

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 1211

By: Sacchieri

AS INTRODUCED

An Act relating to ad valorem tax; amending 68 O.S. 2021, Section 2902, as last amended by Section 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp. 2025, Section 2902), which relates to the exemption from ad valorem tax for manufacturing facilities; prohibiting entities that employ certain individuals from receiving exemption; updating statutory language; and providing an effective date.

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

SECTION 1. AMENDATORY 68 O.S. 2021, Section 2902, as last amended by Section 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp. 2025, Section 2902), is amended to read as follows:

Section 2902. A. Except as otherwise provided by subsection H of Section 3658 of this title pursuant to which the exemption authorized by this section may not be claimed, a qualifying manufacturing concern, as defined by Section 6B of Article X of the Oklahoma Constitution, and as further defined herein, shall be exempt from the levy of any ad valorem taxes upon new, expanded or acquired manufacturing facilities including facilities engaged in research and development, for a period of five (5) years. The

1 provisions of Section 6B of Article X of the Oklahoma Constitution
2 requiring an existing facility to have been unoccupied for a period
3 of twelve (12) months prior to acquisition shall be construed as a
4 qualification for a facility to initially receive an exemption, and
5 shall not be deemed to be a qualification for that facility to
6 continue to receive an exemption in each of the four (4) years
7 following the initial year for which the exemption was granted.
8 Such facilities are hereby classified for the purposes of taxation
9 as provided in Section 22 of Article X of the Oklahoma Constitution.

10 B. For purposes of this section, the following definitions
11 shall apply:

12 1. "Manufacturing facilities" means facilities engaged in the
13 mechanical or chemical transformation of materials or substances
14 into new products and except as provided by paragraph 6 of
15 subsection C of this section shall include:

- 16 a. establishments which have received a manufacturer
17 exemption permit pursuant to the provisions of Section
18 1359.2 of this title,
- 19 b. facilities including repair and replacement parts,
20 primarily engaged in aircraft repair, building and
21 rebuilding whether or not on a factory basis,
- 22 c. establishments primarily engaged in computer services
23 and data processing as defined under Industrial Group
24 Numbers 5112 and 5415, and U.S. Industry ~~Number~~

1 Numbers 334611 and 519130 of the ~~NAICS~~ North American
2 Industry Classification System (NAICS) Manual, latest
3 revision, and which derive at least fifty percent
4 (50%) of their annual gross revenues from the sale of
5 a product or service to an out-of-state buyer or
6 consumer, and as defined under Industrial Group Number
7 5182 of the NAICS Manual, latest revision, which
8 derive at least eighty percent (80%) of their annual
9 gross revenues from the sale of a product or service
10 to an out-of-state buyer or consumer. Eligibility as
11 a manufacturing facility pursuant to this subparagraph
12 shall be established, subject to review by the
13 Oklahoma Tax Commission, by annually filing an
14 affidavit with the Tax Commission stating that the
15 facility so qualifies and such other information as
16 required by the Tax Commission. For purposes of
17 determining whether annual gross revenues are derived
18 from sales to out-of-state buyers, all sales to the
19 federal government shall be considered to be to an
20 out-of-state buyer,

- 21 d. facilities that the investment cost of the
22 construction, acquisition or expansion is Five Hundred
23 Thousand Dollars (\$500,000.00) or more with respect to
24 assets placed into service during calendar year 2022.

1 For subsequent calendar years, the investment required
2 shall be increased annually by a percentage equal to
3 the previous year's increase in the Consumer Price
4 ~~Index-All~~ Index for All Urban Consumers ("CPI-U") and
5 such adjusted amount shall be the required investment
6 cost in order to qualify for the exemption authorized
7 by this section. The Oklahoma Department of Commerce
8 shall determine the amount of the increase, if any, on
9 January 1 of each year. The Oklahoma Tax Commission
10 shall publish on its website at least annually the
11 adjusted dollar amount in order to qualify for the
12 exemption authorized by this section and shall include
13 the adjusted dollar amount in any of its relevant
14 forms or publications with respect to the exemption.
15 Provided, "investment cost" shall not include the cost
16 of direct replacement, refurbishment, repair or
17 maintenance of existing machinery or equipment, except
18 that investment cost shall include capital
19 expenditures for direct replacement, refurbishment,
20 repair or maintenance of existing machinery or
21 equipment that qualifies for depreciation and/or
22 amortization pursuant to the Internal Revenue Code of
23 1986, as amended, and such expenditures shall be
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1 eligible as a part of an expansion that otherwise
2 qualifies under this section,

