

1 **SENATE FLOOR VERSION**

2 April 17, 2025

3 COMMITTEE SUBSTITUTE
4 FOR ENGROSSED
5 HOUSE BILL NO. 1220

6 By: West (Kevin), Fugate,
7 McCane, Roberts, and
8 Kendrix of the House

9 and

10 Standridge of the Senate

11 An Act relating to cities and towns; providing
12 legislative intent; prohibiting imposition of certain
13 locally assessed taxes and franchise fees on certain
14 bond revenue; amending 68 O.S. 2021, Section 2701,
15 which relates to municipal taxation; conforming
16 language; updating statutory language; providing for
17 noncodification; providing for codification; and
18 declaring an emergency.

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

20 SECTION 1. NEW LAW A new section of law not to be
21 codified in the Oklahoma Statutes reads as follows:

22 The Legislature finds that cities and towns of the state have
23 imposed certain franchise fees and local taxes on the securitization
24 revenue stream required for defeasance of the obligations issued by
the Oklahoma Development Finance Authority pursuant to the
provisions of the February 2021 Regulated Utility Consumer
Protection Act and the February 2021 Unregulated Utility Consumer

1 Protection Act. The Legislature finds that certain unregulated
2 utilities, including electric cooperatives, utilized private
3 financing methods to avoid burdening customers of the utility with
4 immediate payment of extraordinary costs and extreme purchase costs,
5 as such terms are defined in Section 9052 of Title 74 of the
6 Oklahoma Statutes. Such actions were in the best interest of this
7 state and those utility customers to reduce costs, and such actions
8 were consistent with the intent of the Legislature as expressed in
9 the February 2021 Unregulated Utility Consumer Protection Act. The
10 Legislature finds that the purposes of such acts were a matter of
11 statewide concern and not a matter of purely local or municipal
12 concern, and that the imposition of franchise fees and local taxes
13 by cities and towns of this state is contrary to the legislative
14 intent of the February 2021 Regulated Utility Consumer Protection
15 Act and the February 2021 Unregulated Utility Consumer Protection
16 Act.

17 SECTION 2. NEW LAW A new section of law to be codified
18 in the Oklahoma Statutes as Section 9061 of Title 74, unless there
19 is created a duplication in numbering, reads as follows:

20 A. No municipality shall impose any franchise fee upon or with
21 respect to the securitization revenue stream utilized pursuant to
22 the provisions of the February 2021 Unregulated Utility Consumer
23 Protection Act, any bond indenture related to the obligations issued
24 by the Oklahoma Development Finance Authority pursuant to the

1 February 2021 Unregulated Utility Consumer Protection Act, or any
2 order of the Corporation Commission authorizing an affected public
3 utility to impose charges that constitute the securitization revenue
4 stream to defease the obligations issued by the Oklahoma Development
5 Finance Authority pursuant to the February 2021 Unregulated Utility
6 Consumer Protection Act. For the purposes of the February 2021
7 Unregulated Utility Consumer Protection Act, any stream of revenue
8 created by rates and charges solely used for repayment of private
9 financing that avoided burdening consumers with immediate payment of
10 extraordinary costs and extreme purchase costs, as such terms are
11 defined in Section 9052 of Title 74 of the Oklahoma Statutes, shall
12 be considered a securitization revenue stream for purposes of this
13 section, and no municipality shall impose any franchise fee upon
14 such a securitization revenue stream.

15 B. The provisions of this section shall be applicable to the
16 securitization revenue stream for bonds or other obligations issued
17 by the Oklahoma Development Finance Authority or a revenue stream to
18 repay private financing as described in subsection A of this section
19 and shall also be applicable to the securitization revenue stream
20 for any bonds or other obligations issued by the Oklahoma
21 Development Finance Authority on or after the effective date of this
22 act for a purpose similar to the obligations issued by the Oklahoma
23 Development Finance Authority pursuant to the February 2021
24 Unregulated Utility Consumer Protection Act or a revenue stream to

1 repay private financing as described in subsection A of this
2 section.

