

STATE OF OKLAHOMA

2nd Session of the 59th Legislature (2024)

HOUSE BILL 4000

By: Fetgatter

AS INTRODUCED

An Act relating to digital asset mining; amending 68 O.S. 2021, Section 1359, which relates to exemptions related to manufacturing; providing an exemption for certain items related to commercial mining of digital assets; providing definitions; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 1359, is amended to read as follows:

Section 1359. Exemptions - Manufacturing.

There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sales of goods, wares, merchandise, tangible personal property, machinery and equipment to a manufacturer for use in a manufacturing operation. Goods, wares, merchandise, property, machinery and equipment used in a nonmanufacturing activity or process as set forth in paragraph 14 of Section 1352 of this title shall not be eligible for the exemption provided for in this

1 subsection by virtue of the activity or process being performed in  
2 conjunction with or integrated into a manufacturing operation.

3 For the purposes of this paragraph, sales made to any person,  
4 firm or entity that has entered into a contractual relationship for  
5 the construction and improvement of manufacturing goods, wares,  
6 merchandise, property, machinery and equipment for use in a  
7 manufacturing operation shall be considered sales made to a  
8 manufacturer which is defined or classified in the North American  
9 Industry Classification System (NAICS) Manual under Industry Group  
10 No. 324110. Such purchase shall be evidenced by a copy of the sales  
11 ticket or invoice to be retained by the vendor indicating that the  
12 purchases are made for and on behalf of such manufacturer and set  
13 out the name of such manufacturer as well as include a copy of the  
14 Manufacturing Exemption Permit of the manufacturer. Any person who  
15 wrongfully or erroneously certifies that purchases are being made on  
16 behalf of such manufacturer or who otherwise violates this paragraph  
17 shall be guilty of a misdemeanor and upon conviction thereof shall  
18 be fined an amount equal to double the amount of sales tax involved  
19 or incarcerated for not more than sixty (60) days or both;

20 2. Ethyl alcohol when sold and used for the purpose of blending  
21 same with motor fuel on which motor fuel tax is levied by Section  
22 500.4 of this title;

23 3. Sales of containers when sold to a person regularly engaged  
24 in the business of reselling empty or filled containers or when  
..

1 purchased for the purpose of packaging raw products of farm, garden,  
2 or orchard for resale to the consumer or processor. This exemption  
3 shall not apply to the sale of any containers used more than once  
4 and which are ordinarily known as returnable containers, except  
5 returnable soft drink bottles and the cartons, crates, pallets, and  
6 containers used to transport returnable soft drink bottles. Each  
7 and every transfer of title or possession of such returnable  
8 containers in this state to any person who is not regularly engaged  
9 in the business of selling, reselling or otherwise transferring  
10 empty or filled containers shall be taxable under this Code.

11 Additionally, this exemption shall not apply to the sale of labels  
12 or other materials delivered along with items sold but which are not  
13 necessary or absolutely essential to the sale of the sold  
14 merchandise;

15 4. Sales of or transfers of title to or possession of any  
16 containers, ~~after June 30, 1987,~~ used or to be used more than once  
17 and which are ordinarily known as returnable containers and which do  
18 or will contain beverages ~~defined by paragraphs 4 and 14 of Section~~  
19 ~~506 of Title 37 of the Oklahoma Statutes,~~ or water for human  
20 consumption and the cartons, crates, pallets, and containers used to  
21 transport such returnable containers;

22 5. Sale of tangible personal property when sold by the  
23 manufacturer to a person who transports it to a state other than  
24 Oklahoma for immediate and exclusive use in a state other than  
..

1 Oklahoma. Provided, no sales at a retail outlet shall qualify for  
2 the exemption under this paragraph;

3 6. Machinery, equipment, fuels and chemicals or other materials  
4 incorporated into and directly used or consumed in the process of  
5 treatment to substantially reduce the volume or harmful properties  
6 of hazardous waste at treatment facilities specifically permitted  
7 pursuant to the Oklahoma Hazardous Waste Management Act and operated  
8 at the place of waste generation, or facilities approved by the  
9 Department of Environmental Quality for the cleanup of a site of  
10 contamination. The term "hazardous" waste may include low-level  
11 radioactive waste for the purpose of this paragraph;

12 7. Except as otherwise provided by subsection I of Section 3658  
13 of this title pursuant to which the exemption authorized by this  
14 paragraph may not be claimed, sales of tangible personal property to  
15 a qualified manufacturer or distributor to be consumed or  
16 incorporated in a new manufacturing or distribution facility or to  
17 expand an existing manufacturing or distribution facility. For  
18 purposes of this paragraph, sales made to a contractor or  
19 subcontractor that has previously entered into a contractual  
20 relationship with a qualified manufacturer or distributor for  
21 construction or expansion of a manufacturing or distribution  
22 facility shall be considered sales made to a qualified manufacturer  
23 or distributor. For the purposes of this paragraph, "qualified  
24 manufacturer or distributor" means:

