

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 1639

By: Paxton

AS INTRODUCED

An Act relating to boards and commissions; amending 68 O.S. 2021, Section 2357.7, which relates to credit for investments in qualified venture capital companies; removing certain authority for the Oklahoma Capital Investment Board; amending 74 O.S. 2021, Section 85.42, as amended by Section 9, Chapter 336, O.S.L. 2025 (74 O.S. Supp. 2025, Section 85.42), which relates to the exceptions on the one-year limitation on entering contracts with certain persons; removing certain reference; amending 74 O.S. 2021, Section 3601.1, as last amended by Section 36, Chapter 29, O.S.L. 2023 (74 O.S. Supp. 2025, Section 3601.1), which relates to employees; deleting reference to the Oklahoma Capital Investment Board allowable employees; updating statutory language; updating statutory reference; repealing 63 O.S. 2021, 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; repealing 70 O.S. 2021, Sections 3-171, 3-172, and 3-173, as amended by Section 1, Chapter 306, O.S.L. 2023 (70 O.S. Supp. 2025, Section 3-173), which relate to the Oklahoma Advisory Council on Indian Education Act; providing an effective date; and declaring an emergency.

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

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

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

B. For purposes of this section:

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

- 1 a. capitalization of not less than Five Million Dollars
2 (\$5,000,000.00),
3 b. having a purpose and objective of investing at least
4 seventy-five percent (75%) of its capitalization in
5 Oklahoma business ventures. The temporary investment
6 of funds by a qualified venture capital company in
7 obligations of the United States, state and municipal
8 bonds, bank certificates of deposit, or money market
9 securities pending investment in Oklahoma business
10 ventures is hereby authorized, and
11 c. investment of not more than ten percent (10%) of its
12 funds in any one company;

13 2. "Oklahoma business venture" means a business, incorporated
14 or unincorporated, which:

- 15 a. has or will have, within one hundred eighty (180) days
16 after an investment is made by a qualified venture
17 capital company, at least fifty percent (50%) of its
18 employees or assets located in Oklahoma,
19 b. needs financial assistance in order to commence or
20 expand such business which provides or intends to
21 provide goods or services,
22 c. is not engaged in oil and gas exploration, real estate
23 development, real estate sales, retail sales of food
24 or clothing, farming, ranching, banking, or lending or
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1 investing funds in other businesses. Provided,
2 however, businesses which provide or intend to provide
3 goods or services, including, but not limited to,
4 goods or services involving new technology, equipment,
5 or techniques to such businesses listed in this
6 subparagraph, and investments in the development of
7 tourism facilities in the form of amusement parks,
8 entertainment parks, theme parks, golf courses, or
9 museums shall not be subject to ~~said~~ such prohibition,
10 and

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

1 not to exceed six (6) months. Provided, the
2 expenditure of the invested funds by the Oklahoma
3 business venture shall otherwise comply with the
4 requirements applicable to the usage of tax credits
5 for investment in the Oklahoma business venture. As
6 used in this subparagraph, "tangible assets" shall
7 include the acquisition of real property and the
8 construction of improvements upon real property if
9 such acquisition and construction otherwise complies
10 with the requirements applicable to the usage of tax
11 credits for investment in the Oklahoma business
12 venture and "intangible assets" shall be limited to
13 computer software, licenses, patents, copyrights, and
14 similar items;

15 3. "Direct investment" means the purchase of securities of a
16 private company, or securities of a public company if the securities
17 constitute a new issue of a public company and such public company
18 had previous year sales ~~of~~ less than Ten Million Dollars
19 (\$10,000,000.00); and

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

1 evidence ownership in businesses; provided such investment of debt
2 and equity funds shall not have a repayment schedule that is faster
3 than a level principal amortization over five (5) years.

