BILL SUMMARY

1st Session of the 60th Legislature

Bill No.:	**HB2402**
Version:	**POLPCS1**
Request Number:	**12300**
Author:	**Rep. Fetgatter**
Date:	**2/26/2025**
Impact:	**See Analysis Below**

Research Analysis

The proposed policy committee substitute for HB2402 provides an income tax abatement for manufacturers of electricity from low-grade heat technology. Eligible manufacturers are divided into two tiers, based on their amount and the number of jobs created by the manufacturer. A Tier 1 manufacturer must invest at least $10 million and create at least 50 jobs in order to qualify for a 30 percent tax abatement for five years. A Tier 2 manufacturer is required to invest at least $20 million and create at least 100 jobs to receive a 50 percent tax abatement for five years. The abatement may be renewed for an additional five-year period, contingent upon compliance and continued investment.

The measure tasks the Oklahoma Department of Commerce with administering the program and establishes a $20 million cap for the life of the program.

Prepared By: Quyen Do

Fiscal Analysis

This measure combines both a tax abatement incentive and a direct grant program for certain manufacturing facilities. The direct grant program has a Twenty Million Dollar ($20,000,000.00) cap on it that is spread out over 5 years. Additionally, the combined total cap on the grant program and the tax abatement incentive is Eight Million Dollars ($8,000,000.00) a year, but unused funds can be rolled over into the next year of the program. While it is hard to determine the full use of the program, at most there may be a revenue decrease of $8,000,000.00 in FY-2026, with the first year of the program, plus any direct appropriations to the Department of Commerce for the grant program.

ESTIMATED REVENUE IMPACT:
FY26: Unknown decrease in income tax collections.

ANALYSIS: The PPCS to HB 2402 (Req. No. 12300)[1] proposes to enact the *Oklahoma Advanced Manufacturing Incentive Act of 2025* which proposes a corporate income tax incentive and a direct grant program to attract eligible manufacturers of low-grade waste heat electrification technology[i] to Oklahoma, effective for fiscal years 2026 through 2030.

Eligible manufacturers entering the low-grade waste heat electrification technology market can qualify for Oklahoma state corporate income tax abatements under a 2-tiered system depending upon their level of investment in Oklahoma. Manufacturers who invest $10 million or more along with the creation of at least 50 jobs in Oklahoma will receive up to 30% abatement on corporate income taxes for 5 years. Manufacturers who invest $20 million or more along with the creation of at least 100 jobs in Oklahoma will receive up to 50% abatement on corporate income taxes for 5 years.

In addition to the corporate income tax abatement, this measure proposes to allow the Oklahoma Department of Commerce (Commerce) to administer a direct grant program capped at $20 million over a 5-year period.[ii] Grants are to be prioritized as follows:

1. Manufacturing facilities located in areas qualifying for the federal New Markets Tax Credit or within existing manufacturing hubs as defined by the United States Department of Commerce.
2. Projects[iii] with substantial contributions to Oklahoma's energy sector and the state's economy.

This measure requires that the **total**[iv] amount of incentives provided under *Oklahoma Advanced Manufacturing Incentive Act of 2025* may not exceed $8 million in any fiscal year with any unused funds in a fiscal year rolling over to subsequent years within the program's five-year term.

Recipients must submit annual reports to Commerce showing their investments, job numbers, and progress on state energy and economic goals. Commerce will create a yearly summary report for the Governor and Legislature.

Prepared By: Mariah Searock, House Fiscal Staff

Other Considerations

ADMINISTRATIVE CONCERNS: Several key administrative concerns have emerged regarding the proposed corporate tax rebate program. The Oklahoma Tax Commission faces fundamental timing challenges, as tax expenditures can only be accurately measured after returns are filed, making real-time or fiscal year administration impractical. The program's parameters lack critical definition – while credits range from 30% to 50% of corporate income tax, the exact calculation method remains unspecified. The proposal also fails to establish clear investment timing requirements, leaving open whether qualifying investments must occur within a single year or can span multiple years. Additionally, there are no provisions preventing existing firms from making new qualifying investments. The implementation framework itself presents further complications, as the proposal doesn't specify whether the abatement functions as a reduction in taxable income or as a direct tax abatement. Finally, the measure provides no guidance on how this new program would interact with Oklahoma's existing manufacturer tax incentives, creating potential confusion in the overall tax benefit sequence.