3 e. establishments primarily engaged in distribution as
4 defined under Industry Numbers 49311, 49312, 49313 and
5 49319 and Industry Sector Number 42 of the NAICS
6 Manual, latest revision, and which meet the following
7 qualifications:

8 (1) construction with an initial capital investment
9 of at least Five Million Dollars (\$5,000,000.00),

10 (2) employment of at least one hundred ~~(100)~~ full-
11 time-equivalent employees, as certified by the
12 Oklahoma Employment Security Commission,

13 (3) payment of wages or salaries to its employees at
14 a wage which equals or exceeds the average wage
15 requirements in the Oklahoma Quality Jobs Program
16 Act for the year in which the real property was
17 placed into service, and

18 (4) commencement of construction on or after November
19 1, 2007, with construction to be completed within
20 three (3) years from the date of the commencement
21 of construction,

22 f. facilities engaged in the manufacturing, compounding,
23 processing or fabrication of materials into articles
24 of tangible personal property according to the special
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1 order of a customer (custom order manufacturing) by
2 manufacturers classified as operating in ~~North~~
3 ~~American Industry Classification System (NAICS)~~ NAICS
4 Sectors 32 and 33, but does not include such custom
5 order manufacturing by manufacturers classified in
6 other NAICS code sectors, and

- 7 g. with respect to any entity making an application for
8 the exemption authorized by this section on or after
9 January 1, 2023, the establishment making application
10 for exempt treatment of real or personal property
11 acquired or improved beginning January 1, 2022, and
12 for any calendar year thereafter, the entity shall be
13 required to pay new direct jobs, as defined by Section
14 3603 of this title for purposes of the Oklahoma
15 Quality Jobs Program Act, an average annualized wage
16 which equals or exceeds the average wage requirement
17 in the Oklahoma Quality Jobs Program Act for the year
18 in which the real or personal property was placed into
19 service. The Oklahoma Tax Commission may request
20 verification from the Oklahoma Department of Commerce
21 that an establishment seeking an exemption for real or
22 personal property pays an average annualized wage that
23 equals or exceeds the average wage requirement in
24 effect for the year in which the real or personal

1 property was placed into service. For purposes of
2 this subparagraph, it shall not be necessary for the
3 establishment to qualify for incentive payments
4 pursuant to the Oklahoma Quality Jobs Program Act, but
5 the establishment shall be subject to the wage
6 requirements of the Oklahoma Quality Jobs Program Act
7 with respect to new direct jobs in order to qualify
8 for the exempt treatment authorized by this section.

9 Eligibility as a manufacturing facility pursuant to this
10 subparagraph shall be established, subject to review by the Tax
11 Commission, by annually filing an affidavit with the Tax Commission
12 stating that the facility so qualifies and containing such other
13 information as required by the Tax Commission.

14 Provided, eating and drinking places, as well as other retail
15 establishments, shall not qualify as manufacturing facilities for
16 purposes of this section, nor shall centrally assessed properties.

17 Eligibility as a manufacturing facility pursuant to this
18 subparagraph shall be established, subject to review by the Tax
19 Commission, by annually filing an application with the Tax
20 Commission stating that the facility so qualifies and containing
21 such other information as required by the Tax Commission;

22 2. "Facility" and "facilities", except as otherwise provided by
23 this section, means and includes the land, buildings, structures and
24 improvements used directly and exclusively in the manufacturing

1 process. Effective January 1, 2022, and for each calendar year
2 thereafter, for establishments which have received a manufacturer
3 exemption permit pursuant to the provisions of Section 1359.2 of
4 this title, or facilities engaged in manufacturing activities
5 defined or classified in the NAICS Manual under Industry ~~Numbers~~
6 Numbers 311111 through 339999, inclusive, but for no other
7 establishments, facility and facilities means and includes the land,
8 buildings, structures, improvements, machinery, fixtures, equipment
9 and other personal property used directly and exclusively in the
10 manufacturing process; and

11 3. "Research and development" means activities directly related
12 to and conducted for the purpose of discovering, enhancing,
13 increasing or improving future or existing products or processes or
14 productivity.

