state primarily engaged in mining, producing or extracting coal, and
6 holding a valid permit issued by the Oklahoma Department of Mines.
7 For tax years beginning on or after January 1, 2001, and ending on
8 or before December 31, 2005, and for the period beginning January 1,
9 2006, through June 30, 2006, the credit shall be in the amount of
10 ninety-five cents (\$0.95) per ton and for the period of July 1,
11 2006, through December 31, 2006, and for tax years beginning on or
12 after January 1, 2007, the credit shall be in the amount of Five
13 Dollars (\$5.00) for each ton of coal mined, produced or extracted in
14 on, under or through a permit in this state by such person.

15 E. In addition to the credit allowed pursuant to the provisions
16 of subsection D of this section and except as otherwise provided in
17 subsection F of this section, for tax years beginning on or after
18 January 1, 2001, and ending on or before December 31, 2005, and for
19 the period of January 1, 2006, through June 30, 2006, there shall be
20 allowed a credit against the tax imposed by Section 1803 or Section
21 2355 of this title or Section 624 or 628 of Title 36 of the Oklahoma
22 Statutes for every person in this state primarily engaged in mining,
23 producing or extracting coal, and holding a valid permit issued by
24 the Oklahoma Department of Mines in the amount of ninety-five cents

1 (\$0.95) per ton for each ton of coal mined, produced or extracted
2 from thin seams in this state by such person; provided, the credit
3 shall not apply to such coal sold to any consumer who purchases at
4 least seven hundred fifty thousand (750,000) tons of Oklahoma-mined
5 coal per year.

6 F. In addition to the credit allowed pursuant to the provisions
7 of subsection D of this section and except as otherwise provided in
8 subsection G of this section, for tax years beginning on or after
9 January 1, 2005, and ending on or before December 31, 2005, and for
10 the period of January 1, 2006, through June 30, 2006, there shall be
11 allowed a credit against the tax imposed by Section 1803 or Section
12 2355 of this title or that portion of the tax imposed by Section 624
13 or 628 of Title 36 of the Oklahoma Statutes, which is actually paid
14 to and placed into the General Revenue Fund, in the amount of
15 ninety-five cents (\$0.95) per ton for each ton of coal mined,
16 produced or extracted from thin seams in this state by such person
17 on or after July 1, 2005.

18 G. The credits provided in subsections D and E of this section
19 shall not be allowed for coal mined, produced or extracted in any
20 month in which the average price of coal is Sixty-eight Dollars
21 (\$68.00) or more per ton, excluding freight charges, as determined
22 by the Tax Commission.

23 H. The additional credits allowed pursuant to subsections B, C,
24 D and E of this section but not used shall be freely transferable

1 after January 1, 2002, but not later than December 31, 2013, by
2 written agreement to subsequent transferees at any time during the
3 five (5) years following the year of qualification; provided, the
4 additional credits allowed pursuant to the provisions of paragraph 4
5 of subsection B of this section but not used shall be freely
6 transferable after January 1, 2008, but not later than December 31,
7 2013, by written agreement to subsequent transferees at any time
8 during the five (5) years following the year of qualification. An
9 eligible transferee shall be any taxpayer subject to the tax imposed
10 by Section 1803 or Section 2355 of this title or Section 624 or 628
11 of Title 36 of the Oklahoma Statutes. The person originally allowed
12 the credit and the subsequent transferee shall jointly file a copy
13 of the written credit transfer agreement with the Tax Commission
14 within thirty (30) days of the transfer. The written agreement
15 shall contain the name, address and taxpayer identification number
16 of the parties to the transfer, the amount of credit being
17 transferred, the year the credit was originally allowed to the
18 transferring person and the tax year or years for which the credit
19 may be claimed. The Tax Commission may promulgate rules to permit
20 verification of the validity and timeliness of a tax credit claimed
21 upon a tax return pursuant to this subsection but shall not
22 promulgate any rules which unduly restrict or hinder the transfers
23 of such tax credit.

24

1 I. The additional credit allowed pursuant to subsection F of
2 this section but not used shall be freely transferable on or after
3 July 1, 2006, but not later than December 31, 2013, by written
4 agreement to subsequent transferees at any time during the five (5)
5 years following the year of qualification. An eligible transferee
6 shall be any taxpayer subject to the tax imposed by Section 1803 or
7 Section 2355 of this title or Section 624 or 628 of Title 36 of the
8 Oklahoma Statutes. The person originally allowed the credit and the
9 subsequent transferee shall jointly file a copy of the written
10 credit transfer agreement with the Tax Commission within thirty (30)
11 days of the transfer. The written agreement shall contain the name,
12 address and taxpayer identification number of the parties to the
13 transfer, the amount of credit being transferred, the year the
14 credit was originally allowed to the transferring person and the tax
15 year or years for which the credit may be claimed. The Tax
16 Commission may promulgate rules to permit verification of the
17 validity and timeliness of a tax credit claimed upon a tax return
18 pursuant to this subsection but shall not promulgate any rules which
19 unduly restrict or hinder the transfers of such tax credit.

20 J. Any person receiving tax credits pursuant to the provisions
21 of this section shall apply the credits against taxes payable or,
22 subject to the limitation that credits earned after December 31,
23 2013, shall not be transferred, shall transfer the credits as
24 provided in this section or, for credits earned on or after January

1 1, 2014, shall receive a refund pursuant to the provisions of
2 subsection L of this section. Credits shall not be used to lower
3 the price of any Oklahoma-mined coal sold that is produced by a
4 subsidiary of the person receiving a tax credit under this section
5 to other buyers of the Oklahoma-mined coal.

6 K. Except as provided by paragraph 2 of subsection L of this
7 section, the credits allowed by subsections B, C, D, E and F of this
8 section, upon election of the taxpayer, shall be treated and may be
9 claimed as a payment of tax, a prepayment of tax or a payment of
10 estimated tax for purposes of Section 1803 or 2355 of this title or
11 Section 624 or 628 of Title 36 of the Oklahoma Statutes.

12 L. 1. With respect to credits allowed pursuant to the
13 provisions of subsections B, C, D, E and F of this section earned
14 prior to January 1, 2014, but not used in any tax year may be
15 carried over in order to each of the five (5) years following the
16 year of qualification.

17 2. With respect to credits allowed pursuant to the provisions
18 of subsections B, C, D, E and F of this section which are earned but
19 not used, based upon activity occurring on or after January 1, 2014,
20 the Oklahoma Tax Commission shall, at the taxpayer's election,
21 refund directly to the taxpayer eighty-five percent (85%) of the
22 face amount of such credits. The direct refund of the credits
23 pursuant to this paragraph shall be available to all taxpayers,
24 including, without limitation, pass-through entities and taxpayers

1 subject to Section 2355 of this title. The amount of any direct
2 refund of credits actually received at the eighty-five percent (85%)
3 level by the taxpayer pursuant to this paragraph shall not be
4 subject to the tax imposed by Section 2355 of this title. If the
5 pass-through entity does not file a claim for a direct refund, the
6 pass-through entity shall allocate the credit to one or more of the
7 shareholders, partners or members of the pass-through entity;
8 provided, the total of all credits refunded or allocated shall not
9 exceed the amount of the credit or refund to which the pass-through
10 entity is entitled. For the purposes of this paragraph, "pass-
11 through entity" means a corporation that for the applicable tax year
12 is treated as an S corporation under the Internal Revenue Code of
13 1986, as amended, general partnership, limited partnership, limited
14 liability partnership, trust or limited liability company that for
15 the applicable tax year is not taxed as a corporation for federal
16 income tax purposes.

17 M. No credit otherwise authorized by the provisions of this
18 section may be claimed for any event, transaction, investment,
19 expenditure or other act occurring on or after July 1, 2010, for
20 which the credit would otherwise be allowable. The provisions of
21 this subsection shall cease to be operative on July 1, 2012.
22 Beginning July 1, 2012, the credit authorized by this section may be
23 claimed for any event, transaction, investment, expenditure or other
24

1 act occurring on or after July 1, 2012, according to the provisions
2 of this section.

3 N. Notwithstanding any other provisions of this section, the
4 tax credit amount computed for any tax year beginning on or after
5 January 1, 2017, and ending not later than December 31, 2018, shall
6 be reduced by twenty-five percent (25%) of the amount otherwise
7 allowable. The provisions of this subsection shall not be
8 applicable to tax credits carried forward from a tax year which
9 began at any time prior to January 1, 2017. The provisions of this
10 subsection shall cease to have the force and effect of law on
11 January 1, 2019. The Legislature shall review the impact of the
12 provisions of this subsection upon taxpayers, the revenue system of
13 the state and the economic effects of the tax credit reduction in
14 order to determine whether tax credits will be subject to reduction
15 for any future tax years.

16 SECTION 4. AMENDATORY 68 O.S. 2011, Section 2357.22, as
17 last amended by Section 12, Chapter 328, O.S.L. 2014 (68 O.S. Supp.
18 2015, Section 2357.22), is amended to read as follows:

19 Section 2357.22 A. ~~For~~ Except as provided in subsection J of
20 this section, for tax years beginning before January 1, 2020, there
21 shall be allowed a one-time credit against the income tax imposed by
22 Section 2355 of this title for investments in qualified clean-
23 burning motor vehicle fuel property placed in service after December
24 31, 1990.

1 B. As used in this section, "qualified clean-burning motor
2 vehicle fuel property" means:

3 1. Equipment installed to modify a motor vehicle which is
4 propelled by gasoline or diesel fuel so that the vehicle may be
5 propelled by a hydrogen fuel cell, compressed natural gas, liquefied
6 natural gas or liquefied petroleum gas; provided, equipment
7 installed on a vehicle propelled by a hydrogen fuel cell shall only
8 be eligible for tax year 2010. The equipment covered by this
9 paragraph must:

- 10 a. be new, not previously used to modify or retrofit any
11 vehicle propelled by gasoline or diesel fuel and be
12 installed by an alternative fuels equipment technician
13 who is certified in accordance with the Alternative
14 Fuels Technician Certification Act,
- 15 b. meet all Federal Motor Vehicle Safety Standards set
16 forth in 49 CFR 571, or
- 17 c. for any commercial motor vehicle (CMV), follow the
18 Federal Motor Carrier Safety Regulations or Oklahoma
19 Intrastate Motor Carrier Regulations;

20 2. A motor vehicle originally equipped so that the vehicle may
21 be propelled by a hydrogen fuel cell, compressed natural gas,
22 liquefied natural gas or liquefied petroleum gas but only to the
23 extent of the portion of the basis of such motor vehicle which is
24 attributable to the storage of such fuel, the delivery to the engine

1 of such motor vehicle of such fuel, and the exhaust of gases from
2 combustion of such fuel. A motor vehicle originally equipped so
3 that the vehicle may be propelled by a hydrogen fuel cell shall only
4 be eligible for tax year 2010;

5 3. Property, not including a building and its structural
6 components, which is:

- 7 a. directly related to the delivery of compressed natural
8 gas, liquefied natural gas or liquefied petroleum gas,
9 or hydrogen, for commercial purposes or for a fee or
10 charge, into the fuel tank of a motor vehicle
11 propelled by such fuel including compression equipment
12 and storage tanks for such fuel at the point where
13 such fuel is so delivered but only if such property is
14 not used to deliver such fuel into any other type of
15 storage tank or receptacle and such fuel is not used
16 for any purpose other than to propel a motor vehicle,
17 or
- 18 b. a metered-for-fee, public access recharging system for
19 motor vehicles propelled in whole or in part by
20 electricity. The property covered by this paragraph
21 must be new, and must not have been previously
22 installed or used to refuel vehicles powered by
23 compressed natural gas, liquefied natural gas or
24 liquefied petroleum gas, hydrogen or electricity.

