

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 20, 2023

BILL NUMBER: SB 1071

STATUS AND DATE OF BILL: Committee Substitute for Engrossed 4/18/2023

AUTHORS: House Wallace Senate Montgomery

TAX TYPE (S): Income Tax **SUBJECT:** Exemption

PROPOSAL: New Law

SB 1071 proposes to create an income tax exemption for revenues generated from the operation of an establishment that is primarily engaged in the manufacture of hydrogen classified in the NAICS Manual under U.S. Industry No. 325120. Such establishment must be newly constructed in Oklahoma and placed in service after November 1, 2023. Effective for tax years 2024 through 2034, the exemption may be claimed for the first five years of operations.

EFFECTIVE DATE: November 1, 2023

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None.

FY 24: None.

April 20, 2023

DATE

Rick Miller

DIVISION DIRECTOR

mk

4/20/2023

DATE

Huan Gong
HUAN GONG, ECONOMIST

4/21/2023

DATE

Joseph P Gappa
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 IMPACT - SB 1071 [Com. Sub. for Engrossed]
Prepared 4/20/2023

SB 1071 proposes to create an income tax exemption for the first \$10 million of revenues generated from the operation of an establishment that is primarily engaged in the manufacture of hydrogen classified in the NAICS Manual under U.S. Industry No. 325120.¹ Such establishment must be newly constructed in Oklahoma and placed in service after November 1, 2023. Effective for tax years 2024 through 2034, the exemption may be claimed for the first five years of operations.

To qualify for the exemption, an establishment must meet the following requirements:

- The natural gas used in the production of the hydrogen must be produced in this state; and
- Pay wages or salaries at a wage that equals or exceeds the average wage requirements in the Oklahoma Quality Jobs Program Act (68 O.S. § 3601 et seq.).

The Oklahoma Tax Commission must provide an application for the exemption and determine annual eligibility.

The proposed income tax exemption is not expected to affect income tax revenues for the first five years that a qualified establishment is in operation.

¹ The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS Code 325210 comprises establishments primarily engaged in manufacturing industrial organic and inorganic gases in compressed, liquid, and solid forms. **It is not limited to hydrogen gas.** [North American Industry Classification System \(NAICS\) U.S. Census Bureau](#)