15 C. The following provisions shall apply:

16 1. A manufacturing concern shall be entitled to the exemption
17 herein provided for each new manufacturing facility constructed,
18 each existing manufacturing facility acquired and the expansion of
19 existing manufacturing facilities on the same site, as such terms
20 are defined by Section 6B of Article X of the Oklahoma Constitution
21 and by this section;

22 2. No manufacturing concern shall receive more than one five-
23 year exemption for any one manufacturing facility unless the
24 expansion which qualifies the manufacturing facility for an
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1 additional five-year exemption meets the requirements of paragraph 4
2 of this subsection and the employment level established for any
3 previous exemption is maintained;

4 3. Any exemption as to the expansion of an existing
5 manufacturing facility shall be limited to the increase in ad
6 valorem taxes directly attributable to the expansion;

7 4. All initial applications for any exemption for a new,
8 acquired or expanded manufacturing facility shall be granted only
9 if:

- 10 a. there is a net increase in annualized base payroll
11 over the initial payroll of at least Two Hundred Fifty
12 Thousand Dollars (\$250,000.00) if the facility is
13 located in a county with a population of fewer than
14 seventy-five thousand (75,000), according to the most
15 recent Federal Decennial Census, while maintaining or
16 increasing base payroll in subsequent years, or at
17 least One Million Dollars (\$1,000,000.00) if the
18 facility is located in a county with a population of
19 seventy-five thousand (75,000) or more, according to
20 the most recent Federal Decennial Census, while
21 maintaining or increasing base payroll in subsequent
22 years; provided, the payroll requirement of this
23 subparagraph shall be waived for claims for exemptions
24 including claims previously denied or on appeal on

1 March 3, 2010, for all initial applications for
2 exemption filed on or after January 1, 2004, and on or
3 before March 31, 2009, and all subsequent annual
4 exemption applications filed related to the initial
5 application for exemption, for an applicant, if the
6 facility has been located in Oklahoma for at least
7 fifteen (15) years engaged in marine engine
8 manufacturing as defined under U.S. Industry Number
9 333618 of the NAICS Manual, latest revision, and has
10 maintained an average employment of five hundred ~~(500)~~
11 or more full-time-equivalent employees over a ten-year
12 period. Any applicant that qualifies for the payroll
13 requirement waiver as outlined in the previous
14 sentence and subsequently closes its Oklahoma
15 manufacturing plant prior to January 1, 2012, may be
16 disqualified for exemption and subject to recapture.
17 For an applicant engaged in paperboard manufacturing
18 as defined under U.S. Industry Number 322130 of the
19 NAICS Manual, latest revision, union master payouts
20 paid by the buyer of the facility to specified
21 individuals employed by the facility at the time of
22 purchase, as specified under the purchase agreement,
23 shall be excluded from payroll for purposes of this
24 section.

1 In order to provide certainty with respect to
2 investments in manufacturing facilities pertaining to
3 all initial applications for exemption filed on or
4 after January 1, 2016, the following definitions shall
5 apply:

6 (1) "base payroll" shall mean total payroll adjusted
7 for any nonrecurring bonuses, exercise of stock
8 option or stock rights and other nonrecurring,
9 extraordinary items included in total payroll,
10 and

11 (2) "initial payroll" shall mean base payroll for the
12 year immediately preceding the initial
13 construction, acquisition or expansion.