1 Any property covered by this paragraph which is related to the
2 delivery of hydrogen into the fuel tank of a motor vehicle shall
3 only be eligible for tax year 2010; or

4 4. Property which is directly related to the compression and
5 delivery of natural gas from a private home or residence, for
6 noncommercial purposes, into the fuel tank of a motor vehicle
7 propelled by compressed natural gas. The property covered by this
8 paragraph must be new and must not have been previously installed or
9 used to refuel vehicles powered by natural gas.

10 C. As used in this section, "motor vehicle" means a motor
11 vehicle originally designed by the manufacturer to operate lawfully
12 and principally on streets and highways.

13 D. The credit provided for in subsection A of this section
14 shall be as follows:

15 1. After ~~the effective date of this act~~ August 22, 2014, for
16 the qualified clean-burning motor vehicle fuel property defined in
17 paragraph 1 or 2 of subsection B of this section, forty-five percent
18 (45%) of the cost of the qualified clean-burning motor vehicle fuel
19 property;

20 2. For qualified clean-burning motor vehicle fuel property
21 defined in paragraph 3 of subsection B of this section, a per-
22 location credit of seventy-five percent (75%) of the cost of the
23 qualified clean-burning motor vehicle fuel property; and
24

1 3. For qualified clean-burning motor vehicle fuel property
2 defined in paragraph 4 of subsection B of this section, a per-
3 location credit of the lesser of fifty percent (50%) of the cost of
4 the qualified clean-burning motor vehicle fuel property or Two
5 Thousand Five Hundred Dollars (\$2,500.00).

6 E. In cases where no credit has been claimed pursuant to
7 paragraph 1 of subsection D of this section by any prior owner and
8 in which a motor vehicle is purchased by a taxpayer with qualified
9 clean-burning motor vehicle fuel property installed by the
10 manufacturer of such motor vehicle and the taxpayer is unable or
11 elects not to determine the exact basis which is attributable to
12 such property, the taxpayer may claim a credit in an amount not
13 exceeding the lesser of ten percent (10%) of the cost of the motor
14 vehicle or One Thousand Five Hundred Dollars (\$1,500.00).

15 F. If the tax credit allowed pursuant to subsection A of this
16 section exceeds the amount of income taxes due or if there are no
17 state income taxes due on the income of the taxpayer, the amount of
18 the credit not used as an offset against the income taxes of a
19 taxable year may be carried forward as a credit against subsequent
20 income tax liability for a period not to exceed five (5) years.

21 G. A husband and wife who file separate returns for a taxable
22 year in which they could have filed a joint return may each claim
23 only one-half (1/2) of the tax credit that would have been allowed
24 for a joint return.

1 H. The Oklahoma Tax Commission is herein empowered to
2 promulgate rules by which the purpose of this section shall be
3 administered, including the power to establish and enforce penalties
4 for violations thereof.

5 I. Notwithstanding the provisions of Section 2352 of this
6 title, for the fiscal year beginning on July 1, 2014, and each
7 fiscal year thereafter, the Tax Commission shall calculate an amount
8 that equals five percent (5%) of the cost of qualified clean-burning
9 motor vehicle fuel property as provided for in paragraph 1 of
10 subsection D of this section for tax year 2012. For each subsequent
11 fiscal year thereafter, the Tax Commission shall perform the same
12 computation with respect to the second tax year preceding the
13 beginning of each subsequent fiscal year. The Tax Commission shall
14 then transfer an amount equal to the amount calculated in this
15 subsection from the revenue derived pursuant to the provisions of
16 subsections A, B and E of Section 2355 of this title to the
17 Compressed Natural Gas Conversion Safety and Regulation Fund created
18 in Section ~~13 of this act~~ 130.25 of Title 74 of the Oklahoma
19 Statutes.

20 J. Notwithstanding any other provisions of this section, the
21 tax credit amount computed for any tax year beginning on or after
22 January 1, 2017, and ending not later than December 31, 2018, shall
23 be reduced by twenty-five percent (25%) of the amount otherwise
24 allowable. The provisions of this subsection shall not be

1 applicable to tax credits carried forward from a tax year which
2 began at any time prior to January 1, 2017. The provisions of this
3 subsection shall cease to have the force and effect of law on
4 January 1, 2019. The Legislature shall review the impact of the
5 provisions of this subsection upon taxpayers, the revenue system of
6 the state and the economic effects of the tax credit reduction in
7 order to determine whether tax credits will be subject to reduction
8 for any future tax years.

9 SECTION 5. AMENDATORY 68 O.S. 2011, Section 2357.27, as
10 amended by Section 1, Chapter 33, O.S.L. 2014 (68 O.S. Supp. 2015,
11 Section 2357.27), is amended to read as follows:

12 Section 2357.27 A. Except as otherwise provided by ~~subsection~~
13 ~~E~~ subsections E and F of this section, for tax years beginning after
14 December 31, 1998, and ending before January 1, 2017, there shall be
15 allowed a credit against the tax imposed by Section 2355 of this
16 title for eligible expenses incurred by entities primarily engaged
17 in the business of providing child care services.

18 B. As used in this section, "eligible expenses" means amounts
19 paid by an entity primarily engaged in the business of providing
20 child care services for expenses incurred by the entity to comply
21 with the standards promulgated by a national accrediting association
22 recognized by the Department of Human Services and which would not
23 have been incurred by the entity to comply with the Oklahoma Child
24 Care Facilities Licensing Act.

1 C. The credit allowed by subsection A of this section shall be
2 twenty percent (20%) of the amount of eligible expenses. Such
3 credit shall not be allowed for any amounts for which the entity
4 claims or receives an income tax credit, exemption or deduction.

5 D. Any credits allowed but not used in any tax year may be
6 carried over in order to each of the four (4) tax years following
7 the year of qualification.

8 E. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, for
11 which the credit would otherwise be allowable. The provisions of
12 this subsection shall cease to be operative on July 1, 2012.

13 Beginning July 1, 2012, the credit authorized by this section may be
14 claimed for any event, transaction, investment, expenditure or other
15 act occurring on or after July 1, 2012, according to the provisions
16 of this section.

17 F. Notwithstanding any other provisions of this section, the
18 tax credit amount computed for any tax year beginning on or after
19 January 1, 2017, and ending not later than December 31, 2018, shall
20 be reduced by twenty-five percent (25%) of the amount otherwise
21 allowable. The provisions of this subsection shall not be
22 applicable to tax credits carried forward from a tax year which
23 began at any time prior to January 1, 2017. The provisions of this
24 subsection shall cease to have the force and effect of law on

1 January 1, 2019. The Legislature shall review the impact of the
2 provisions of this subsection upon taxpayers, the revenue system of
3 the state and the economic effects of the tax credit reduction in
4 order to determine whether tax credits will be subject to reduction
5 for any future tax years.

6 SECTION 6. AMENDATORY 68 O.S. 2011, Section 2357.32A, as
7 amended by Section 2, Chapter 371, O.S.L. 2013 (68 O.S. Supp. 2015,
8 Section 2357.32A), is amended to read as follows:

9 Section 2357.32A A. Except as otherwise provided in ~~subsection~~
10 ~~H~~ subsections H and I of this section, for tax years beginning on or
11 after January 1, 2003, there shall be allowed a credit against the
12 tax imposed by Section 2355 of this title to a taxpayer for the
13 taxpayer's production and sale to an unrelated person of electricity
14 generated by zero-emission facilities located in this state. As
15 used in this section:

16 1. "Electricity generated by zero-emission facilities" means
17 electricity that is exclusively produced by any facility located in
18 this state with a rated production capacity of one megawatt (1 mw)
19 or greater, constructed for the generation of electricity and placed
20 in operation after June 4, 2001, which utilizes eligible renewable
21 resources as its fuel source. The construction and operation of
22 such facilities shall result in no pollution or emissions that are
23 or may be harmful to the environment, pursuant to a determination by
24 the Department of Environmental Quality; and

1 2. "Eligible renewable resources" means resources derived from:

- 2 a. wind,
- 3 b. moving water,
- 4 c. sun, or
- 5 d. geothermal energy.

6 B. For facilities placed in operation on or after January 1,
7 2003, and before January 1, 2007, the amount of the credit for the
8 electricity generated on or after January 1, 2003, but prior to
9 January 1, 2004, shall be seventy-five one-hundredths of one cent
10 (\$0.0075) for each kilowatt-hour of electricity generated by zero-
11 emission facilities. For electricity generated on or after January
12 1, 2004, but prior to January 1, 2007, the amount of the credit
13 shall be fifty one-hundredths of one cent (\$0.0050) per kilowatt-
14 hour for electricity generated by zero-emission facilities. For
15 electricity generated on or after January 1, 2007, but prior to
16 January 1, 2012, the amount of the credit shall be twenty-five one-
17 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity
18 generated by zero-emission facilities. For facilities placed in
19 operation on or after January 1, 2007, and before January 1, 2021,
20 the amount of the credit for the electricity generated on or after
21 January 1, 2007, shall be fifty one-hundredths of one cent (\$0.0050)
22 for each kilowatt-hour of electricity generated by zero-emission
23 facilities.

1 C. Credits may be claimed with respect to electricity generated
2 on or after January 1, 2003, during a ten-year period following the
3 date that the facility is placed in operation on or after June 4,
4 2001.

5 D. 1. For credits generated prior to January 1, 2014, if the
6 credit allowed pursuant to this section exceeds the amount of income
7 taxes due or if there are no state income taxes due on the income of
8 the taxpayer, the amount of the credit allowed but not used in any
9 tax year may be carried forward as a credit against subsequent
10 income tax liability for a period not exceeding ten (10) years.

11 2. For credits generated, but not used, on or after January 1,
12 2014, the Oklahoma Tax Commission shall refund, at the taxpayer's
13 election, directly to the taxpayer eighty-five percent (85%) of the
14 face amount of such credits. The direct refund of the credits
15 pursuant to this paragraph shall be available to all taxpayers,
16 including, without limitation, pass-through entities and taxpayers
17 subject to Section 2355 of this title, but shall not be available to
18 any entities falling within the provisions of subsection E of this
19 section. The amount of any direct refund of credits actually
20 received at the eighty-five percent (85%) level by the taxpayer
21 pursuant to this paragraph shall not be subject to the tax imposed
22 by Section 2355 of this title. If the pass-through entity does not
23 file a claim for a direct refund, the pass-through entity shall
24 allocate the credit to one or more of the shareholders, partners or

1 members of the pass-through entity; provided, the total of all
2 credits refunded or allocated shall not exceed the amount of the
3 credit or refund to which the pass-through entity is entitled. For
4 the purposes of this paragraph, "pass-through entity" means a
5 corporation that for the applicable tax year is treated as an S
6 corporation under the Internal Revenue Code of 1986, as amended,
7 general partnership, limited partnership, limited liability
8 partnership, trust or limited liability company that for the
9 applicable tax year is not taxed as a corporation for federal income
10 tax purposes.

11 E. Any nontaxable entities, including agencies of the State of
12 Oklahoma or political subdivisions thereof, shall be eligible to
13 establish a transferable tax credit in the amount provided in
14 subsection B of this section. Such tax credit shall be a property
15 right available to a state agency or political subdivision of this
16 state to transfer or sell to a taxable entity, whether individual or
17 corporate, who shall have an actual or anticipated income tax
18 liability under Section 2355 of this title. These tax credit
19 provisions are authorized as an incentive to the State of Oklahoma,
20 its agencies and political subdivisions to encourage the expenditure
21 of funds in the development, construction and utilization of
22 electricity from zero-emission facilities as defined in subsection A
23 of this section.