3 SECTION 3. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 9062 of Title 74, unless there
5 is created a duplication in numbering, reads as follows:

6 A. No municipality shall impose any sales tax, use tax, or any
7 other tax authorized pursuant to the provisions of Section 2701 et
8 seq. of Title 68 of the Oklahoma Statutes on or with respect to the
9 securitization revenue stream for bonds or other obligations issued
10 by the Oklahoma Development Finance Authority as described in
11 subsection A of Section 2 of this act. For the purposes of the
12 February 2021 Unregulated Utility Consumer Protection Act, any
13 stream of revenue created by rates and charges solely used for
14 repayment of private financing which avoided burdening consumers
15 with immediate payment of extraordinary costs and extreme purchase
16 costs, as such terms are defined in Section 9052 of Title 74 of the
17 Oklahoma Statutes, shall be considered a securitization revenue
18 stream for purposes of this section, and no municipality shall
19 impose any sales tax, use tax, or any other tax authorized pursuant
20 to the provisions of Section 2701 et seq. of Title 68 of the
21 Oklahoma Statutes on or with respect to such a securitization
22 revenue stream.

23 B. The provisions of this section shall be applicable to the
24 securitization revenue stream for bonds or other obligations issued

1 by the Oklahoma Development Finance Authority pursuant to the
2 February 2021 Unregulated Utility Consumer Protection Act and shall
3 also be applicable to the securitization revenue stream for any
4 bonds or other obligations issued by the Oklahoma Development
5 Finance Authority or revenue stream to repay private financing
6 created on or after the effective date of this act for a purpose
7 similar to the obligations issued by the Oklahoma Development
8 Finance Authority pursuant to the February 2021 Unregulated Utility
9 Consumer Protection Act.

10 SECTION 4. NEW LAW A new section of law to be codified
11 in the Oklahoma Statutes as Section 9083 of Title 74, unless there
12 is created a duplication in numbering, reads as follows:

13 A. No municipality shall impose any franchise fee upon or with
14 respect to the securitization revenue stream required pursuant to
15 the provisions of the February 2021 Regulated Utility Consumer
16 Protection Act, any bond indenture related to the obligations issued
17 by the Oklahoma Development Finance Authority pursuant to the Act,
18 or any order of the Corporation Commission authorizing an affected
19 public utility to impose charges that constitute the securitization
20 revenue stream to defease the obligations issued by the Oklahoma
21 Development Finance Authority pursuant to the February 2021
22 Regulated Utility Consumer Protection Act.

23 B. The provisions of this section shall be applicable to the
24 securitization revenue stream for bonds or other obligations issued

1 by the Oklahoma Development Finance Authority as described in
2 subsection A of this section and shall also be applicable to the
3 securitization revenue stream for any bonds or other obligations
4 issued by the Oklahoma Development Finance Authority on or after the
5 effective date of this act for a purpose similar to the obligations
6 issued by the Oklahoma Development Finance Authority pursuant to the
7 February 2021 Regulated Utility Consumer Protection Act.

8 SECTION 5. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 9084 of Title 74, unless there
10 is created a duplication in numbering, reads as follows:

11 A. No municipality shall impose any sales tax, use tax, or any
12 other tax authorized pursuant to the provisions of Section 2701 et
13 seq. of Title 68 of the Oklahoma Statutes on or with respect to the
14 securitization revenue stream for bonds or other obligations issued
15 by the Oklahoma Development Finance Authority as described in
16 subsection A of Section 4 of this act.

17 B. The provisions of this section shall be applicable to the
18 securitization revenue stream for bonds or other obligations issued
19 by the Oklahoma Development Finance Authority pursuant to the
20 February 2021 Regulated Utility Consumer Protection Act and shall
21 also be applicable to the securitization revenue stream for any
22 bonds or other obligations issued by the Oklahoma Development
23 Finance Authority on or after the effective date of this act for a
24 purpose similar to the obligations issued by the Oklahoma

1 Development Finance Authority pursuant to the February 2021
2 Regulated Utility Consumer Protection Act.

3 SECTION 6. AMENDATORY 68 O.S. 2021, Section 2701, is
4 amended to read as follows:

5 Section 2701. A. Any incorporated city or town in this state
6 is hereby authorized to assess, levy, and collect taxes for general
7 and special purposes of municipal government as the Legislature may
8 levy and collect for purposes of state government, subject to the
9 provisions of subsection F of this section, except ad valorem
10 property taxes. Provided:

11 1. Taxes shall be uniform upon the same class subjects, and any
12 tax, charge, or fee levied upon or measured by income or receipts
13 from the sale of products or services shall be uniform upon all
14 classes of taxpayers;

15 2. Motor vehicles may be taxed by the city or town only when
16 such vehicles are primarily used or located in such city or town for
17 a period of time longer than six (6) months of a taxable year;

18 3. The provisions of this section shall not be construed to
19 authorize imposition of any tax upon persons, firms, or corporations
20 exempted from other taxation under the provisions of Sections 348.1,
21 624 and 321 of Title 36 of the Oklahoma Statutes, by reason of
22 payment of taxes imposed under such sections;