14 The Tax Commission shall verify payroll
15 information through the Oklahoma Employment
16 Security Commission by using reports from the
17 Oklahoma Employment Security Commission for the
18 calendar year immediately preceding the year for
19 which initial application is made for ~~base-line~~
20 baseline payroll, which must be maintained or
21 increased for each subsequent year; provided, a
22 manufacturing facility shall have the option of
23 excluding from its payroll, for purposes of this
24 section:

1 i. payments to sole proprietors, members
2 of a partnership, members of a limited
3 liability company who own at least ten
4 percent (10%) of the capital of the
5 limited liability company or
6 stockholder-employees of a corporation
7 who own at least ten percent (10%) of
8 the stock in the corporation, and

9 ii. any nonrecurring bonuses, exercise of
10 stock option or stock rights or other
11 nonrecurring, extraordinary items
12 included in total payroll numbers as
13 reported by the Oklahoma Employment
14 Security Commission. A manufacturing
15 facility electing either option shall
16 indicate such election upon its
17 application for an exemption under this
18 section. Any manufacturing facility
19 electing either option shall submit
20 such information as the Tax Commission
21 may require in order to verify payroll
22 information. Payroll information
23 submitted pursuant to the provisions of
24 this paragraph shall be submitted to

1 the Tax Commission and shall be subject
2 to the provisions of Section 205 of
3 this title, and

4 b. the facility offers, or will offer within one hundred
5 eighty (180) days of the date of employment, a basic
6 health benefits plan to the full-time-equivalent
7 employees of the facility, which is determined by the
8 Oklahoma Department of Commerce to consist of the
9 elements specified in subparagraph b of paragraph 1 of
10 subsection A of Section 3603 of this title or elements
11 substantially equivalent thereto.

12 For purposes of this section, calculation of the amount of
13 increased base payroll shall be measured from the start of initial
14 construction or expansion to the completion of such construction or
15 expansion or for three (3) years from the start of initial
16 construction or expansion, whichever occurs first. The amount of
17 increased base payroll shall include payroll for full-time-
18 equivalent employees in this state who are employed by an entity
19 other than the facility which has previously or is currently
20 qualified to receive an exemption pursuant to the provisions of this
21 section and who are leased or otherwise provided to the facility, if
22 such employment did not exist in this state prior to the start of
23 initial construction or expansion of the facility. The
24 manufacturing concern shall submit an affidavit to the Tax

1 Commission, signed by an officer, stating that the construction,
2 acquisition or expansion of the facility will result in a net
3 increase in the annualized base payroll as required by this
4 paragraph and that full-time-equivalent employees of the facility
5 are or will be offered a basic health benefits plan as required by
6 this paragraph. If, after the completion of such construction or
7 expansion or after three (3) years from the start of initial
8 construction or expansion, whichever occurs first, the construction,
9 acquisition or expansion has not resulted in a net increase in the
10 amount of annualized base payroll, if required, or any other
11 qualification specified in this paragraph has not been met, the
12 manufacturing concern shall pay an amount equal to the amount of any
13 exemption granted including penalties and interest thereon, to the
14 Tax Commission for deposit to the Ad Valorem Reimbursement Fund;

15 5. Except as otherwise provided by this paragraph, any new,
16 acquired or expanded computer data processing, data preparation or
17 information processing services provider classified in U.S. Industry
18 Number 518210 of the ~~North American Industrial Classification System~~
19 ~~(NAICS)~~ NAICS Manual, 2017 revision, may apply for exemptions under
20 this section for each year in which new, acquired, or expanded
21 capital improvements to the facility are made for assets placed in
22 service not later than December 31, 2021, if:

- 23 a. there is a net increase in annualized payroll of the
24 applicant at any facility or facilities of the
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1 applicant in this state of at least Two Hundred Fifty
2 Thousand Dollars (\$250,000.00), which is attributable
3 to the capital improvements, or a net increase of
4 Seven Million Dollars (\$7,000,000.00) or more in
5 capital improvements, while maintaining or increasing
6 payroll at the facility or facilities in this state
7 which are included in the application, and

- 8 b. the facility offers, or will offer within one hundred
9 eighty (180) days of the date of employment of new
10 employees attributable to the capital improvements, a
11 basic health benefits plan to the full-time-equivalent
12 employees of the facility, which is determined by the
13 Oklahoma Department of Commerce to consist of the
14 elements specified in subparagraph b of paragraph 1 of
15 subsection A of Section 3603 of this title or elements
16 substantially equivalent thereto.