24

1 F. For credits generated prior to January 1, 2014, the amount
2 of the credit allowed, but not used, shall be freely transferable at
3 any time during the ten (10) years following the year of
4 qualification. Any person to whom or to which a tax credit is
5 transferred shall have only such rights to claim and use the credit
6 under the terms that would have applied to the entity by whom or by
7 which the tax credit was transferred. The provisions of this
8 subsection shall not limit the ability of a tax credit transferee to
9 reduce the tax liability of the transferee, regardless of the actual
10 tax liability of the tax credit transferor, for the relevant taxable
11 period. The transferor initially allowed the credit and any
12 subsequent transferees shall jointly file a copy of any written
13 transfer agreement with the Oklahoma Tax Commission within thirty
14 (30) days of the transfer. The written agreement shall contain the
15 name, address and taxpayer identification number or social security
16 number of the parties to the transfer, the amount of the credit
17 being transferred, the year the credit was originally allowed to the
18 transferor, and the tax year or years for which the credit may be
19 claimed. The Tax Commission may promulgate rules to permit
20 verification of the validity and timeliness of the tax credit
21 claimed upon a tax return pursuant to this subsection but shall not
22 promulgate any rules that unduly restrict or hinder the transfers of
23 such tax credit. The tax credit allowed by this section, upon the
24 election of the taxpayer, may be claimed as a payment of tax, a

1 prepayment of tax or a payment of estimated tax for purposes of
2 Section 1803 or Section 2355 of this title.

3 G. For electricity generation produced and sold in a calendar
4 year, the tax credit allowed by the provisions of this section, upon
5 election of the taxpayer, shall be treated and may be claimed as a
6 payment of tax, a prepayment of tax or a payment of estimated tax
7 for purposes of Section 2355 of this title on or after July 1 of the
8 following calendar year.

9 H. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring on or after July 1, 2010, for
12 which the credit would otherwise be allowable until the provisions
13 of this subsection shall cease to be operative on July 1, 2011.
14 Beginning July 1, 2011, the credit authorized by this section may be
15 claimed for any event, transaction, investment, expenditure or other
16 act occurring on or after July 1, 2010, according to the provisions
17 of this section. Any tax credits which accrue during the period of
18 July 1, 2010, through June 30, 2011, may not be claimed for any
19 period prior to the taxable year beginning January 1, 2012. No
20 credits which accrue during the period of July 1, 2010, through June
21 30, 2011, may be used to file an amended tax return for any taxable
22 year prior to the taxable year beginning January 1, 2012.

23 I. Notwithstanding any other provisions of this section, the
24 tax credit amount computed for any tax year beginning on or after

1 January 1, 2017, and ending not later than December 31, 2018, shall
2 be reduced by twenty-five percent (25%) of the amount otherwise
3 allowable. The provisions of this subsection shall not be
4 applicable to tax credits carried forward from a tax year which
5 began at any time prior to January 1, 2017. The provisions of this
6 subsection shall cease to have the force and effect of law on
7 January 1, 2019. The Legislature shall review the impact of the
8 provisions of this subsection upon taxpayers, the revenue system of
9 the state and the economic effects of the tax credit reduction in
10 order to determine whether tax credits will be subject to reduction
11 for any future tax years.

12 SECTION 7. AMENDATORY 68 O.S. 2011, Section 2357.41, is
13 amended to read as follows:

14 Section 2357.41 A. Except as otherwise provided by ~~subsection~~
15 ± subsections I and J of this section, for tax years beginning after
16 December 31, 2000, there shall be allowed a credit against the tax
17 imposed by Sections 2355 and 2370 of this title or that portion of
18 the tax imposed by Section 624 or 628 of Title 36 of the Oklahoma
19 Statutes that would otherwise have been apportioned to the General
20 Revenue Fund for qualified rehabilitation expenditures incurred in
21 connection with any certified historic hotel or historic newspaper
22 plant building located in an increment or incentive district created
23 pursuant to the Local Development Act or for qualified
24

1 rehabilitation expenditures incurred after January 1, 2006, in
2 connection with any certified historic structure.

3 B. The amount of the credit shall be one hundred percent (100%)
4 of the federal rehabilitation credit provided for in Section 47 of
5 Title 26 of the United States Code. The credit authorized by this
6 section may be claimed at any time after the relevant local
7 governmental body responsible for doing so issues a certificate of
8 occupancy or other document that is a precondition for the
9 applicable use of the building or structure that is the basis upon
10 which the credit authorized by this section is claimed.

11 C. All requirements with respect to qualification for the
12 credit authorized by Section 47 of Title 26 of the United States
13 Code shall be applicable to the credit authorized by this section.

14 D. If the credit allowed pursuant to this section exceeds the
15 amount of income taxes due or if there are no state income taxes due
16 on the income of the taxpayer, the amount of the credit allowed but
17 not used in any taxable year may be carried forward as a credit
18 against subsequent income tax liability for a period not exceeding
19 ten (10) years following the qualified expenditures.

20 E. All rehabilitation work to which the credit may be applied
21 shall be reviewed by the State Historic Preservation Office which
22 will in turn forward the information to the National Park Service
23 for certification in accordance with 36 C.F.R., Part 67. A
24 certified historic structure may be rehabilitated for any lawful use

1 or uses, including without limitation mixed uses and still retain
2 eligibility for the credit provided for in this section.

3 F. The amount of the credit allowed for any credit claimed for
4 a certified historic hotel or historic newspaper plant building or
5 any certified historic structure, but not used, shall be freely
6 transferable, in whole or in part, to subsequent transferees at any
7 time during the five (5) years following the year of qualification.
8 Any person to whom or to which a tax credit is transferred shall
9 have only such rights to claim and use the credit under the terms
10 that would have applied to the entity by whom or by which the tax
11 credit was transferred. The provisions of this subsection shall not
12 limit the ability of a tax credit transferee to reduce the tax
13 liability of the transferee regardless of the actual tax liability
14 of the tax credit transferor for the relevant taxable period. The
15 transferor of the credit and the transferee shall jointly file a
16 copy of the written credit transfer agreement with the Oklahoma Tax
17 Commission within thirty (30) days of the transfer. Such filing of
18 the written credit transfer agreement with the Oklahoma Tax
19 Commission shall perfect such transfer. The written agreement shall
20 contain the name, address and taxpayer identification number of the
21 parties to the transfer, the amount of credit being transferred, the
22 year the credit was originally allowed to the transferor, the tax
23 year or years for which the credit may be claimed, and a
24 representation by the transferor that the transferor has neither

1 claimed for its own behalf nor conveyed such credits to any other
2 transferee. The Tax Commission shall develop a standard form for
3 use by subsequent transferees of the credit demonstrating
4 eligibility for the transferee to reduce its applicable tax
5 liabilities resulting from ownership of the credit. The Tax
6 Commission shall develop a system to record and track the transfers
7 of the credit and certify the ownership of the credit and may
8 promulgate rules to permit verification of the validity and
9 timeliness of a tax credit claimed upon a tax return pursuant to
10 this subsection but shall not promulgate any rules which unduly
11 restrict or hinder the transfers of such tax credit.

12 G. Notwithstanding any other provisions in this section, on or
13 after January 1, 2009, if a credit allowed pursuant to this section
14 which has been transferred is subsequently reduced as the result of
15 an adjustment by the Internal Revenue Service, Tax Commission, or
16 any other applicable government agency, only the transferor
17 originally allowed the credit and not any subsequent transferee of
18 the credit, shall be held liable to repay any amount of disallowed
19 credit.

20 H. As used in this section:

21 1. "Certified historic hotel or historic newspaper plant
22 building" means a hotel or newspaper plant building that is listed
23 on the National Register of Historic Places within thirty (30)
24 months of taking the credit pursuant to this section.

1 2. "Certified historic structure" means a building that is
2 listed on the National Register of Historic Places within thirty
3 (30) months of taking the credit pursuant to this section or a
4 building located in Oklahoma which is certified by the State
5 Historic Preservation Office as contributing to the historic
6 significance of a certified historic district listed on the National
7 Register of Historic Places, or a local district that has been
8 certified by the State Historic Preservation Office as eligible for
9 listing in the National Register of Historic Places; and

10 3. "Qualified rehabilitation expenditures" means capital
11 expenditures that qualify for the federal rehabilitation credit
12 provided in Section 47 of Title 26 of the United States Code and
13 that were paid after December 31, 2000. Qualified rehabilitation
14 expenditures do not include capital expenditures for nonhistoric
15 additions except an addition that is required by state or federal
16 regulations that relate to safety or accessibility. In addition,
17 qualified rehabilitation expenditures do not include expenditures
18 related to the cost of acquisition of the property.

19 I. No credit otherwise authorized by the provisions of this
20 section may be claimed for any event, transaction, investment,
21 expenditure or other act occurring on or after July 1, 2010, for
22 which the credit would otherwise be allowable until the provisions
23 of this subsection shall cease to be operative on July 1, 2012.
24 Beginning July 1, 2012, the credit authorized by this section may be

1 claimed for any event, transaction, investment, expenditure or other
2 act occurring on or after July 1, 2010, according to the provisions
3 of this section. Any tax credits which accrue during the period of
4 July 1, 2010, through June 30, 2012, may not be claimed for any
5 period prior to the taxable year beginning January 1, 2012. No
6 credits which accrue during the period of July 1, 2010, through June
7 30, 2012, may be used to file an amended tax return for any taxable
8 year prior to the taxable year beginning January 1, 2012.

9 J. Notwithstanding any other provisions of this section, the
10 tax credit amount computed for any tax year beginning on or after
11 January 1, 2017, and ending not later than December 31, 2018, shall
12 be reduced by twenty-five percent (25%) of the amount otherwise
13 allowable. The provisions of this subsection shall not be
14 applicable to tax credits carried forward from a tax year which
15 began at any time prior to January 1, 2017. The provisions of this
16 subsection shall cease to have the force and effect of law on
17 January 1, 2019. The Legislature shall review the impact of the
18 provisions of this subsection upon taxpayers, the revenue system of
19 the state and the economic effects of the tax credit reduction in
20 order to determine whether tax credits will be subject to reduction
21 for any future tax years.

22 SECTION 8. AMENDATORY 68 O.S. 2011, Section 2357.45, is
23 amended to read as follows:
24

1 Section 2357.45 A. 1. ~~For~~ Except as otherwise provided in
2 subsection E of this section, for tax years beginning after December
3 31, 2004, there shall be allowed against the tax imposed by Section
4 2355 of this title, a credit for any taxpayer who makes a donation
5 to an independent biomedical research institute and for tax years
6 beginning after December 31, 2010, a credit for any taxpayer who
7 makes a donation to a cancer research institute.

