

1 **SENATE FLOOR VERSION**

February 17, 2026

2 **AS AMENDED**

3 SENATE BILL NO. 1639

By: Paxton of the Senate

4 and

5 Hill of the House

6
7
8 An Act relating to boards and commissions; amending
9 68 O.S. 2021, Section 2357.7, which relates to credit
10 for investments in qualified venture capital
11 companies; removing certain authority for the
12 Oklahoma Capital Investment Board; amending 74 O.S.
13 2021, Section 85.42, as amended by Section 9, Chapter
14 336, O.S.L. 2025 (74 O.S. Supp. 2025, Section 85.42),
15 which relates to the exceptions on the one-year
16 limitation on entering contracts with certain
17 persons; removing certain reference; amending 74 O.S.
18 2021, Section 3601.1, as last amended by Section 36,
19 Chapter 29, O.S.L. 2023 (74 O.S. Supp. 2025, Section
20 3601.1), which relates to employees; deleting
21 reference to the Oklahoma Capital Investment Board
22 allowable employees; updating statutory language;
23 updating statutory reference; repealing 63 O.S. 2021,
24 Sections 1-236, 1-237, 1-237.1, and 1-238, which
relate to definitions used in the Joint Legislative
Committee for Review of Coordination of Efforts for
Prevention of Adolescent Pregnancy and Sexually
Transmitted Diseases, the coordinating council for
the joint committee, the Postponing Sexual
Involvement for Young Teens program, and the state
plan for the committee; repealing 70 O.S. 2021,
Sections 3-117.1, 3-117.2, and 3-117.3, which relate
to the School Finance Review Commission Act, creation
of the School Finance Review Commission, and duties
of the Commission; providing an effective date; and
declaring an emergency.

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

2 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2357.7, is
3 amended to read as follows:

4 Section 2357.7. A. For taxable years beginning after December
5 31, 1986, and before January 1, 2009, there shall be allowed a
6 credit against the tax imposed by Section 2355 of this title or
7 Section 624 of Title 36 of the Oklahoma Statutes for investments in
8 qualified venture capital companies whose purpose is to establish or
9 expand the development of business and industry within Oklahoma.
10 Provided, tax credits against liabilities imposed pursuant to
11 Section 624 of Title 36 of the Oklahoma Statutes shall be limited to
12 the amount that would otherwise be collected and allocated to the
13 General Revenue Fund of the State Treasury.

14 B. For purposes of this section:

15 1. "Qualified venture capital company" means a C corporation,
16 as defined by the Internal Revenue Code of 1986, as amended,
17 incorporated pursuant to the laws of Oklahoma or a registered
18 business partnership with a certificate of partnership filed as
19 required by law if such corporation or partnership is organized to
20 provide the direct investment of debt and equity funds to companies
21 within this state, with its principal place of business located
22 within this state and which meets the following criteria:

23 a. capitalization of not less than Five Million Dollars
24 (\$5,000,000.00),

1 b. having a purpose and objective of investing at least
2 seventy-five percent (75%) of its capitalization in
3 Oklahoma business ventures. The temporary investment
4 of funds by a qualified venture capital company in
5 obligations of the United States, state and municipal
6 bonds, bank certificates of deposit, or money market
7 securities pending investment in Oklahoma business
8 ventures is hereby authorized, and

9 c. investment of not more than ten percent (10%) of its
10 funds in any one company;

11 2. "Oklahoma business venture" means a business, incorporated
12 or unincorporated, which:

13 a. has or will have, within one hundred eighty (180) days
14 after an investment is made by a qualified venture
15 capital company, at least fifty percent (50%) of its
16 employees or assets located in Oklahoma,

17 b. needs financial assistance in order to commence or
18 expand such business which provides or intends to
19 provide goods or services,

20 c. is not engaged in oil and gas exploration, real estate
21 development, real estate sales, retail sales of food
22 or clothing, farming, ranching, banking, or lending or
23 investing funds in other businesses. Provided,
24 however, businesses which provide or intend to provide

1 goods or services, including, but not limited to,
2 goods or services involving new technology, equipment,
3 or techniques to such businesses listed in this
4 subparagraph, and investments in the development of
5 tourism facilities in the form of amusement parks,
6 entertainment parks, theme parks, golf courses, or
7 museums shall not be subject to ~~said~~ such prohibition,
8 and

9 d. expends within eighteen (18) months after the date of
10 the investment at least fifty percent (50%) of the
11 proceeds of the investment for the acquisition of
12 tangible or intangible assets which are used in the
13 active conduct of the trade or business of the
14 Oklahoma business venture or to provide working
15 capital for the active conduct of such trade or
16 business. For purposes of this subparagraph, "working
17 capital" shall not include consulting, brokerage or
18 transaction fees. Provided, that the Oklahoma Tax
19 Commission, upon request and demonstration of need by
20 a qualified venture capital company or an Oklahoma
21 business venture, may extend the eighteen-month period
22 otherwise required by this subparagraph for a period
23 not to exceed six (6) months. Provided, the
24 expenditure of the invested funds by the Oklahoma