- 1           a.   any manufacturing enterprise whose total cost of  
2               construction of a new or expanded facility exceeds the  
3               sum of Five Million Dollars (\$5,000,000.00) and in  
4               which at least one hundred (100) new full-time-  
5               equivalent employees, as certified by the Oklahoma  
6               Employment Security Commission, are added and  
7               maintained for a period of at least thirty-six (36)  
8               months as a direct result of the new or expanded  
9               facility,
- 10          b.   any manufacturing enterprise whose total cost of  
11               construction of a new or expanded facility exceeds the  
12               sum of Ten Million Dollars (\$10,000,000.00) and the  
13               combined cost of construction material, machinery,  
14               equipment and other tangible personal property exempt  
15               from sales tax under the provisions of this paragraph  
16               exceeds the sum of Fifty Million Dollars  
17               (\$50,000,000.00) and in which at least seventy-five  
18               (75) new full-time-equivalent employees, as certified  
19               by the Oklahoma Employment Security Commission, are  
20               added and maintained for a period of at least thirty-  
21               six (36) months as a direct result of the new or  
22               expanded facility,
- 23          c.   any manufacturing enterprise whose total cost of  
24               construction of an expanded facility exceeds the sum

1 of Three Hundred Million Dollars (\$300,000,000.00) and  
2 in which the manufacturer has and maintains an average  
3 employment level of at least one thousand seven  
4 hundred fifty (1,750) full-time-equivalent employees,  
5 as certified by the Employment Security Commission, or  
6 d. any enterprise primarily engaged in the general  
7 wholesale distribution of groceries defined or  
8 classified in the North American Industry  
9 Classification System (NAICS) Manual under Industry  
10 Groups No. 4244 and 4245 and which has at least  
11 seventy-five percent (75%) of its total sales to in-  
12 state customers or buyers and whose total cost of  
13 construction of a new or expanded facility exceeds the  
14 sum of Forty Million Dollars (\$40,000,000.00) with  
15 such construction commencing on or after July 1, 2005,  
16 and before December 31, 2005, and which at least fifty  
17 new full-time-equivalent employees, as certified by  
18 the Oklahoma Employment Security Commission, are added  
19 and maintained for a period of at least thirty-six  
20 (36) months as a direct result of the new or expanded  
21 facility.

22 For purposes of this paragraph, the total cost of construction  
23 shall include building and construction material and engineering and  
24 architectural fees or charges directly associated with the  
..

1 construction of a new or expanded facility. The total cost of  
2 construction shall not include attorney fees. For purposes of  
3 subparagraph c of this paragraph, the total cost of construction  
4 shall also include the cost of qualified depreciable property as  
5 defined in Section 2357.4 of this title and labor services performed  
6 in the construction of an expanded facility. For the purpose of  
7 subparagraph d of this paragraph, the total cost of construction  
8 shall also include the cost of all parking, security and dock  
9 structures or facilities necessary to manage, process or secure  
10 vehicles used to receive and/or distribute groceries through such a  
11 facility. The employment requirement of this paragraph can be  
12 satisfied by the employment of a portion of the required number of  
13 new full-time-equivalent employees at a manufacturing or  
14 distribution facility that is related to or supported by the new or  
15 expanded manufacturing or distribution facility as long as both  
16 facilities are owned by one person or business entity. For purposes  
17 of this section, "manufacturing facility" shall mean building and  
18 land improvements used in manufacturing as defined in Section 1352  
19 of this title and shall also mean building and land improvements  
20 used for the purpose of packing, repackaging, labeling or assembling  
21 for distribution to market, products at least seventy percent (70%)  
22 of which are made in Oklahoma by the same company but at an off-  
23 site, in-state manufacturing or distribution facility or facilities.  
24 It shall not include a retail outlet unless the retail outlet is

1 operated in conjunction with and on the same site or premises as the  
2 manufacturing facility. Up to ten percent (10%) of the square feet  
3 of a manufacturing or distribution facility building may be devoted  
4 to office space used to provide clerical support for the  
5 manufacturing operation. Such ten percent (10%) may be in a  
6 separate building as long as it is part of the same contiguous tract  
7 of property on which the manufacturing or distribution facility is  
8 located. Only sales of tangible personal property made after June  
9 1, 1988, shall be eligible for the exemption provided by this  
10 paragraph. The exemption authorized pursuant to subparagraph d of  
11 this paragraph shall only become effective when the governing body  
12 of the municipality in which the enterprise is located approves a  
13 resolution expressing the municipality's support for the  
14 construction for such new or expanded facility. Upon approval by  
15 the municipality, the municipality shall forward a copy of such  
16 resolution to the Oklahoma Tax Commission;

17 8. Sales of tangible personal property purchased and used by a  
18 licensed radio or television station in broadcasting. This  
19 exemption shall not apply unless such machinery and equipment is  
20 used directly in the manufacturing process, is necessary for the  
21 proper production of a broadcast signal or is such that the failure  
22 of the machinery or equipment to operate would cause broadcasting to  
23 cease. This exemption begins with the equipment used in producing  
24 live programming or the electronic equipment directly behind the  
..