8 2. The credit authorized by paragraph 1 of this subsection
9 shall be limited as follows:

- 10 a. for calendar year 2007 and all subsequent years, the
11 credit percentage, not to exceed fifty percent (50%),
12 shall be adjusted annually so that the total estimate
13 of the credits does not exceed Two Million Dollars
14 (\$2,000,000.00) annually. The formula to be used for
15 the percentage adjusted shall be fifty percent (50%)
16 times One Million Dollars (\$1,000,000.00) divided by
17 the credits claimed in the preceding year for each
18 donation to an independent biomedical research
19 institute and fifty percent (50%) times One Million
20 Dollars (\$1,000,000.00) divided by the credits claimed
21 in the preceding year for each donation to a cancer
22 research institute,
- 23 b. in no event shall a taxpayer claim more than one
24 credit for a donation to any independent biomedical

1 research institute and one credit for a donation to a
2 cancer research institute in each taxable year nor
3 shall the credit exceed One Thousand Dollars
4 (\$1,000.00) for each taxpayer for each type of
5 donation,

6 c. for tax year 2011, no more than Fifty Thousand Dollars
7 (\$50,000.00) in total tax credits for donations to a
8 cancer research institute shall be allowed,

9 d. in no event shall more than fifty percent (50%) of the
10 Two Million Dollars (\$2,000,000.00) in total tax
11 credits authorized by this section, for any calendar
12 year after ~~the effective date of this act~~ January 1,
13 2011, be allocated for credits for donations to a
14 cancer research institute, and

15 e. in the event the total tax credits authorized by this
16 section exceed One Million Dollars (\$1,000,000.00) in
17 any calendar year for either a cancer research
18 institute or an independent biomedical research
19 institute, the Oklahoma Tax Commission shall permit
20 any excess over One Million Dollars (\$1,000,000.00)
21 but shall factor such excess into the percentage
22 adjustment formula for subsequent years for that type
23 of donation. However, any such adjustment to the
24 formula for donations to an independent biomedical

1 research institute shall not affect the formula for
2 donations to a cancer research institute, and any such
3 adjustment to the formula for donations to a cancer
4 research institute shall not affect the formula for
5 donations to an independent biomedical research
6 institute.

7 3. For purposes of this section, "independent biomedical
8 research institute" means an organization which is exempt from
9 taxation pursuant to the provisions of Section 501(c)(3) of the
10 Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary
11 focus is conducting peer-reviewed basic biomedical research. The
12 organization shall:

- 13 a. have a board of directors,
- 14 b. be able to accept grants in its own name,
- 15 c. be an identifiable institute that has its own
16 employees and administrative staff, and
- 17 d. receive at least Fifteen Million Dollars
18 (\$15,000,000.00) in National Institute of Health
19 funding each year.

20 4. For purposes of this section, "cancer research institute"
21 means an organization which is exempt from taxation pursuant to the
22 Internal Revenue Code and whose primary focus is raising the
23 standard of cancer clinical care in Oklahoma through peer-reviewed
24 cancer research and education or a not-for-profit supporting

1 organization, as that term is defined by the Internal Revenue Code,
2 affiliated with a tax-exempt organization whose primary focus is
3 raising the standard of cancer clinical care in Oklahoma through
4 peer-reviewed cancer research and education. The tax-exempt
5 organization whose primary focus is raising the standard of cancer
6 clinical care in Oklahoma through peer-reviewed cancer research and
7 education shall:

8 a. either be an independent research institute or a
9 program that is part of a state university which is a
10 member of The Oklahoma State System of Higher
11 Education, and

12 b. receive at least Four Million Dollars (\$4,000,000.00)
13 in National Cancer Institute funding each year.

14 B. In no event shall the amount of the credit exceed the amount
15 of any tax liability of the taxpayer.

16 C. Any credits allowed but not used in any tax year may be
17 carried over, in order, to each of the four (4) years following the
18 year of qualification.

19 D. The Tax Commission shall have the authority to prescribe
20 forms for purposes of claiming the credit authorized by this
21 section.

22 E. Notwithstanding any other provisions of this section, the
23 tax credit amount computed for any tax year beginning on or after
24 January 1, 2017, and ending not later than December 31, 2018, shall

1 be reduced by twenty-five percent (25%) of the amount otherwise
2 allowable. The provisions of this subsection shall not be
3 applicable to tax credits carried forward from a tax year which
4 began at any time prior to January 1, 2017. The provisions of this
5 subsection shall cease to have the force and effect of law on
6 January 1, 2019. The Legislature shall review the impact of the
7 provisions of this subsection upon taxpayers, the revenue system of
8 the state and the economic effects of the tax credit reduction in
9 order to determine whether tax credits will be subject to reduction
10 for any future tax years.

11 SECTION 9. AMENDATORY 68 O.S. 2011, Section 2357.46, is
12 amended to read as follows:

13 Section 2357.46 A. Except as otherwise provided by ~~subsection~~
14 ~~G~~ subsections G and H of this section, for tax years beginning after
15 December 31, 2005, there shall be allowed a credit against the tax
16 imposed by Section 2355 of ~~Title 68 of Oklahoma Statutes~~ this title
17 for eligible expenditures incurred by a contractor in the
18 construction of energy efficient residential property of two
19 thousand (2,000) square feet or less. The amount of the credit
20 shall be based upon the following:

21 1. For any eligible energy efficient residential property
22 constructed and certified as forty percent (40%) or more above the
23 International Energy Conservation Code 2003 and any supplement in
24 effect at the time of completion, the amount of the credit shall be

1 equal to the eligible expenses, not to exceed Four Thousand Dollars
2 (\$4,000.00) for the taxpayer who is the contractor; and

3 2. For any eligible energy efficient residential property
4 constructed and certified as between twenty percent (20%) and
5 thirty-nine percent (39%) above the International Energy
6 Conservation Code 2003 and any supplement in effect at the time of
7 completion, the credit shall be equal to the eligible expenditures,
8 not to exceed Two Thousand Dollars (\$2,000.00) for the taxpayer who
9 is the contractor.

10 B. As used in this section:

11 1. "Eligible expenditure" means any:

- 12 a. energy efficient heating or cooling system,
- 13 b. insulation material or system which is specifically
14 and primarily designed to reduce the heat gain or loss
15 of a residential property when installed in or on such
16 property,
- 17 c. exterior windows, including skylights,
- 18 d. exterior doors, and
- 19 e. any metal roof installed on a residential property,
20 but only if such roof has appropriate pigmented
21 coatings which are specifically and primarily designed
22 to reduce the heat gain of such dwelling unit and
23 which meet Energy Star program requirements;

24

1 2. "Contractor" means the taxpayer who constructed the
2 residential property or manufactured home, or if more than one
3 taxpayer qualifies as the contractor, the primary contractor; and

4 3. "Eligible energy efficient residential property" means a
5 newly constructed residential property or manufactured home property
6 which is located in the State of Oklahoma and substantially complete
7 after December 31, 2005, and which is two thousand (2,000) square
8 feet or less:

9 a. for the credit provided pursuant to paragraph 1 of
10 subsection A of this section, which is certified by an
11 accredited Residential Energy Services Network
12 Provider using the Home Energy Rating System to have:

13 (1) a level of annual heating and cooling energy
14 consumption which is at least forty percent (40%)
15 below the annual level of heating and cooling
16 energy consumption of a comparable residential
17 property constructed in accordance with the
18 standards of Chapter 4 of the 2003 International
19 Energy Conservation Code, as such code is in
20 effect on ~~the effective date of this act~~ November
21 1, 2005,

22 (2) heating and cooling equipment efficiencies which
23 correspond to the minimum allowed under the
24 regulations established by the Department of

1 Energy pursuant to the National Appliance Energy
2 Conservation Act of 1987 and in effect at the
3 time of construction of the property, and

4 (3) building envelope component improvements which
5 account for at least one-fifth of the reduced
6 annual heating and cooling energy consumption
7 levels,

8 b. for the credit provided pursuant to paragraph 2 of
9 subsection A of this section, which is certified by an
10 accredited Residential Energy Services Network

11 Provider using the Home Energy Rating System to have:

12 (1) a level of annual heating and cooling energy
13 consumption which is between twenty percent (20%)
14 and thirty-nine percent (39%) below the annual
15 level of heating and cooling energy consumption
16 of a comparable residential property constructed
17 in accordance with the standards of Chapter 4 of
18 the 2003 International Energy Conservation Code,
19 as such code is in effect on ~~the effective date~~
20 ~~of this act~~ November 1, 2005,

21 (2) heating and cooling equipment efficiencies which
22 correspond to the minimum allowed under the
23 regulations established by the Department of
24 Energy pursuant to the National Appliance Energy

1 Conservation Act of 1987 and in effect at the
2 time of construction of the property, and

3 (3) building envelope component improvements which
4 account for at least one-third of the reduced
5 annual heating and cooling energy consumption
6 levels.

7 C. The credit provided for in subsection A of this section may
8 only be claimed once for the contractor of any eligible residential
9 energy efficient property during the taxable year when the property
10 is substantially complete.

11 D. If the credit allowed pursuant to this section exceeds the
12 amount of income taxes due or if there are no state income taxes due
13 on the income of the taxpayer, the amount of credit allowed but not
14 used in any taxable year may be carried forward as a credit against
15 subsequent income tax liability for a period not exceeding four (4)
16 years following the qualified expenditures.

17 E. For credits earned on or after ~~the effective date of this~~
18 ~~act~~ July 1, 2006, the credits authorized by this section shall be
19 freely transferable to subsequent transferees.

20 F. The Oklahoma Tax Commission shall promulgate rules necessary
21 to implement this act.

22 G. No credit otherwise authorized by the provisions of this
23 section may be claimed for any event, transaction, investment,
24 expenditure or other act occurring on or after July 1, 2010 for

1 which the credit would otherwise be allowable. The provisions of
2 this subsection shall cease to be operative on July 1, 2012.
3 Beginning July 1, 2012, the credit authorized by this section may be
4 claimed for any event, transaction, investment, expenditure or other
5 act occurring on or after July 1, 2012, according to the provisions
6 of this section.

7 H. Notwithstanding any other provisions of this section, the
8 tax credit amount computed for any tax year beginning on or after
9 January 1, 2017, and ending not later than December 31, 2018, shall
10 be reduced by twenty-five percent (25%) of the amount otherwise
11 allowable. The provisions of this subsection shall not be
12 applicable to tax credits carried forward from a tax year which
13 began at any time prior to January 1, 2017. The provisions of this
14 subsection shall cease to have the force and effect of law on
15 January 1, 2019. The Legislature shall review the impact of the
16 provisions of this subsection upon taxpayers, the revenue system of
17 the state and the economic effects of the tax credit reduction in
18 order to determine whether tax credits will be subject to reduction
19 for any future tax years.

20 SECTION 10. AMENDATORY 68 O.S. 2011, Section 2357.47, as
21 amended by Section 1, Chapter 292, O.S.L. 2014 (68 O.S. Supp. 2015,
22 Section 2357.47), is amended to read as follows:

23 Section 2357.47 A. 1. Except as otherwise provided in
24 subsection D of this section, for tax years beginning after December

1 31, 2005, and ending before January 1, 2015, there shall be allowed
2 against the tax imposed by Section 2355 of this title, a credit for
3 eligible wages paid by an employer to an employee. The amount of
4 the credit shall be ten percent (10%) of the amount of the gross
5 wages paid to the employee for a period not to exceed ninety (90)
6 days but in no event shall the credit exceed Five Thousand Dollars
7 (\$5,000.00) for each employee of each taxpayer. In no event shall
8 the total credit claimed exceed Twenty-five Thousand Dollars
9 (\$25,000.00) in any one year for any taxpayer.

10 2. Except as otherwise provided by ~~subsection D~~ subsections D
11 and E of this section, for tax years beginning after December 31,
12 2005, and ending before January 1, 2017, there shall be allowed
13 against the tax imposed by Section 2355 of this title, a credit for
14 eligible modification expenses of an employer. The amount of the
15 credit shall be fifty percent (50%) of the amount of the funds
16 expended for eligible modification expenses or new tools or
17 equipment but in no event shall the credit exceed One Thousand
18 Dollars (\$1,000.00) for eligible modification expenses incurred for
19 any single employee. In no event shall the total credit claimed
20 exceed Ten Thousand Dollars (\$10,000.00) in any year for any
21 taxpayer.