1 business venture shall otherwise comply with the
2 requirements applicable to the usage of tax credits
3 for investment in the Oklahoma business venture. As
4 used in this subparagraph, "tangible assets" shall
5 include the acquisition of real property and the
6 construction of improvements upon real property if
7 such acquisition and construction otherwise complies
8 with the requirements applicable to the usage of tax
9 credits for investment in the Oklahoma business
10 venture and "intangible assets" shall be limited to
11 computer software, licenses, patents, copyrights, and
12 similar items;

13 3. "Direct investment" means the purchase of securities of a
14 private company, or securities of a public company if the securities
15 constitute a new issue of a public company and such public company
16 had previous year sales ~~of~~ less than Ten Million Dollars
17 (\$10,000,000.00); and

18 4. "Debt and equity funds" means investments in debt
19 securities; including unsecured, undersecured, subordinated or
20 convertible loans or debt securities; and/or equity securities,
21 including common and preferred stock, royalty rights, limited
22 partnership interest, and any other securities or rights that
23 evidence ownership in businesses; provided such investment of debt
24

1 and equity funds shall not have a repayment schedule that is faster
2 than a level principal amortization over five (5) years.

3 C. The credit provided for in subsection A of this section
4 shall be twenty percent (20%) of the cash amount invested in
5 qualified venture capital companies which is subsequently invested
6 in an Oklahoma business venture by the qualified venture capital
7 company and may only be claimed for a taxable year during which the
8 qualified venture capital company makes an investment in an Oklahoma
9 business venture. The credit shall be allowed for the amount of the
10 investment in an Oklahoma business venture if the funds are used in
11 pursuit of a legitimate business purpose of the Oklahoma business
12 venture consistent with its organizational instrument, bylaws or
13 other agreement responsible for the governance of the business
14 venture. The qualified venture capital company shall issue such
15 reports as the Oklahoma Tax Commission may require attributing the
16 source of funds of each investment it makes in an Oklahoma business
17 venture. ~~The Oklahoma Capital Investment Board shall have the~~
18 ~~authority to certify an entity as a qualified venture capital~~
19 ~~company and to certify an investment to be a qualifying Oklahoma~~
20 ~~business venture for purposes of complying with subsection B of this~~
21 ~~section. Such certification shall be binding on the Oklahoma Tax~~
22 ~~Commission. Such certification shall not be mandatory but may be~~
23 ~~requested by any entity that desires to be certified. A reasonable~~
24 ~~certification fee may be charged by the Oklahoma Capital Investment~~

1 ~~Board for this service. If the tax credit allowed pursuant to~~
2 ~~subsection A of this section exceeds the amount of taxes due or if~~
3 ~~there are no state taxes due of the taxpayer, the amount of the~~
4 ~~claim not used as an offset against the taxes of a taxable year may~~
5 ~~be carried forward as a credit against subsequent tax liability for~~
6 ~~a period not to exceed three (3) years. No investor in a venture~~
7 ~~capital company organized after July 1, 1992, may claim tax credits~~
8 ~~under the provisions of this section.~~

9 D. No taxpayer may claim the credit provided for in subsection
10 A of this section for investments in qualified venture capital
11 companies made prior to January 1, 1987.

12 ~~E. No investor whose capital is guaranteed by the Oklahoma~~
13 ~~Capital Investment Board may claim or transfer the credit provided~~
14 ~~for in subsection A of this section for investments in such~~
15 ~~guaranteed portfolio.~~

16 ~~F.~~ The credit provided for in subsection A of this section, to
17 the extent not previously utilized, shall be freely transferable to
18 and by subsequent transferees for a period of three (3) years from
19 the date of investment in the Oklahoma business venture.

20 ~~G.~~ F. If a pass-through entity is entitled to a credit under
21 this section, the pass-through entity shall allocate such credit to
22 one or more of the shareholders, partners or members of the pass-
23 through entity; provided, the total of all credits allocated shall
24 not exceed the amount of the credit to which the pass-through entity

1 is entitled. The credit may also be claimed for funds borrowed by
2 the pass-through entity to make a qualified investment if a
3 shareholder, partner or member to whom the credit is allocated has
4 an unlimited and continuing legal obligation to repay the borrowed
5 funds but the allocation may not exceed such shareholder's,
6 partner's or member's pro-rata equity share of the pass-through
7 entity even if the taxpayer's legal obligation to repay the borrowed
8 funds is in excess of such pro-rata share of such borrowed funds.
9 For purposes of ~~this act~~ the Oklahoma Income Tax Act, "pass-through
10 entity" means a corporation that for the applicable tax years is
11 treated as an S corporation under the Internal Revenue Code of 1986,
12 as amended, general partnership, limited partnership, limited
13 liability partnership, trust or limited liability company that for
14 the applicable tax year is not taxed as a corporation for federal
15 income tax purposes.