1 satellite receiving dish or antenna, and ends with the transmission  
2 of the broadcast signal from the broadcast antenna system. For  
3 purposes of this paragraph, "proper production" shall include, but  
4 not be limited to, machinery or equipment required by Federal  
5 Communications Commission rules and regulations;

6 9. Sales of tangible personal property purchased or used by a  
7 licensed cable television operator in cablecasting. This exemption  
8 shall not apply unless such machinery and equipment is used directly  
9 in the manufacturing process, is necessary for the proper production  
10 of a cablecast signal or is such that the failure of the machinery  
11 or equipment to operate would cause cablecasting to cease. This  
12 exemption begins with the equipment used in producing local  
13 programming or the electronic equipment behind the satellite  
14 receiving dish, microwave tower or antenna, and ends with the  
15 transmission of the signal from the cablecast head-end system. For  
16 purposes of this paragraph, "proper production" shall include, but  
17 not be limited to, machinery or equipment required by Federal  
18 Communications Commission rules and regulations;

19 10. Sales of packaging materials for use in packing, shipping  
20 or delivering tangible personal property for sale when sold to a  
21 producer of agricultural products. This exemption shall not apply  
22 to the sale of any packaging material which is ordinarily known as a  
23 returnable container;  
24  
..

1        11. Sales of any pattern used in the process of manufacturing  
2 iron, steel or other metal castings. The exemption provided by this  
3 paragraph shall be applicable irrespective of ownership of the  
4 pattern provided that such pattern is used in the commercial  
5 production of metal castings;

6        12. Deposits or other charges made and which are subsequently  
7 refunded for returnable cartons, crates, pallets, and containers  
8 used to transport cement and cement products;

9        13. Beginning January 1, 1998, machinery, electricity, fuels,  
10 explosives and materials, excluding chemicals, used in the mining of  
11 coal in this state;

12        14. Deposits, rent or other charges made for returnable  
13 cartons, crates, pallets, and containers used to transport mushrooms  
14 or mushroom products from a farm for resale to the consumer or  
15 processor;

16        15. Sales of tangible personal property and services used or  
17 consumed in all phases of the extraction and manufacturing of  
18 crushed stone and sand, including but not limited to site  
19 preparation, dredging, overburden removal, explosive placement and  
20 detonation, onsite material hauling and/or transfer, material  
21 washing, screening and/or crushing, product weighing and site  
22 reclamation; ~~and~~

23        16. Sale, use or consumption of paper stock and other raw  
24 materials which are manufactured into commercial printed material in  
..

1 this state primarily for use and delivery outside this state. For  
2 the purposes of this section, "commercial printed material" shall  
3 include magazines, catalogs, retail inserts and direct mail; and

4 17. Beginning on the effective date of this act and ending on  
5 December 31, 2038, sales of machinery and equipment, including, but  
6 not limited to, servers and computers, racks, power distribution  
7 units, cabling, switchgear, transformers, substations, software, and  
8 network equipment, and electricity used for commercial mining of  
9 digital assets purposes in a colocation facility.

10 For purposes of this paragraph:

11 a. "blockchain technology" means shared or distributed  
12 data structures or digital ledgers governed by  
13 consensus protocols and maintained by peer-to-peer  
14 networks that:

15 (1) store digital transactions, and

16 (2) verify and secure transactions cryptographically,

17 b. "colocation facility" means a facility or facilities  
18 located in this state and utilized in the commercial  
19 mining of digital assets or in hosting persons engaged  
20 in the commercial mining of digital assets through  
21 utilization of the facility's infrastructure,  
22 including servers and network hardware powered by  
23 Internet bandwidth, electricity, and other services  
24 generally required for such mining operations.

- 1        c. "commercial mining of digital assets" means the  
2        process through which blockchain technology is used to  
3        mine digital assets at a colocation facility,  
4        d. "digital assets" means a type of virtual currency that  
5        utilizes blockchain technology and that:  
6        (1) can be digitally traded between users, or  
7        (2) can be converted or exchanged for legal tender,  
8        e. "mine" or "mining" means the process through which  
9        blockchain transactions are verified and accepted by  
10       adding the transactions to a blockchain ledger, which  
11       involves solving complex and mathematical  
12       cryptographic problems associated with a block  
13       containing transaction data.

14       SECTION 2. This act shall become effective November 1, 2024.

16       59-2-8965            MJ            01/10/24