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

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

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

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

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

21 ~~G.~~ F. If a pass-through entity is entitled to a credit under
22 this section, the pass-through entity shall allocate such credit to
23 one or more of the shareholders, partners or members of the pass-
24 through entity; provided, the total of all credits allocated shall

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

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

20 Section 85.42. A. 1. Except as otherwise provided for in this
21 section or other applicable law, any agency, whether or not such
22 agency is subject to the Oklahoma Central Purchasing Act, shall be
23 prohibited from entering into a sole-source contract or agreement or
24 a contract or agreement for professional services with or for the
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1 services of any person who has terminated employment with or who has
2 been terminated by that agency for one (1) year after the
3 termination date of the employee from the agency. Any contract or
4 agreement entered into in violation of this subsection shall be
5 void. Any person found to have violated this subsection shall be
6 prohibited from entering into any state contract for a period of
7 five (5) years from the date of the execution of the contract or
8 agreement. The provisions of this subsection shall not prohibit an
9 agency from hiring or rehiring such person as a state employee.

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

16 B. Each contract, including change orders, extensions,
17 renewals, or amendments, entered into by any person or firm with ~~the~~
18 ~~State of Oklahoma~~ this state shall include a statement certifying
19 that no person who has been involved in any manner in the
20 development, approval, or negotiation of such contract while
21 employed by the state shall be employed or given anything of value
22 to fulfill any of the services provided for under the contract.
23 Each contract, including change orders, extensions, renewals, or
24 amendments, shall include a statement from the chief executive
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1 officer or head of the contracting state agency certifying that no
2 known officer or employee of the contracting state agency who has
3 any direct or indirect financial, pecuniary, or other personal
4 interest in the contract has been involved in any manner in the
5 development, approval, or negotiation of the contract through
6 influence, decision, recommendation, or otherwise. This subsection
7 shall not preclude faculty and staff of the institutions within The
8 Oklahoma State System of Higher Education from negotiating and
9 participating in research grants and educational contracts. ~~This~~
10 ~~subsection shall not apply to Oklahoma Department of Commerce~~
11 ~~personnel who contract to provide services to the Oklahoma Capital~~
12 ~~Investment Board.~~

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

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

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

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

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

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

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

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

3 SECTION 3. AMENDATORY 74 O.S. 2021, Section 3601.1, as
4 last amended by Section 36, Chapter 29, O.S.L. 2023 (74 O.S. Supp.
5 2025, Section 3601.1), is amended to read as follows:

6 Section 3601.1. A. For purposes of Sections 3601.1 through
7 3603 of this title, the term "employee" means a full-time employee
8 or any number of part-time employees whose combined weekly hours of
9 employment equal those of a full-time employee, but shall not
10 include temporary employees working on a seasonal basis between May
11 1 and October 31.

12 B. Beginning July 1, 2008, the maximum number of full-time-
13 equivalent employees for each of the following agencies, boards,
14 commissions, departments, or programs shall not exceed the numbers
15 specified in this section, except as may be authorized pursuant to
16 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 |

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

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| 1 | Oklahoma Firefighters Pension and Retirement | |
| 2 | System | 13 |
| 3 | Oklahoma Police Pension and Retirement System | 12 |
| 4 | Teachers' Retirement System of Oklahoma | 52 |
| 5 | Oklahoma Public Employees Retirement System | 63 |
| 6 | Oklahoma Student Loan Authority | 85 |
| 7 | Oklahoma Industrial Finance Authority/Oklahoma | |
| 8 | Development Finance Authority | 10 |
| 9 | State and Education Employees Group Insurance | |
| 10 | Board | 178 |
| 11 | Oklahoma Capital Investment Board | 4 |
| 12 | State Board of Licensed Social Workers | 1 |
| 13 | Oklahoma State Employees Benefits Council | 38 |
| 14 | Banking Department | 46 |
| 15 | Liquefied Petroleum Gas Administration | 10 |

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

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

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

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

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

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

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

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

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

15 SECTION 11. REPEALER 70 O.S. 2021, Section 3-171, is
16 hereby repealed.

17 SECTION 12. REPEALER 70 O.S. 2021, Section 3-172, is
18 hereby repealed.

19 SECTION 13. REPEALER 70 O.S. 2021, Section 3-173, as
20 amended by Section 1, Chapter 306, O.S.L 2023 (70 O.S. Supp. 2025,
21 Section 3-173), is hereby repealed.

22 SECTION 14. This act shall become effective July 1, 2026.

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

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