23 4. Cooperatives and communications companies are hereby
24 authorized to pass on to their subscribers in the incorporated city

1 or town involved, the amount of any special municipal fee, charge,
2 or tax hereafter assessed or levied on or collected from such
3 cooperatives or communications companies;

4 5. No earnings, payroll, or income taxes may be levied on
5 nonresidents of the cities or towns levying such tax;

6 6. The governing body of any city or town shall be prohibited
7 from proposing taxing ordinances more often than three times in any
8 calendar year, or twice in any six-month period; ~~and~~

9 7. Any revenues derived from a tax authorized by this
10 subsection not dedicated to a limited purpose shall be deposited in
11 the municipal general fund; and

12 8. No governing body of any city or town shall impose local
13 taxes on the securitization revenue stream required for defeasance
14 of the obligations issued by the Oklahoma Development Finance
15 Authority pursuant to the provisions of the February 2021 Regulated
16 Utility Consumer Protection Act and the February 2021 Unregulated
17 Utility Consumer Protection Act.

18 B. A sales tax authorized in subsection A of this section may
19 be levied for limited purposes specified in the ordinance levying
20 the tax. Such ordinance shall be submitted to the voters for
21 approval as provided in Section 2705 of this title. Any sales tax
22 levied or any change in the rate of a sales tax levied pursuant to
23 the provisions of this section shall become effective on the first
24 day of the calendar quarter following approval by the voters of the

1 city or town unless another effective date, which shall also be on
2 the first day of a calendar quarter, is specified in the ordinance
3 levying the sales tax or changing the rate of sales tax. Such
4 ordinance shall describe with specificity the projects or
5 expenditures for which the limited-purpose tax levy would be made.
6 The municipal governing body shall create a limited-purpose fund and
7 deposit therein any revenue generated by any tax levied pursuant to
8 this subsection. Money in the fund shall be accumulated from year
9 to year. The fund shall be placed in an insured interest-bearing
10 account and the interest which accrues on the fund shall be retained
11 in the fund. The fund shall be nonfiscal and shall not be
12 considered in computing any levy when the municipality makes its
13 estimate to the excise board for needed appropriations. Money in
14 the limited-purpose tax fund shall be expended only as accumulated
15 and only for the purposes specifically described in the taxing
16 ordinance as approved by the voters.

17 C. The Oklahoma Tax Commission shall give notice to all vendors
18 of a rate change at least sixty (60) days prior to the effective
19 date of the rate change. Provided, for purchases from printed
20 catalogs wherein the purchaser computed the tax based upon local tax
21 rates published in the catalog, the rate change shall not be
22 effective until the first day of a calendar quarter after a minimum
23 of ~~one hundred twenty days'~~ one hundred twenty (120) days' notice to
24 vendors. Failure to give notice as required by this section shall

1 delay the effective date of the rate change to the first day of the
2 next calendar quarter.

3 D. The change in the boundary of a municipality shall be
4 effective, for sales and use tax purposes only, on the first day of
5 a calendar quarter after a minimum of sixty (60) days' notice to
6 vendors.

7 E. If the proceeds of any sales tax levied by a municipality
8 pursuant to subsection B of this section are being used by the
9 municipality for the purpose of retiring indebtedness incurred by
10 the municipality or by a public trust of which the municipality is a
11 beneficiary for the specific purpose for which the sales tax was
12 imposed, the sales tax shall not be repealed until such time as the
13 indebtedness is retired. However, in no event shall the life of the
14 tax be extended beyond the duration approved by the voters of the
15 municipality. The provisions of this subsection shall apply to all
16 sales tax levies imposed by a municipality and being used by the
17 municipality for the purposes set forth in this subsection prior to
18 or after July 1, 1995.

19 F. The sale of an article of clothing or footwear designed to
20 be worn on or about the human body shall be exempt from the sales
21 tax imposed by any incorporated city or town, in accordance with and
22 to the extent set forth in Section 1357.10 of this title.

23 G. Any municipality that levies a dedicated tax pursuant to a
24 vote of the people for the purpose of funding public safety or any

1 other governmental purpose shall not redirect all or a portion of
2 the dedicated tax revenue to another purpose without a vote of the
3 people authorizing such action.

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

8 COMMITTEE REPORT BY: COMMITTEE ON ENERGY
9 April 17, 2025 - DO PASS AS AMENDED BY CS

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