16 SECTION 2. AMENDATORY 74 O.S. 2021, Section 85.42, as
17 amended by Section 9, Chapter 336, O.S.L. 2025 (74 O.S. Supp. 2025,
18 Section 85.42), is amended to read as follows:

19 Section 85.42. A. 1. Except as otherwise provided for in this
20 section or other applicable law, any agency, whether or not such
21 agency is subject to the Oklahoma Central Purchasing Act, shall be
22 prohibited from entering into a sole-source contract or agreement or
23 a contract or agreement for professional services with or for the
24 services of any person who has terminated employment with or who has

1 | been terminated by that agency for one (1) year after the
2 | termination date of the employee from the agency. Any contract or
3 | agreement entered into in violation of this subsection shall be
4 | void. Any person found to have violated this subsection shall be
5 | prohibited from entering into any state contract for a period of
6 | five (5) years from the date of the execution of the contract or
7 | agreement. The provisions of this subsection shall not prohibit an
8 | agency from hiring or rehiring such person as a state employee.

9 | 2. Any chief administrative officer of an agency, whether or
10 | not such agency is subject to the Oklahoma Central Purchasing Act,
11 | shall not enter into any contract for nonprofessional or
12 | professional services for the purpose of or which would result in
13 | the circumvention of the full-time-equivalent employee limitation
14 | established by law for such agency.

15 | B. Each contract, including change orders, extensions,
16 | renewals, or amendments, entered into by any person or firm with ~~the~~
17 | ~~State of Oklahoma~~ this state shall include a statement certifying
18 | that no person who has been involved in any manner in the
19 | development, approval, or negotiation of such contract while
20 | employed by the state shall be employed or given anything of value
21 | to fulfill any of the services provided for under the contract.
22 | Each contract, including change orders, extensions, renewals, or
23 | amendments, shall include a statement from the chief executive
24 | officer or head of the contracting state agency certifying that no

1 known officer or employee of the contracting state agency who has
2 any direct or indirect financial, pecuniary, or other personal
3 interest in the contract has been involved in any manner in the
4 development, approval, or negotiation of the contract through
5 influence, decision, recommendation, or otherwise. This subsection
6 shall not preclude faculty and staff of the institutions within The
7 Oklahoma State System of Higher Education from negotiating and
8 participating in research grants and educational contracts. ~~This~~
9 ~~subsection shall not apply to Oklahoma Department of Commerce~~
10 ~~personnel who contract to provide services to the Oklahoma Capital~~
11 ~~Investment Board.~~

12 C. As used in this section, "person" means any state official
13 or employee of a department, board, bureau, commission, agency,
14 trusteeship, authority, council, committee, trust, school district,
15 fair board, court, executive office, advisory group, task force,
16 study group, supported in whole or in part by public funds or
17 entrusted with the expenditure of public funds or administering or
18 operating public property, and all committees, or subcommittees
19 thereof, judges, justices and state legislators.

20 D. Notwithstanding anything to the contrary in this section,
21 the following sole-source or professional services contracts are
22 allowed at any time:

23 1. A contract for professional services at any time with a
24 person who is a qualified interpreter for the deaf; and

1 2. A contract between a business entity that is a part-time
2 certified court reporter and the Administrative Office of the
3 Courts, on behalf of the district courts, or the Office of the
4 Attorney General.

5 E. Provided the provisions specified in subsection B of this
6 section are satisfied, the following professional services contracts
7 are allowed:

8 1. The Department of Transportation, Oklahoma Water Resources
9 Board, Department of Environmental Quality, Oklahoma Tourism and
10 Recreation Department, the Oklahoma Turnpike Authority and the
11 Oklahoma Department of Agriculture, Food, and Forestry may contract
12 with a person who has retired from state service;

13 2. To maintain public health infrastructure and preparedness,
14 the State Department of Health and city-county health departments
15 may contract with a physician assistant, Registered Nurse, advanced
16 practice nurse, Nurse-Midwife, registered dietician, occupational
17 therapist, physical therapist or speech-language pathologist who has
18 retired from state service; and

19 3. The Department of Mental Health and Substance Abuse Services
20 may contract with a physician, Registered Nurse, registered
21 pharmacist or person meeting the definition of a licensed mental
22 health professional, as defined in Title 43A of the Oklahoma
23 Statutes, who has separated and/or retired from state service.