22 3. As used in this section:
23
24

- 1 a. "employee", "employer", "maximum medical improvement",
2 "treating physician", and "wages" shall be defined as
3 in Title ~~85~~ 85A of the Oklahoma Statutes,
- 4 b. "eligible wages" means gross wages paid by an employer
5 to an employee who is injured as a result of an injury
6 which is compensable under Title ~~85~~ 85A of the
7 Oklahoma Statutes and which are paid beginning when
8 the employee returns to work with restricted duties as
9 provided by the employee's treating physician or an
10 independent medical examiner before the employee has
11 reached maximum medical improvement, and ending after
12 ninety (90) days or when the employee has reached
13 maximum medical improvement, and
- 14 c. "eligible modification expenses" means expenses
15 incurred by an employer to modify a workplace, tools
16 or equipment or to obtain new tools or equipment and
17 which are incurred by an employer solely to enable a
18 specific injured employee who is injured as a result
19 of an injury which is compensable under the Workers'
20 Compensation Act to return to work with restricted
21 duties as provided by the employee's treating
22 physician or an independent medical examiner before
23 the employee has reached maximum medical improvement,
24

1 and which workplace, tools or equipment are used
2 primarily by the injured employee.

3 B. In no event shall the amount of the credit(s) exceed the
4 amount of any tax liability of the taxpayer.

5 C. The Oklahoma Tax Commission shall have the authority to
6 promulgate rules necessary to effectuate the purposes of this
7 section.

8 D. No credit otherwise authorized by the provisions of this
9 section may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010, for
11 which the credit would otherwise be allowable. The provisions of
12 this subsection shall cease to be operative on July 1, 2012.

13 Beginning July 1, 2012, the credit authorized by this section may be
14 claimed for any event, transaction, investment, expenditure or other
15 act occurring on or after July 1, 2012, according to the provisions
16 of this section.

17 E. Notwithstanding any other provisions of this section, the
18 tax credit amount computed for any tax year beginning on or after
19 January 1, 2017, and ending not later than December 31, 2018, shall
20 be reduced by twenty-five percent (25%) of the amount otherwise
21 allowable. The provisions of this subsection shall not be
22 applicable to tax credits carried forward from a tax year which
23 began at any time prior to January 1, 2017. The provisions of this
24 subsection shall cease to have the force and effect of law on

1 January 1, 2019. The Legislature shall review the impact of the
2 provisions of this subsection upon taxpayers, the revenue system of
3 the state and the economic effects of the tax credit reduction in
4 order to determine whether tax credits will be subject to reduction
5 for any future tax years.

6 SECTION 11. AMENDATORY 68 O.S. 2011, Section 2357.104,
7 is amended to read as follows:

8 Section 2357.104 A. Except as otherwise provided by ~~subsection~~
9 ~~§~~ subsections G and H of this section, for taxable years beginning
10 after December 31, 2005, there shall be allowed a credit against the
11 tax imposed by Section 2355 of this title equal to fifty percent
12 (50%) of an eligible taxpayer's qualified railroad reconstruction or
13 replacement expenditures.

14 B. 1. Except as provided in paragraph 2 of this subsection,
15 the amount of the credit shall be limited to the product of Five
16 Hundred Dollars (\$500.00) for tax year 2007 and Two Thousand Dollars
17 (\$2,000.00) for tax year 2008 and subsequent tax years and the
18 number of miles of railroad track owned or leased within this state
19 by the eligible taxpayer as of the close of the taxable year.

20 2. In tax year 2009 and subsequent tax years, a taxpayer may
21 elect to increase the limit provided in paragraph 1 of this
22 subsection to an amount equal to three times the limit specified in
23 paragraph 1 of this subsection for qualified expenditures made in
24

1 the tax year, provided the taxpayer may only claim one third (1/3)
2 of the credit in any one taxable period.

3 C. The credit allowed pursuant to subsection A of this section
4 but not used shall be freely transferable, by written agreement, to
5 subsequent transferees at any time during the five (5) years
6 following the year of qualification. An eligible transferee shall
7 be any taxpayer subject to the tax imposed by Section 2355 of this
8 title. The person originally allowed the credit and the subsequent
9 transferee shall jointly file a copy of the written credit transfer
10 agreement with the Oklahoma Tax Commission within thirty (30) days
11 of the transfer. The written agreement shall contain the name,
12 address and taxpayer identification number of the parties to the
13 transfer, the amount of credit being transferred, the year the
14 credit was originally allowed to the transferring person and the tax
15 year or years for which the credit may be claimed. The Tax
16 Commission shall promulgate rules to permit verification of the
17 timeliness of a tax credit claimed upon a tax return pursuant to
18 this subsection but shall not promulgate any rules which unduly
19 restrict or hinder the transfers of such tax credit. The Department
20 of Transportation shall promulgate rules to permit verification of
21 the eligibility of an eligible taxpayer's expenditures for the
22 purpose of claiming the credit. The rules shall provide for the
23 approval of qualified railroad reconstruction or replacement
24 expenditures prior to commencement of a project and provide a

1 certificate of verification upon completion of a project that uses
2 qualified railroad reconstruction or replacement expenditures. The
3 certificate of verification shall satisfy all requirements of the
4 Tax Commission pertaining to the eligibility of the person claiming
5 the credit.

6 D. Any credits allowed pursuant to the provisions of subsection
7 A of this section but not used in any tax year may be carried over
8 in order to each of the five (5) years following the year of
9 qualification.

10 E. A taxpayer who elects to increase the limitation on the
11 credit under paragraph 2 of subsection B of this section shall not
12 be granted additional credits under subsection A of this section
13 during the period of such election.

14 F. As used in this section:

15 1. "Class II and Class III railroad" means a railroad that is
16 classified by the United States Surface Transportation Board as a
17 Class II or Class III railroad;

18 2. "Eligible taxpayer" means any Class II or Class III
19 railroad; and

20 3. "Qualified railroad reconstruction or replacement
21 expenditures" means expenditures for:

22 a. reconstruction or replacement of railroad
23 infrastructure including track, roadbed, bridges,
24 industrial leads and track-related structures owned or

1 leased by a Class II or Class III railroad as of
2 January 1, 2006, or

3 b. new construction of industrial leads, switches, spurs
4 and sidings and extensions of existing sidings by a
5 Class II or Class III railroad.

6 G. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, for
9 which the credit would otherwise be allowable. The provisions of
10 this subsection shall cease to be operative on July 1, 2012.

11 Beginning July 1, 2012, the credit authorized by this section may be
12 claimed for any event, transaction, investment, expenditure or other
13 act occurring on or after July 1, 2012, according to the provisions
14 of this section.

15 H. Notwithstanding any other provisions of this section, the
16 tax credit amount computed for any tax year beginning on or after
17 January 1, 2017, and ending not later than December 31, 2018, shall
18 be reduced by twenty-five percent (25%) of the amount otherwise
19 allowable. The provisions of this subsection shall not be
20 applicable to tax credits carried forward from a tax year which
21 began at any time prior to January 1, 2017. The provisions of this
22 subsection shall cease to have the force and effect of law on
23 January 1, 2019. The Legislature shall review the impact of the
24 provisions of this subsection upon taxpayers, the revenue system of

1 the state and the economic effects of the tax credit reduction in
2 order to determine whether tax credits will be subject to reduction
3 for any future tax years.

4 SECTION 12. AMENDATORY 68 O.S. 2011, Section 2357.206,
5 as last amended by Section 1, Chapter 361, O.S.L. 2015 (68 O.S.
6 Supp. 2015, Section 2357.206), is amended to read as follows:

7 Section 2357.206 A. This act shall be known and may be cited
8 as the "Oklahoma Equal Opportunity Education Scholarship Act".

9 B. 1. Except as provided in ~~subsection F~~ subsections F and M
10 of this section, after August 26, 2011, there shall be allowed a
11 credit for any taxpayer who makes a contribution to an eligible
12 scholarship-granting organization. The credit shall be equal to
13 fifty percent (50%) of the total amount of contributions made during
14 a taxable year, not to exceed One Thousand Dollars (\$1,000.00) for
15 single individuals, Two Thousand Dollars (\$2,000.00) for married
16 individuals filing jointly, or One Hundred Thousand Dollars
17 (\$100,000.00) for any taxpayer which is a legal business entity
18 including limited and general partnerships, corporations, subchapter
19 S corporations and limited liability companies; provided, if total
20 credits claimed pursuant to this paragraph exceed the caps
21 established pursuant to paragraph 1 of subsection D of this section,
22 the credit shall be equal to the taxpayer's proportionate share of
23 the cap for the taxable year, as determined pursuant to subsection H
24 of this section.

1 2. For any taxpayer who makes a contribution to an eligible
2 scholarship-granting organization and makes a written commitment to
3 contribute the same amount for an additional year, the credit for
4 the first year and the additional year shall be equal to seventy-
5 five percent (75%) of the total amount of the contribution made
6 during a taxable year, not to exceed the amounts established in
7 paragraph 1 of this subsection for the taxable year in which the
8 credit provided in this subsection is claimed. The taxpayer shall
9 provide evidence of the written commitment to the Oklahoma Tax
10 Commission at the time of filing the refund claim.

11 3. The credits authorized pursuant to the provisions of this
12 subsection shall be allocable to the partners, shareholders, members
13 or other equity owners of a taxpayer that is authorized to be
14 treated as a partnership for purposes of federal income tax
15 reporting for the taxable year for which the tax credits authorized
16 by this subsection are claimed on the applicable return, together
17 with required schedules, forms or reports of the partners,
18 shareholders, members or other equity owners of the taxpayer. Tax
19 credits which are allocated to such equity owners shall only be
20 limited in amount for the income tax return of a natural person or
21 persons based upon the limitation of the total credit amount to the
22 entity from which the tax credits have been allocated and shall not
23 be limited to One Thousand Dollars (\$1,000.00) for single
24

1 individuals or limited to Two Thousand Dollars (\$2,000.00) for
2 married persons filing a joint return.

3 4. On or before December 31, 2017, and once every four (4)
4 years thereafter, such scholarship-granting organization and
5 educational improvement granting organization shall submit to the
6 Governor, President Pro Tempore of the Senate and the Speaker of the
7 House of Representatives, an audited financial statement for the
8 organization along with information detailing the benefits,
9 successes or failures of the program.

10 C. 1. Except as provided in ~~subsection F~~ subsections F and M
11 of this section, after August 26, 2011, there shall be allowed a
12 credit for any taxpayer who makes a contribution to an eligible
13 educational improvement grant organization. The credit shall be
14 equal to fifty percent (50%) of the total amount of contributions
15 made during a taxable year, not to exceed One Thousand Dollars
16 (\$1,000.00) for single individuals, Two Thousand Dollars (\$2,000.00)
17 for married individuals filing jointly, or One Hundred Thousand
18 Dollars (\$100,000.00) for any taxpayer which is a legal business
19 entity including limited and general partnerships, corporations,
20 subchapter S corporations and limited liability companies; provided,
21 if total credits claimed pursuant to this paragraph exceed the cap
22 established pursuant to paragraph 2 of subsection D of this section,
23 the credit shall be equal to the taxpayer's proportionate share of
24

1 the cap for the taxable year, as determined pursuant to subsection H
2 of this section.

3 2. For any taxpayer who makes a contribution to an eligible
4 educational improvement grant organization and makes a written
5 commitment to contribute the same amount for an additional year, the
6 credit for the first year and the additional year shall be equal to
7 seventy-five percent (75%) of the total amount of the contribution
8 made during a taxable year, not to exceed the amounts established in
9 paragraph 1 of this subsection for the taxable year in which the
10 credit provided in this subsection is claimed; provided, if total
11 credits claimed pursuant to this paragraph exceed the cap
12 established pursuant to paragraph 3 of this subsection, the credit
13 shall be equal to the taxpayer's proportionate share of the cap for
14 the taxable year, as determined pursuant to subsection H of this
15 section. The taxpayer shall provide evidence of the written
16 commitment to the Oklahoma Tax Commission at the time of filing the
17 refund claim.

