

An Act

ENROLLED SENATE
BILL NO. 573

By: Rader of the Senate

and

Pae of the House

An Act relating to small business incubators; amending 74 O.S. 2021, Section 5078, which relates to state income tax exemption and annual reports; requiring tenant to submit certain information to receive certain exemption; requiring the Oklahoma Department of Commerce to prescribe certain form; requiring certain information to be included in annual report provided by the Department; and providing an effective date.

SUBJECT: Small business incubator income tax exemption

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

SECTION 1. AMENDATORY 74 O.S. 2021, Section 5078, is amended to read as follows:

Section 5078. A. For a period of up to ten (10) years from the date of tenant's occupancy in an incubator, income earned by the tenant as a result of activities conducted as an occupant in an incubator, including income distributed to partners, shareholders of a corporation for which a Subchapter S election is in effect and to the members of a limited liability company, shall be exempt from state income tax. The exemption provided by this section shall remain in effect for such activities by such tenant after the date the tenant is no longer an occupant in an incubator, but not to exceed a total duration of ten (10) years for any tenant.

B. For tax years ending before January 1, 2020, in order to qualify for the income tax exemption for the sixth through tenth year as authorized by this section, the tenant must make at least

seventy-five percent (75%) of its gross sales constituting the principal business activity of the business to buyers located outside the state or to buyers whose principal business activity is conducted outside the state or to the federal government or to buyers located within the state if the product or service is resold to an out-of-state customer or buyer for ultimate use. Provided, if a tenant does not achieve the qualifying percentage for any one of the above tax years, the tenant shall not be disqualified for subsequent tax years in which the qualifying percentage is achieved.

C. For tax year 2026 and subsequent tax years, following the first tax year a tenant is provided the exemption pursuant to subsection A of this section, in order to continue to qualify for the exemption, the tenant shall submit information on a form prescribed by the Oklahoma Department of Commerce which shall include, but not be limited to, the following:

1. Employment levels, including full-time-equivalent levels and the ratio of part-time employees to full-time employees;

2. Interns employed;

3. Payments to subcontractors and their purpose;

4. Estimated gross annual revenues;

5. Estimated annual costs for property and services;

6. A statement of any additional financial assistance, incentives, credits, or exemptions provided by this state or any political subdivision of this state; and

7. A statement of any taxable income exempted pursuant to this subsection in the previous tax year.

The Oklahoma Tax Commission shall promulgate rules to implement the provisions of this section.

SECTION 2. This act shall become effective November 1, 2025.

Passed the Senate the 12th day of March, 2025.

Presiding Officer of the Senate

Passed the House of Representatives the 6th day of May, 2025.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____