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1 SECTION 3. AMENDATORY 74 O.S. 2021, Section 3601.1, as
2 last amended by Section 36, Chapter 29, O.S.L. 2023 (74 O.S. Supp.
3 2025, Section 3601.1), is amended to read as follows:

4 Section 3601.1. A. For purposes of Sections 3601.1 through
5 3603 of this title, the term "employee" means a full-time employee
6 or any number of part-time employees whose combined weekly hours of
7 employment equal those of a full-time employee, but shall not
8 include temporary employees working on a seasonal basis between May
9 1 and October 31.

10 B. Beginning July 1, 2008, the maximum number of full-time-
11 equivalent employees for each of the following agencies, boards,
12 commissions, departments, or programs shall not exceed the numbers
13 specified in this section, except as may be authorized pursuant to
14 the provisions of Section 3603 of this title.

	MAXIMUM NUMBER OF FULL-TIME-EQUIVALENT EMPLOYEES
Oklahoma Employment Security Commission	1150
Oklahoma Accountancy Board	11
Board of Governors of the Licensed Architects, Landscape Architects and Registered Commercial <u>Licensed</u> Interior Designers of Oklahoma	4
Board of Chiropractic Examiners	3
State Board of Cosmetology and Barbering	16

1	Board of Dentistry	10
2	Oklahoma Funeral Board	5
3	State Board of Licensure for Professional	
4	Engineers and Land Surveyors	10
5	State Board of Medical Licensure and Supervision/	
6	Board of Podiatric Medical Examiners/State	
7	Board of Examiners of Perfusionists	29
8	Oklahoma Energy Resources Board	5
9	Oklahoma New Motor Vehicle Commission	6
10	Oklahoma Board of Nursing	35
11	Oklahoma State Board of Examiners for Long-Term	
12	Care Administrators	4
13	Board of Examiners in Optometry	3
14	State Board of Osteopathic Examiners	7
15	State Board of Pharmacy	15
16	State Board of Examiners of Psychologists	2
17	Oklahoma Real Estate Commission	26
18	Board of Examiners for Speech-Language Pathology	
19	and Audiology	2
20	Oklahoma Used Motor Vehicle, Dismantler, and	
21	Manufactured Housing Commission	15
22	State Board of Veterinary Medical Examiners	6
23	Oklahoma Firefighters Pension and Retirement	
24	System	13

1	Oklahoma Police Pension and Retirement System	12
2	Teachers' Retirement System of Oklahoma	52
3	Oklahoma Public Employees Retirement System	63
4	Oklahoma Student Loan Authority	85
5	Oklahoma Industrial Finance Authority/Oklahoma	
6	Development Finance Authority	10
7	State and Education Employees Group Insurance	
8	Board	178
9	Oklahoma Capital Investment Board	4
10	State Board of Licensed Social Workers	1
11	Oklahoma State Employees Benefits Council	38
12	Banking Department	46
13	Liquefied Petroleum Gas Administration	10

14 C. The duties and compensation of employees, not otherwise
15 prescribed by law, necessary to perform the duties imposed upon the
16 Oklahoma Public Employees Retirement System Board of Trustees by law
17 shall be set by the Board of Trustees.

18 D. Temporary employees of the Oklahoma Used Motor Vehicle,
19 Dismantler, and Manufactured Housing Commission between the dates of
20 November 1 and January 31 annually shall not be counted toward the
21 maximum number of full-time-equivalent employees provided for in
22 this section.

23 SECTION 4. REPEALER 63 O.S. 2021, Section 1-236, is
24 hereby repealed.

1 SECTION 5. REPEALER 63 O.S. 2021, Section 1-237, is
2 hereby repealed.

3 SECTION 6. REPEALER 63 O.S. 2021, Section 1-237.1, is
4 hereby repealed.

5 SECTION 7. REPEALER 63 O.S. 2021, Section 1-238, is
6 hereby repealed.

7 SECTION 8. REPEALER 70 O.S. 2021, Section 3-117.1, is
8 hereby repealed.

9 SECTION 9. REPEALER 70 O.S. 2021, Section 3-117.2, is
10 hereby repealed.

11 SECTION 10. REPEALER 70 O.S. 2021, Section 3-117.3, is
12 hereby repealed.

13 SECTION 11. This act shall become effective July 1, 2026.

14 SECTION 12. It being immediately necessary for the preservation
15 of the public peace, health or safety, an emergency is hereby
16 declared to exist, by reason whereof this act shall take effect and
17 be in full force from and after its passage and approval.

18 COMMITTEE REPORT BY: COMMITTEE ON RETIREMENT AND GOVERNMENT
19 RESOURCES
February 17, 2026 - DO PASS AS AMENDED

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