18 3. The credits authorized pursuant to the provisions of this
19 subsection shall be allocable to the partners, shareholders, members
20 or other equity owners of a taxpayer that is authorized to be
21 treated as a partnership for purposes of federal income tax
22 reporting for the taxable year for which the tax credits authorized
23 by this subsection are claimed on the applicable return, together
24 with required schedules, forms or reports of the partners,

1 shareholders, members or other equity owners of the taxpayer. Tax
2 credits which are allocated to such equity owners shall only be
3 limited in amount for the income tax return of a natural person or
4 persons based upon the limitation of the total credit amount to the
5 entity from which the tax credits have been allocated and shall not
6 be limited to One Thousand Dollars (\$1,000.00) for single
7 individuals or limited to Two Thousand Dollars (\$2,000.00) for
8 married persons filing a joint return.

9 D. 1. The total credits authorized pursuant to subsection B of
10 this section for all taxpayers shall not exceed Three Million Five
11 Hundred Thousand Dollars (\$3,500,000.00) annually.

12 2. The total credits authorized pursuant to subsection C of
13 this section for all taxpayers shall not exceed One Million Five
14 Hundred Thousand Dollars (\$1,500,000.00) annually.

15 3. The cap on total credits provided for in this subsection
16 shall be allocated by the Tax Commission as provided in subsection H
17 of this section.

18 E. For credits claimed for eligible contributions made during
19 tax year 2014 and thereafter, a credit shall not be allowed by the
20 Oklahoma Tax Commission for contributions made to a scholarship-
21 granting organization or an educational improvement grant
22 organization if that organization's percentage of funds actually
23 awarded is less than ninety percent (90%). For purposes of this
24 section, the "percentage of funds actually awarded" shall be

1 determined by dividing the total amount of funds actually awarded as
2 educational scholarships or educational improvement grants over the
3 most recent twenty-four (24) months by the total amount available to
4 award as educational scholarships or educational improvement grants
5 over the most recent twenty-four (24) months.

6 F. Any tax credits which are earned by a taxpayer pursuant to
7 this section during the time period beginning on ~~the effective date~~
8 ~~of this act~~ August 26, 2011, through December 31, 2012, may not be
9 claimed for any period prior to the taxable year beginning January
10 1, 2013. No credits which accrue during the time period beginning
11 on ~~the effective date of this act~~ August 26, 2011, through December
12 31, 2012, may be used to file an amended tax return for any taxable
13 year prior to the taxable year beginning January 1, 2013.

14 G. As used in this section:

15 1. "Eligible student" means a child of school age who is
16 lawfully present in the United States and who is a member of a
17 household in which the total annual income during the preceding tax
18 year does not exceed an amount equal to three hundred percent (300%)
19 of the income standard used to qualify for a free or reduced school
20 lunch or who, during the immediately preceding school year, attended
21 or, by virtue of the location of such student's place of residence,
22 was eligible to attend a public school in this state which has been
23 identified for school improvement as determined by the State Board
24 of Education pursuant to the requirements of the No Child Left

1 Behind Act of 2001, P.L. No. 107-110. Once a student has received
2 an educational scholarship, as defined in paragraph 3 of this
3 subsection, the student and any siblings who are members of the same
4 household shall remain eligible until they graduate from high school
5 or reach twenty-one (21) years of age, whichever occurs first;

6 2. "Eligible special needs student" means a child who has been
7 provided services under an Individual Family Service Plan through
8 the SoonerStart program and during transition was evaluated and
9 determined to be eligible for school district services, a child of
10 school age who has attended public school in our state with an
11 individualized education program pursuant to the Individuals With
12 Disabilities Education Act, 20 U.S.C.A., Section 1400 et seq. or a
13 child who has been diagnosed by a clinical professional as having a
14 significant disability that will affect learning and who has been
15 approved by the board of a scholarship-granting organization;

16 3. "Educational scholarships" means:

17 a. scholarships to an eligible student of up to Five
18 Thousand Dollars (\$5,000.00) or eighty percent (80%)
19 of the statewide annual average per-pupil expenditure
20 as determined by the National Center for Education
21 Statistics, U.S. Department of Education, whichever is
22 greater, to cover all or part of the tuition, fees and
23 transportation costs of a qualified school which is
24 accredited by the State Board of Education or an

1 accrediting association approved by the Board pursuant
2 to Section 3-104 of Title 70 of the Oklahoma Statutes,
3 b. scholarships to an eligible student of up to Five
4 Thousand Dollars (\$5,000.00) or eighty percent (80%)
5 of the statewide annual average per-pupil expenditure
6 as determined by the National Center for Education
7 Statistics, U.S. Department of Education, whichever is
8 greater, to cover the educational costs of a qualified
9 school which does not charge tuition, which enrolls
10 special populations of students and which is
11 accredited by the State Board of Education or an
12 accrediting association approved by the Board pursuant
13 to Section 3-104 of Title 70 of the Oklahoma Statutes,
14 or
15 c. scholarships to an eligible special needs student of
16 up to Twenty-five Thousand Dollars (\$25,000.00) to
17 cover all or part of the tuition, fees and
18 transportation costs of a qualified school for
19 eligible special needs students which is accredited by
20 the State Board of Education or an accrediting
21 association approved by the Board pursuant to Section
22 3-104 of Title 70 of the Oklahoma Statutes;
23
24

1 4. "Low-income eligible student" means an eligible student or
2 eligible special needs student who qualifies for a free or reduced-
3 price lunch;

4 5. "Qualified school" means an early childhood, elementary or
5 secondary private school in this state, including schools which
6 provide special educational programs for three-year-olds or
7 prekindergarten educational programs for four-year-olds, which:

- 8 a. is accredited by the State Board of Education or an
9 accrediting association approved by the Board pursuant
10 to Section 3-104 of Title 70 of the Oklahoma Statutes,
- 11 b. is in compliance with all applicable health and safety
12 laws and codes,
- 13 c. has a stated policy against discrimination in
14 admissions on the basis of race, color, national
15 origin or disability, and
- 16 d. ensures academic accountability to parents and
17 guardians of students through regular progress
18 reports;

19 6. "Qualified school for eligible special needs students" means
20 an early childhood, elementary or secondary private school in a
21 county in this state, including schools which provide special
22 educational programs for three-year-olds or prekindergarten
23 educational programs for four-year-olds;

1 7. "Scholarship-granting organization" means an organization
2 which:

3 a. is a nonprofit entity exempt from taxation pursuant to
4 the provisions of the Internal Revenue Code, 26
5 U.S.C., Section 501(c)(3),

6 b. distributes periodic scholarship payments as checks
7 made out to an eligible student's or eligible special
8 needs student's parent or guardian and mailed to the
9 qualified school where the student is enrolled,

10 c. spends no more than ten percent (10%) of its annual
11 revenue on expenditures other than educational
12 scholarships as defined in paragraph 3 of this
13 subsection,

14 d. spends each year a portion of its expenditures on
15 educational scholarships for low-income eligible
16 students, as defined in paragraph 4 of this
17 subsection, in an amount equal to or greater than the
18 percentage of low-income eligible students in the
19 state,

20 e. ensures that scholarships are portable during the
21 school year and can be used at any qualified school
22 that accepts the eligible student or at any qualified
23 school for special needs students that accepts the
24 eligible special needs student,

1 f. registers with the Oklahoma Tax Commission as a
2 scholarship-granting organization, and

3 g. has policies in place to:

4 (1) carry out criminal background checks on all
5 employees and board members to ensure that no
6 individual is involved with the organization who
7 might reasonably pose a risk to the appropriate
8 use of contributed funds, and

9 (2) maintain full and accurate records with respect
10 to the receipt of contributions and expenditures
11 of those contributions and supply such records
12 and any other documentation required by the Tax
13 Commission to demonstrate financial
14 accountability;

15 8. "Annual revenue" means the total amount or value of
16 contributions received by an organization from taxpayers awarded
17 credits during the organization's fiscal year and all amounts earned
18 from interest or investments;

19 9. "Public school" means public schools as defined in Section
20 1-106 of Title 70 of the Oklahoma Statutes;

21 10. "Eligible school" means any public school that is not
22 located within a ten-mile radius of a qualified school in this
23 state, or any public school that is located within a ten-mile radius
24 of a qualified school in this state but offers grade-level

1 instruction different from the qualified school or any public school
2 located within a public school district with fewer than four
3 thousand five hundred (4,500) students;

4 11. "Early childhood education program" means a special
5 educational program for eligible special needs students who are
6 three (3) years of age or a prekindergarten educational program
7 provided to children who are at least four (4) years of age but not
8 more than five (5) years of age on or before September 1;

9 12. "Innovative educational program" means an advanced academic
10 or academic improvement program that is not part of the regular
11 coursework of a public school but that enhances the curriculum or
12 academic program of the school or provides early childhood education
13 programs to students;

14 13. "Educational improvement grant" means a grant to an
15 eligible public school to implement an innovative educational
16 program for students, including the ability for multiple public
17 schools to make an application and be awarded a grant to jointly
18 provide an innovative educational program; and

19 14. "Educational improvement grant organization" means an
20 organization which:

21 a. is a nonprofit entity exempt from taxation pursuant to
22 the provisions of the Internal Revenue Code, 26
23 U.S.C., Section 501(c)(3), and

24

1 b. contributes at least ninety percent (90%) of its
2 annual receipts as grants to eligible schools for
3 innovative educational programs. For purposes of this
4 subparagraph, an educational improvement grant
5 organization contributes its annual cash receipts when
6 it expends or otherwise irrevocably encumbers those
7 funds for expenditure during the then current fiscal
8 year of the organization or during the next succeeding
9 fiscal year of the organization.

10 H. Total credits authorized by this section shall be allocated
11 as follows:

12 1. By January 10 of the year immediately following each
13 calendar year, a scholarship-granting organization or an educational
14 improvement grant organization which accepts contributions pursuant
15 to this section shall provide electronically to the Tax Commission
16 information on each contribution accepted during such taxable year.
17 At least once each taxable year, the scholarship-granting
18 organization or the educational improvement grant organization shall
19 notify each contributor that Oklahoma law provides for a total,
20 statewide cap on the amount of income tax credits allowed annually;

21 2. a. If the Tax Commission determines the total combined
22 credits claimed for contributions made to scholarship-
23 granting organizations during the most recently
24 completed calendar year by all taxpayers are in excess

1 of the statewide caps provided in paragraph 1 of
2 subsection D of this section, the Tax Commission shall
3 determine the percentage of the contribution which
4 establishes the proportionate share of the credit
5 which may be claimed by any taxpayer so that the
6 maximum credits authorized by this section are not
7 exceeded.

8 b. If the Tax Commission determines the total combined
9 credits claimed for contributions made to educational
10 improvement grant organizations during the most
11 recently completed calendar year by all taxpayers are
12 in excess of the statewide caps provided in paragraph
13 2 of subsection D of this section, the Tax Commission
14 shall determine the percentage of the contribution
15 which establishes the proportionate share of the
16 credit which may be claimed by any taxpayer so that
17 the maximum credits authorized by this section are not
18 exceeded; and

19 3. The Tax Commission shall publish the percentage of the
20 contribution which may be claimed as a credit by contributors for
21 the most recently completed calendar year on the Tax Commission
22 website no later than February 15 of each calendar year for
23 contributions made the previous year. Each scholarship-granting
24

1 organization or educational improvement grant organization shall
2 notify contributors of that amount annually.