17 An establishment described by this paragraph, the primary
18 business activity of which is described by Industry ~~No.~~ Number
19 518210 of the ~~North American Industry Classification System (NAICS)~~
20 NAICS Manual, 2017 revision, that has applied for and been granted
21 an exemption for personal property at any time within five (5) years
22 prior to November 1, 2021, may apply for exemptions for items of
23 eligible personal property to be located within improvements to real
24 property and such real property and improvements having been exempt

1 from ad valorem taxation prior to November 1, 2021, pursuant to the
2 provisions of this section if such personal property is placed in
3 service not later than December 31, 2036. No additional personal
4 property of such establishment placed in service after such date
5 shall qualify for the exempt treatment otherwise authorized pursuant
6 to this paragraph;

7 6. Effective January 1, 2017, an entity engaged in electric
8 power generation by means of wind, as described by the North
9 American Industry Classification System, No. 221119, shall not be
10 defined as a qualifying manufacturing concern for purposes of the
11 exemption otherwise authorized pursuant to Section 6B of Article X
12 of the Oklahoma Constitution or qualify as a manufacturing facility
13 as defined in this section. No initial application for exemption
14 shall be filed by or accepted from an entity engaged in electric
15 power generation by means of wind on or after January 1, 2018;

16 7. An entity or applicant engaged in an industry as defined
17 under U.S. Industry Number 324110 of the NAICS Manual, latest
18 revision, which has applied for or been granted an exemption for a
19 time period which began on or after calendar year 2012 and before
20 calendar year 2016 but which did not meet the payroll requirements
21 of subparagraph a of paragraph 4 of this subsection because of
22 nonrecurring bonuses, exercise of stock option or stock rights or
23 other nonrecurring, extraordinary items included in total payroll in
24 the previous year, shall be allowed an exemption, beginning with

1 calendar year 2016, for the number of years including the calendar
2 year for which the exemption was denied, remaining in the entity's
3 five-year exemption period, provided such entity attains or
4 increases payroll at or above the initial or base payroll
5 established for the exemption;

6 8. A facility engaged in manufacturing defined under U.S.
7 Industry Number 327310 of the NAICS Manual shall have the payroll
8 requirements of paragraph 4 of this subsection waived for tax year
9 2021, which is based in part on the 2020 calendar year payroll
10 reported to the Oklahoma Employment Security Commission, and may
11 continue to receive the exemption for the five-year period provided
12 in this section only if all other requirements of this section are
13 met; ~~and~~

14 9. A facility engaged in manufacturing which otherwise
15 qualifies for the exemption or exemptions pursuant to the provisions
16 of this section shall have the payroll requirements of paragraph 4
17 of this subsection waived for tax year 2021, which is based in part
18 on the 2020 calendar year payroll reported to the Oklahoma
19 Employment Security Commission, and for tax year 2022, which is
20 based in part on the 2021 calendar year payroll reported to the
21 Oklahoma Employment Security Commission, and may continue to receive
22 the exemption for the five-year period provided in this section only
23 if all other requirements of this section are met. Provided, a
24 facility engaged in manufacturing as defined under Industrial Group

1 Number 3364 of the NAICS Manual, latest revision, which otherwise
2 qualifies or qualified to receive the exemption for the five-year
3 period provided in this section, including claims previously denied,
4 shall have the payroll requirements of paragraph 4 of this
5 subsection waived for the five-year exemption period of those
6 initial exemption applications filed after January 1, 2020, and
7 before March 16, 2021; and

8 10. Effective January 1, 2027, an entity that provides
9 employment to an individual that meets the definition of an H-1B
10 nonimmigrant, as provided in 8 U.S.C., Section 1182(n)(4)(C), shall
11 not be defined as a qualifying manufacturing concern for purposes of
12 the exemption otherwise authorized pursuant to Section 6B of Article
13 X of the Oklahoma Constitution or qualify as a manufacturing
14 facility as defined in this section.

