

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** March 5, 2021

**BILL NUMBER:** SB 609 **STATUS AND DATE OF BILL:** Committee Substitute 2/9/2021

**AUTHORS:** House N/A Senate Coleman & Hall

**TAX TYPE (S):** Ad Valorem **SUBJECT:** Other

**PROPOSAL:** Amendatory

SB 609 proposes to amend 68 O.S. § 2902 modifying the definitions of “manufacturing facilities” and “facility”/“facilities” and removing language allowing for waiver of payroll requirements.

**EFFECTIVE DATE:** November 1, 2021

### REVENUE IMPACT:

FY 22: No impact to state revenues

FY 23: No impact to state revenues

FY 24: Unknown impact to reimbursement claims against the Ad Valorem Reimbursement Fund.

### ADMINISTRATIVE IMPACT:

FY 22: Minimal

Mar. 8, 2021  
DATE

Rick Miller  
DIVISION DIRECTOR

KLS

3/9/2021  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

3/9/21  
DATE

[Signature]  
FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

**ATTACHMENT TO REVENUE AND ADMINISTRATIVE IMPACT SB 609 [Committee Substitute]**  
**Prepared March 5, 2021**

SB 609 proposes to amend 68 O.S. § 2902 modifying the definitions of “manufacturing facilities” and “facility”/“facilities” and removing language allowing for waiver of payroll requirements.

Currently, the definition of “manufacturing facilities” includes facilities for which the investment cost of the construction, acquisition or expansion of the manufacturing facility is \$250,000 or more. SB 609 proposes to increase the investment cost threshold to \$500,000 or more for assets placed in service during calendar year 2022. This measure proposes that for all subsequent calendar years, the investment required shall increase annually by a percentage equal to the previous year’s increase in the Consumer Price Index-All Urban Consumers and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by this section. This measure requires the Oklahoma Department of Commerce to determine the amount of increase, if any, on January 1 of each year and requires the Oklahoma Tax Commission to publish said increase on their website annually.

The current definition of “manufacturing facilities” also applies to establishments primarily engaged in distribution as defined under Industry Numbers 49311, 49312, 49313, and 49319 and Industry Sector Number 42 of the NAICS Manual which meet certain qualifications, including payment of wages or salaries to its employees at a wage which equals or exceeds 175% of the federally mandated minimum wage as certified by the Oklahoma Employment Security Commission (“OESC”). SB 609 proposes to alter this threshold requirement to a wage which equals or exceeds the average wage requirement in the Oklahoma Quality Jobs Program Act for the year in which the real property was placed into service.

SB 609 further proposes to expand the definition of “manufacturing facilities” to include facilities engaged in the manufacturing, compounding, processing or fabrication of material into articles of tangible personal property according to the special order of a customer by manufacturers classified as operating in NAICS Sectors 32 and 33. This measure also proposes including a requirement that all entities making an application for the exemption authorized by this section on or after January 1, 2022, pay an average annualized wage equals or exceeds the average wage requirement in the Oklahoma Quality Jobs Program Act for the year the property was placed into service. The Oklahoma Tax Commission may request verification from the Oklahoma Department of Commerce that an establishment meets this requirement.

Currently, “facility” or “facilities” is defined to include the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process. SB 609 proposes to amend this definition such that the “facility”/“facilities” includes the land, buildings, structures and improvements used directly and exclusively in the manufacturing process and beginning January 1, 2022, and for each calendar year thereafter, establishments which have received a manufacturer exemption permit pursuant to 68 O.S. § 1359.2 or facilities engaged in the NAICS Manual under Industry Nos. 311111 through 339999, inclusive. “Facility”/“facilities” shall include the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process.

SB 609 removes language allowing for a waiver to the base payroll requirement in certain situations and removes the language allowing for a waiver of payroll requirements for acquired or expanded automotive final assembly manufacturing facilities that meet certain requirements.

SB 609 has no impact to state revenues for FY 22 and FY 23. The impact to reimbursement claims against the Ad Valorem Reimbursement Fund is unknown for FY 24. This proposed measure has an associated minimal administrative impact.