3 I. The credit authorized by this section shall not be used to
4 reduce the tax liability of the taxpayer to less than zero (0).

5 J. Any credits allowed but not used in any tax year may be
6 carried over, in order, to each of the three (3) years following the
7 year of qualification.

8 K. 1. In order to qualify under this section, an educational
9 improvement grant organization shall submit an application with
10 information to the Oklahoma Tax Commission on a form prescribed by
11 the Tax Commission that:

12 a. enables the Tax Commission to confirm that the
13 organization is a nonprofit entity exempt from
14 taxation pursuant to the provisions of the Internal
15 Revenue Code, 26 U.S.C., Section 501(c)(3), and

16 b. describes the proposed innovative educational program
17 or programs supported by the organization.

18 2. The Tax Commission shall review and approve or disapprove
19 the application, in consultation with the State Department of
20 Education.

21 3. In order to maintain eligibility under this section, an
22 educational improvement grant organization shall annually report the
23 following information to the Tax Commission by September 1 of each
24 year:

- a. the name of the innovative educational program or programs and the total amount of the grant or grants made to those programs during the immediately preceding school year,
- b. a description of how each grant was utilized during the immediately preceding school year and a description of any demonstrated or expected innovative educational improvements,
- c. the names of the public school and school districts where innovative educational programs that received grants during the immediately preceding school year were implemented,
- d. where the organization collects information on a county-by-county basis, and
- e. the total number and total amount of grants made during the immediately preceding school year for innovative educational programs at public school by each county in which the organization made grants.

4. The information required under paragraph 3 of this subsection shall be submitted on a form provided by the Tax Commission. No later than May 1 of each year, the Tax Commission shall annually distribute sample forms together with the forms on which the reports are required to be made to each approved organization.

1 5. The Tax Commission shall not require any other information
2 be provided by an organization, except as expressly authorized in
3 this section.

4 L. In consultation with the State Department of Education, the
5 Tax Commission shall promulgate rules necessary to implement this
6 act. The rules shall include procedures for the registration of a
7 scholarship-granting organization or an educational improvement
8 grant organization for purposes of determining if the organization
9 meets the requirements of this act or for the revocation of the
10 registration of an organization, if applicable, and for notice as
11 required in subsection H of this section.

12 M. Notwithstanding any other provisions of this section, the
13 tax credit amount computed for any tax year beginning on or after
14 January 1, 2017, and ending not later than December 31, 2018, shall
15 be reduced by twenty-five percent (25%) of the amount otherwise
16 allowable. The provisions of this subsection shall not be
17 applicable to tax credits carried forward from a tax year which
18 began at any time prior to January 1, 2017. The provisions of this
19 subsection shall cease to have the force and effect of law on
20 January 1, 2019. The Legislature shall review the impact of the
21 provisions of this subsection upon taxpayers, the revenue system of
22 the state and the economic effects of the tax credit reduction in
23 order to determine whether tax credits will be subject to reduction
24 for any future tax years.

1 SECTION 13. AMENDATORY 68 O.S. 2011, Section 2357.302,
2 as amended by Section 2, Chapter 30, O.S.L. 2014 (68 O.S. Supp.
3 2015, Section 2357.302), is amended to read as follows:

4 Section 2357.302 A. Except as provided in ~~subsection F~~
5 subsections F and G of this section, for taxable years beginning
6 after December 31, 2008, and ending before January 1, 2018, a
7 qualified employer shall be allowed a credit against the tax imposed
8 pursuant to Section 2355 of this title for tuition reimbursed to a
9 qualified employee.

10 B. The credit authorized by subsection A of this section may be
11 claimed only if the qualified employee has been awarded an
12 undergraduate or graduate degree within one (1) year of commencing
13 employment with the qualified employer.

14 C. The credit authorized by subsection A of this section shall
15 be in the amount of fifty percent (50%) of the tuition reimbursed to
16 a qualified employee for the first through fourth years of
17 employment. In no event shall this credit exceed fifty percent
18 (50%) of the average annual amount paid by a qualified employee for
19 enrollment and instruction in a qualified program at a public
20 institution in Oklahoma.

21 D. The credit authorized by subsection A of this section shall
22 not be used to reduce the tax liability of the qualified employer to
23 less than zero (0).

24

1 E. No credit authorized by this section shall be claimed after
2 the fourth year of employment.

3 F. No credit otherwise authorized by the provisions of this
4 section may be claimed for any event, transaction, investment,
5 expenditure or other act occurring on or after July 1, 2010, for
6 which the credit would otherwise be allowable. The provisions of
7 this subsection shall cease to be operative on July 1, 2011.
8 Beginning July 1, 2011, the credit authorized by this section may be
9 claimed for any event, transaction, investment, expenditure or other
10 act occurring on or after July 1, 2011, according to the provisions
11 of this section.

12 G. Notwithstanding any other provisions of this section, the
13 tax credit amount computed for any tax year beginning on or after
14 January 1, 2017, and ending not later than December 31, 2018, shall
15 be reduced by twenty-five percent (25%) of the amount otherwise
16 allowable. The provisions of this subsection shall not be
17 applicable to tax credits carried forward from a tax year which
18 began at any time prior to January 1, 2017. The provisions of this
19 subsection shall cease to have the force and effect of law on
20 January 1, 2019. The Legislature shall review the impact of the
21 provisions of this subsection upon taxpayers, the revenue system of
22 the state and the economic effects of the tax credit reduction in
23 order to determine whether tax credits will be subject to reduction
24 for any future tax years.

1 SECTION 14. AMENDATORY 68 O.S. 2011, Section 2357.303,
2 as amended by Section 3, Chapter 30, O.S.L. 2014 (68 O.S. Supp.
3 2015, Section 2357.303), is amended to read as follows:

4 Section 2357.303 A. Except as provided in ~~subsection F~~
5 subsections F and G of this section, for taxable years beginning
6 after December 31, 2008, and ending before January 1, 2018, a
7 qualified employer shall be allowed a credit against the tax imposed
8 pursuant to Section 2355 of this title for compensation paid to a
9 qualified employee.

10 B. The credit authorized by subsection A of this section shall
11 be in the amount of:

12 1. Ten percent (10%) of the compensation paid for the first
13 through fifth years of employment in the aerospace sector if the
14 qualified employee graduated from an institution located in this
15 state; or

16 2. Five percent (5%) of the compensation paid for the first
17 through fifth years of employment in the aerospace sector if the
18 qualified employee graduated from an institution located outside
19 this state.

20 C. The credit authorized by this section shall not exceed
21 Twelve Thousand Five Hundred Dollars (\$12,500.00) for each qualified
22 employee annually.

23
24

1 D. The credit authorized by this section shall not be used to
2 reduce the tax liability of the qualified employer to less than zero
3 (0).

4 E. No credit authorized pursuant to this section shall be
5 claimed after the fifth year of employment.

6 F. No credit otherwise authorized by the provisions of this
7 section may be claimed for any event, transaction, investment,
8 expenditure or other act occurring on or after July 1, 2010, for
9 which the credit would otherwise be allowable. The provisions of
10 this subsection shall cease to be operative on July 1, 2011.

11 Beginning July 1, 2011, the credit authorized by this section may be
12 claimed for any event, transaction, investment, expenditure or other
13 act occurring on or after July 1, 2011, according to the provisions
14 of this section.

15 G. Notwithstanding any other provisions of this section, the
16 tax credit amount computed for any tax year beginning on or after
17 January 1, 2017, and ending not later than December 31, 2018, shall
18 be reduced by twenty-five percent (25%) of the amount otherwise
19 allowable. The provisions of this subsection shall not be
20 applicable to tax credits carried forward from a tax year which
21 began at any time prior to January 1, 2017. The provisions of this
22 subsection shall cease to have the force and effect of law on
23 January 1, 2019. The Legislature shall review the impact of the
24 provisions of this subsection upon taxpayers, the revenue system of

1 the state and the economic effects of the tax credit reduction in
2 order to determine whether tax credits will be subject to reduction
3 for any future tax years.

4 SECTION 15. AMENDATORY 68 O.S. 2011, Section 2357.304,
5 as amended by Section 4, Chapter 30, O.S.L. 2014 (68 O.S. Supp.
6 2015, Section 2357.304), is amended to read as follows:

7 Section 2357.304 A. Except as provided in ~~subsection D~~
8 subsections D and E of this section, for taxable years beginning
9 after December 31, 2008, and ending before January 1, 2018, a
10 qualified employee shall be allowed a credit against the tax imposed
11 pursuant to Section 2355 of this title of up to Five Thousand
12 Dollars (\$5,000.00) per year for a period of time not to exceed five
13 (5) years.

14 B. The credit authorized by this section shall not be used to
15 reduce the tax liability of the taxpayer to less than zero (0).

16 C. Any credit claimed, but not used, may be carried over, in
17 order, to each of the five (5) subsequent taxable years.

18 D. No credit otherwise authorized by the provisions of this
19 section may be claimed for any event, transaction, investment,
20 expenditure or other act occurring on or after July 1, 2010, for
21 which the credit would otherwise be allowable. The provisions of
22 this subsection shall cease to be operative on July 1, 2011.

23 Beginning July 1, 2011, the credit authorized by this section may be
24 claimed for any event, transaction, investment, expenditure or other

1 act occurring on or after July 1, 2011, according to the provisions
2 of this section.

3 E. Notwithstanding any other provisions of this section, the
4 tax credit amount computed for any tax year beginning on or after
5 January 1, 2017, and ending not later than December 31, 2018, shall
6 be reduced by twenty-five percent (25%) of the amount otherwise
7 allowable. The provisions of this subsection shall not be
8 applicable to tax credits carried forward from a tax year which
9 began at any time prior to January 1, 2017. The provisions of this
10 subsection shall cease to have the force and effect of law on
11 January 1, 2019. The Legislature shall review the impact of the
12 provisions of this subsection upon taxpayers, the revenue system of
13 the state and the economic effects of the tax credit reduction in
14 order to determine whether tax credits will be subject to reduction
15 for any future tax years.

16 SECTION 16. AMENDATORY 68 O.S. 2011, Section 2357.401,
17 as amended by Section 1, Chapter 34, O.S.L. 2014 (68 O.S. Supp.
18 2015, Section 2357.401), is amended to read as follows:

19 Section 2357.401 A. Except as otherwise provided by
20 subsections B ~~and~~, C and F of this section, for taxable years
21 beginning January 1, 2009, and ending before January 1, 2017, there
22 shall be allowed a credit against the tax imposed pursuant to
23 Section 2355 of this title in the amount of all electronic funds
24

1 transfers fees paid by an individual or entity pursuant to Section
2 2-503.1j of Title 63 of the Oklahoma Statutes.

3 B. For any fees paid by a person or entity for the taxable year
4 beginning January 1, 2009, the credit otherwise authorized by this
5 section shall not be claimed for an individual prior to January 1,
6 2011. Subject to the requirements of this subsection, an individual
7 taxpayer shall be able to claim the credit authorized by this
8 section for all fees paid during the tax year ending December 31,
9 2009, and the tax year ending December 31, 2010, on the income tax
10 return filed for the tax year ending December 31, 2010.

11 C. For any fees paid by an entity other than a natural person
12 for the taxable year beginning January 1, 2009, the credit otherwise
13 authorized by this section shall not be claimed on an income tax
14 return prior to January 1, 2011. Subject to the requirements of
15 this subsection, an entity other than a natural person shall be able
16 to claim the credit authorized by this section for all fees paid
17 during a tax year ending at any time during calendar year 2009 and
18 for all fees paid during calendar year 2010 on the income tax return
19 filed for the tax year ending not later than December 31, 2010.