15 D. 1. Except as provided in paragraph 2 of this subsection,
16 the five-year period of exemption from ad valorem taxes for any
17 qualifying manufacturing facility property shall begin on January 1
18 following the initial qualifying use of the property in the
19 manufacturing process.

20 2. The five-year period of exemption from ad valorem taxes for
21 any qualifying manufacturing facility, as specified in subparagraphs
22 a and b of this paragraph, which is located within a tax incentive
23 district created pursuant to the Local Development Act by a county
24 having a population of at least five hundred thousand (500,000),
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1 according to the most recent Federal Decennial Census, shall begin
2 on January 1 following the expiration or termination of the ad
3 valorem exemption, abatement, or other incentive provided through
4 the tax incentive district. Facilities qualifying pursuant to this
5 subsection shall include:

- 6 a. a manufacturing facility as defined in subparagraph c
7 of paragraph 1 of subsection B of this section, and
- 8 b. an establishment primarily engaged in distribution as
9 defined under Industry Number 49311 of the North
10 American Industry Classification System for which the
11 initial capital investment was at least One Hundred
12 Eighty Million Dollars (\$180,000,000.00); provided,
13 that the qualifying job creation and depreciable
14 property investment occurred prior to calendar year
15 2017 but not earlier than calendar year 2013.

16 E. Any person, firm or corporation claiming the exemption
17 herein provided for shall file each year for which exemption is
18 claimed, an application therefor with the county assessor of the
19 county in which the new, expanded or acquired facility is located.
20 The application shall be on a form or forms prescribed by the Tax
21 Commission, and shall be filed on or before March 15, except as
22 provided in Section 2902.1 of this title, of each year in which the
23 facility desires to take the exemption or within thirty (30) days
24 from and after receipt by such person, firm or corporation of notice

1 of valuation increase, whichever is later. In a case where
2 completion of the facility or facilities will occur after January 1
3 of a given year, a facility may apply to claim the ad valorem tax
4 exemption for that year. If such facility is found to be qualified
5 for exemption, the ad valorem tax exemption provided for herein
6 shall be granted for that entire year and shall apply to the ad
7 valorem valuation as of January 1 of that given year. For
8 applicants who qualify under the provisions of subparagraph b of
9 paragraph 1 of subsection B of this section, the application shall
10 include a copy of the affidavit and any other information required
11 to be filed with the Tax Commission.

12 F. The application shall be examined by the county assessor and
13 approved or rejected in the same manner as provided by law for
14 approval or rejection of claims for homestead exemptions. The
15 taxpayer shall have the same right of review by and appeal from the
16 county board of equalization, in the same manner and subject to the
17 same requirements as provided by law for review and appeals
18 concerning homestead exemption claims. Approved applications shall
19 be filed by the county assessor with the Tax Commission no later
20 than June 15, except as provided in Section 2902.1 of this title, of
21 the year in which the facility desires to take the exemption.
22 Incomplete applications and applications filed after June 15 will be
23 declared null and void by the Tax Commission. In the event that a
24 taxpayer qualified to receive an exemption pursuant to the

1 provisions of this section shall make payment of ad valorem taxes in
2 excess of the amount due, the county treasurer shall have the
3 authority to credit the taxpayer's real or personal property tax
4 overpayment against current taxes due. The county treasurer may
5 establish a schedule of up to five (5) years of credit to resolve
6 the overpayment.

7 G. Nothing herein shall in any manner affect, alter or impair
8 any law relating to the assessment of property, and all property,
9 real or personal, which may be entitled to exemption hereunder shall
10 be valued and assessed as is other like property and as provided by
11 law. The valuation and assessment of property for which an
12 exemption is granted hereunder shall be performed by the Tax
13 Commission using one or more of the cost, income and expense and
14 sales comparison approaches to estimate fair cash value in
15 accordance with the Uniform Standards of Professional Appraisal
16 Practice.

17 H. The Tax Commission shall have the authority and duty to
18 prescribe forms and to promulgate rules as may be necessary to carry
19 out and administer the terms and provisions of this section.

20 SECTION 2. This act shall become effective November 1, 2026.

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