20 D. The credit authorized by this section shall not be used to
21 reduce the income tax liability of the taxpayer to less than zero
22 (0).
23
24

1 E. To the extent not used in any taxable year, the credit
2 authorized by this section may be carried over, in order, to each of
3 the five (5) succeeding taxable years.

4 F. Notwithstanding any other provisions of this section, the
5 tax credit amount computed for any tax year beginning on or after
6 January 1, 2017, and ending not later than December 31, 2018, shall
7 be reduced by twenty-five percent (25%) of the amount otherwise
8 allowable. The provisions of this subsection shall not be
9 applicable to tax credits carried forward from a tax year which
10 began at any time prior to January 1, 2017. The provisions of this
11 subsection shall cease to have the force and effect of law on
12 January 1, 2019. The Legislature shall review the impact of the
13 provisions of this subsection upon taxpayers, the revenue system of
14 the state and the economic effects of the tax credit reduction in
15 order to determine whether tax credits will be subject to reduction
16 for any future tax years.

17 SECTION 17. AMENDATORY Section 1, Chapter 421, O.S.L.
18 2014 (68 O.S. Supp. 2015, Section 2357.403), is amended to read as
19 follows:

20 Section 2357.403 A. This act shall be known and may be cited
21 as the "Oklahoma Affordable Housing Act".

22 B. As used in this section:

23 1. "Allocation year" means the year for which the Oklahoma
24 Housing Finance Agency allocates credits pursuant to this section;

1 2. "Eligibility statement" means a statement authorized and
2 issued by the Oklahoma Housing Finance Agency certifying that a
3 given project qualifies for the Oklahoma Affordable Housing Tax
4 Credit authorized by this section. The Oklahoma Housing Finance
5 Agency, under Title 330, Oklahoma Housing Finance Agency, Chapter
6 36, Affordable Housing Tax Credit Program Rules, shall promulgate
7 rules establishing criteria upon which the eligibility statements
8 will be issued. The eligibility statement shall specify the amount
9 of Oklahoma Affordable Housing Tax Credits allocated to a qualified
10 project. The Oklahoma Housing Finance Agency shall only authorize
11 the tax credits created by this section to qualified projects which
12 are placed in service after July 1, 2015, but which shall not be
13 used to reduce tax liability accruing prior to January 1, 2016;

14 3. "Federal low-income housing tax credit" means the federal tax
15 credit as provided in Section 42 of the Internal Revenue Code of
16 1986, as amended;

17 4. "Oklahoma Affordable Housing Tax Credit" means the tax credit
18 created by this section;

19 5. "Qualified project" means a qualified low-income building as
20 that term is defined in Section 42 of the Internal Revenue Code of
21 1986, as amended, which is located in this state in a county with a
22 population of less than one hundred fifty thousand (150,000)
23 according to the latest Federal Decennial Census; and
24

1 6. "Taxpayer" means a person, firm or corporation subject to the
2 tax imposed by Section 2355 of ~~Title 68 of the Oklahoma Statutes~~
3 this title or an insurance company subject to the tax imposed by
4 Section 624 or 628 of Title 36 of the Oklahoma Statutes or other
5 financial institution subject to the tax imposed by Section 2370 of
6 ~~Title 68 of the Oklahoma Statutes~~ this title.

7 C. For qualified projects placed in service after July 1, 2015,
8 the amount of state tax credits created by this section which are
9 allocated to a project shall be equal to that of the federal low-
10 income housing tax credits for a qualified project. The total
11 Oklahoma Affordable Housing Tax Credits allocated to all qualified
12 projects for an allocation year shall not exceed Four Million Dollars
13 (\$4,000,000.00). For purposes of this section, the "credit period"
14 shall mean the period of ten (10) taxable years and "placed in
15 service" shall have the same meaning as is applicable under the
16 federal credit program.

17 D. ~~A~~ Except as otherwise provided in subsection L of this
18 section, a taxpayer owning an interest in an investment in a
19 qualified project shall be allowed Oklahoma Affordable Housing Tax
20 Credits under this section for tax years beginning on or after
21 January 1, 2016, if the Oklahoma Housing Finance Agency issues an
22 eligibility statement for such project, which tax credit shall be
23 allocated among some or all of the partners, members or shareholders
24 of the taxpayer owning such interest in any manner agreed to by such

1 partners, members or shareholders. Such taxpayer may assign its
2 interest in the investment.

3 E. An insurance company claiming a credit against state premium
4 tax or retaliatory tax or any other tax imposed by Section 624 or 628
5 of Title 36 of the Oklahoma Statutes shall not be required to pay
6 any additional retaliatory tax under Section 628 of Title 36 of the
7 Oklahoma Statutes as a result of claiming the credit. The credit
8 may fully offset any retaliatory tax imposed by Section 628 of Title
9 36 of the Oklahoma Statutes.

10 F. The credit authorized by this section shall not be used to
11 reduce the tax liability of the taxpayer to less than zero (\$0.00).

12 G. Any credit claimed but not used in a taxable year may be
13 carried forward to each of the five (5) subsequent taxable years.

14 H. The owner of a qualified project eligible for the credit
15 authorized by this section shall submit, at the time of filing the
16 tax return with the Oklahoma Tax Commission, an eligibility
17 statement from the Oklahoma Housing Finance Agency. In the case of
18 failure to attach the eligibility statement, no credit under this
19 section shall be allowed with respect to such project for that year
20 until required documents are provided to the Tax Commission.

21 I. If under Section 42 of the Internal Revenue Code of 1986, as
22 amended, a portion of any federal low-income housing credits taken on
23 a qualified project is required to be recaptured during the first ten
24 (10) years after a project is placed in service, the taxpayer

1 claiming Oklahoma Affordable Housing Tax Credits with respect to such
2 project shall also be required to recapture a portion of such
3 credits. The amount of Oklahoma Affordable Housing Tax Credits
4 subject to recapture shall be proportionally equal to the amount of
5 federal low-income housing credits subject to recapture.

6 J. The Oklahoma Housing Finance Agency or the Oklahoma Tax
7 Commission may require the filing of additional documentation
8 necessary to determine the accuracy of a tax credit claimed.

9 K. The Oklahoma Affordable Housing Act shall undergo a review
10 every five (5) years by a committee of nine (9) persons, to be
11 appointed three persons each by the Governor, President Pro Tempore of
12 the Oklahoma State Senate and the Speaker of the Oklahoma House of
13 Representatives.

14 L. Notwithstanding any other provisions of this section, the
15 tax credit amount computed for any tax year beginning on or after
16 January 1, 2017, and ending not later than December 31, 2018, shall
17 be reduced by twenty-five percent (25%) of the amount otherwise
18 allowable. The provisions of this subsection shall not be
19 applicable to tax credits carried forward from a tax year which
20 began at any time prior to January 1, 2017. The provisions of this
21 subsection shall cease to have the force and effect of law on
22 January 1, 2019. The Legislature shall review the impact of the
23 provisions of this subsection upon taxpayers, the revenue system of
24 the state and the economic effects of the tax credit reduction in

1 order to determine whether tax credits will be subject to reduction
2 for any future tax years.

3 SECTION 18. AMENDATORY 68 O.S. 2011, Section 2370, as
4 amended by Section 1, Chapter 41, O.S.L. 2014 (68 O.S. Supp. 2015,
5 Section 2370), is amended to read as follows:

6 Section 2370. A. For taxable years beginning after December
7 31, 1989, for the privilege of doing business within this state,
8 every state banking association, national banking association and
9 credit union organized under the laws of this state, located or
10 doing business within the limits of the State of Oklahoma shall
11 annually pay to this state a privilege tax at the rate of six
12 percent (6%) of the amount of the taxable income as provided in this
13 section.

14 B. 1. The privilege tax levied by this section shall be in
15 addition to the Business Activity Tax levied in Section 1218 of this
16 title and the franchise tax levied in Article 12 of this title and
17 in lieu of the tax levied by Section 2355 of this title and in lieu
18 of all taxes levied by the State of Oklahoma, or any subdivision
19 thereof, upon the shares of stock or personal property of any
20 banking association or credit union subject to taxation under this
21 section.

22 2. Nothing in this section shall be construed to exempt the
23 real property of any banking associations or credit unions from
24 taxation to the same extent, according to its value, as other real

1 property is taxed. Nothing herein shall be construed to exempt an
2 association from payment of any fee or tax authorized or levied
3 pursuant to the banking laws.

4 3. Personal property which is subject to a lease agreement
5 between a bank or credit union, as lessor, and a nonbanking business
6 entity or individual, as lessee, is not exempt from personal
7 property ad valorem taxation. Provided further, that it shall be
8 the duty of the lessee of such personal property to return sworn
9 lists or schedules of their taxable property within each county to
10 the county assessor of such county as provided in Sections 2433 and
11 2434 of this title.

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

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

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

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

13 E. 1. Except as otherwise provided in ~~paragraph 2~~ paragraphs 2
14 and 3 of this subsection, before January 1, 2017, there shall be
15 allowed a credit against the tax levied in subsection A of this
16 section in an amount equal to the amount of taxable income received
17 by a participating financial institution as defined in Section 90.2
18 of Title 62 of the Oklahoma Statutes pursuant to a loan made under
19 the Rural Economic Development Loan Act. Such credit shall be
20 limited each year to five percent (5%) of the amount of annual
21 payroll certified by the Oklahoma Rural Economic Development Loan
22 Program Review Board pursuant to the provisions of paragraph 3 of
23 subsection B of Section 90.4 of Title 62 of the Oklahoma Statutes
24 with respect to the loan made by the participating financial

1 institution and may be claimed for any number of years necessary
2 until the amount of total credits claimed is equal to the total
3 amount of taxable income received by the participating financial
4 institution pursuant to the loan. Any credit allowed but not used
5 in a taxable year may be carried forward for a period not to exceed
6 five (5) taxable years. In no event shall a credit allowed pursuant
7 to the provisions of this subsection be transferable or refundable.

8 2. No credit otherwise authorized by the provisions of this
9 subsection may be claimed for any event, transaction, investment,
10 expenditure or other act occurring on or after July 1, 2010 for
11 which the credit would otherwise be allowable. The provisions of
12 this paragraph shall cease to be operative on July 1, 2012.
13 Beginning July 1, 2012, the credit authorized by this subsection may
14 be claimed for any event, transaction, investment, expenditure or
15 other act occurring on or after July 1, 2012, according to the
16 provisions of this subsection.

17 3. Notwithstanding any other provisions of this section, the
18 tax credit amount computed for any tax year beginning on or after
19 January 1, 2017, and ending not later than December 31, 2018, shall
20 be reduced by twenty-five percent (25%) of the amount otherwise
21 allowable. The provisions of this subsection shall not be
22 applicable to tax credits carried forward from a tax year which
23 began at any time prior to January 1, 2017. The provisions of this
24 subsection shall cease to have the force and effect of law on

1 January 1, 2019. The Legislature shall review the impact of the
2 provisions of this subsection upon taxpayers, the revenue system of
3 the state and the economic effects of the tax credit reduction in
4 order to determine whether tax credits will be subject to reduction
5 for any future tax years.

6 SECTION 19. This act shall become effective July 1, 2016.

7 SECTION 20. It being immediately necessary for the preservation
8 of the public peace, health and safety, an emergency is hereby
9 declared to exist, by reason whereof this act shall take effect and
10 be in full force from and after its passage and approval.

11
12 55-2-9357 JM 02/25/16
13
14
15
16
17
18
19
20
21
22
23
24