

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 HOUSE BILL 4424

By: Hilbert

6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68  
8 O.S. 2021, Section 2902, as last amended by Section  
9 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp. 2025,  
10 Section 2902), which relates to exemption from ad  
11 valorem taxation for manufacturing facilities;  
providing an effective date.

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

14 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2902, as  
15 last amended by Section 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp.  
16 2025, Section 2902), is amended to read as follows:

17 Section 2902. A. Except as otherwise provided by subsection H  
18 of Section 3658 of this title pursuant to which the exemption  
19 authorized by this section may not be claimed, a qualifying  
20 manufacturing concern, as defined by Section 6B of Article X of the  
21 Oklahoma Constitution, and as further defined herein, shall be  
22 exempt from the levy of any ad valorem taxes upon new, expanded or  
23 acquired manufacturing facilities including facilities engaged in

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

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

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

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

Numbers 5112 and 5415, and U.S. Industry Number 334611 and 519130 of the NAICS Manual, latest revision, provided that the establishment was in operation on or before January 1, 2027, and which derive at least fifty percent (50%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer, and as defined under Industrial Group Number 5182 of the NAICS Manual, latest revision, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer. For purposes of this subparagraph, "in operation" means that the data center:

- (1) had installed an operational computing and networking equipment,
- (2) was providing data processing, storage, cloud, or related computer services to one or more third-party customers pursuant to executed service agreements, and
- (3) had generated verifiable gross revenue from such services prior to January 1, 2027.

"In operation" does not include construction, site preparation, equipment installation, system testing, commissioning, or standby capacity without active

customer service. Eligibility as a manufacturing facility pursuant to this subparagraph shall be established, subject to review by the Oklahoma Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such other information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers, all sales to the federal government shall be considered to be an out-of-state buyer,

d. facilities that the investment cost of the construction, acquisition or expansion is Five Hundred Thousand Dollars (\$500,000.00) or more with respect to assets placed into service during calendar year 2022. For subsequent calendar years, the investment required shall be increased annually by a percentage equal to the previous year's increase in the Consumer Price Index-All Urban Consumers ("CPI-U") and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by this section. The Oklahoma Department of Commerce shall determine the amount of the increase, if any, on January 1 of each year. The Oklahoma Tax Commission shall publish on its website at least annually the

adjusted dollar amount in order to qualify for the exemption authorized by this section and shall include the adjusted dollar amount in any of its relevant forms or publications with respect to the exemption.

Provided, "investment cost" shall not include the cost of direct replacement, refurbishment, repair or maintenance of existing machinery or equipment, except that investment cost shall include capital expenditures for direct replacement, refurbishment, repair or maintenance of existing machinery or equipment that qualifies for depreciation and/or amortization pursuant to the Internal Revenue Code of 1986, as amended, and such expenditures shall be eligible as a part of an expansion that otherwise qualifies under this section,

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

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

- (2) employment of at least one hundred (100) full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission,
- (3) payment of wages or salaries to its employees at a wage which equals or exceeds the average wage requirements in the Oklahoma Quality Jobs Program Act for the year in which the real property was placed into service, and
- (4) commencement of construction on or after November 1, 2007, with construction to be completed within three (3) years from the date of the commencement of construction,

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

with respect to any entity making an application for the exemption authorized by this section on or after January 1, 2023, the establishment making application

1 for exempt treatment of real or personal property  
2 acquired or improved beginning January 1, 2022, and  
3 for any calendar year thereafter, the entity shall be  
4 required to pay new direct jobs, as defined by Section  
5 3603 of this title for purposes of the Oklahoma  
6 Quality Jobs Program Act, an average annualized wage  
7 which equals or exceeds the average wage requirement  
8 in the Oklahoma Quality Jobs Program Act for the year  
9 in which the real or personal property was placed into  
10 service. The Oklahoma Tax Commission may request  
11 verification from the Oklahoma Department of Commerce  
12 that an establishment seeking an exemption for real or  
13 personal property pays an average annualized wage that  
14 equals or exceeds the average wage requirement in  
15 effect for the year in which the real or personal  
16 property was placed into service. For purposes of  
17 this subparagraph, it shall not be necessary for the  
18 establishment to qualify for incentive payments  
19 pursuant to the Oklahoma Quality Jobs Program Act, but  
20 the establishment shall be subject to the wage  
21 requirements of the Oklahoma Quality Jobs Program Act  
22 with respect to new direct jobs in order to qualify  
23 for the exempt treatment authorized by this section.  
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1        Eligibility as a manufacturing facility pursuant to this  
2 subparagraph shall be established, subject to review by the Tax  
3 Commission, by annually filing an affidavit with the Tax Commission  
4 stating that the facility so qualifies and containing such other  
5 information as required by the Tax Commission.

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

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 application with the Tax  
12 Commission stating that the facility so qualifies and containing  
13 such other information as required by the Tax Commission;

14        2. "Facility" and "facilities", except as otherwise provided by  
15 this section, means and includes the land, buildings, structures and  
16 improvements used directly and exclusively in the manufacturing  
17 process. Effective January 1, 2022, and for each calendar year  
18 thereafter, for establishments which have received a manufacturer  
19 exemption permit pursuant to the provisions of Section 1359.2 of  
20 this title, or facilities engaged in manufacturing activities  
21 defined or classified in the NAICS Manual under Industry Nos. 311111  
22 through 339999, inclusive, but for no other establishments, facility  
23 and facilities means and includes the land, buildings, structures,  
24 improvements, machinery, fixtures, equipment and other personal

1 property used directly and exclusively in the manufacturing process;  
2 and

3       3. "Research and development" means activities directly related  
4 to and conducted for the purpose of discovering, enhancing,  
5 increasing or improving future or existing products or processes or  
6 productivity.

7       C. The following provisions shall apply:

8       1. A manufacturing concern shall be entitled to the exemption  
9 herein provided for each new manufacturing facility constructed,  
10 each existing manufacturing facility acquired and the expansion of  
11 existing manufacturing facilities on the same site, as such terms  
12 are defined by Section 6B of Article X of the Oklahoma Constitution  
13 and by this section;

14       2. No manufacturing concern shall receive more than one five-  
15 year exemption for any one manufacturing facility unless the  
16 expansion which qualifies the manufacturing facility for an  
17 additional five-year exemption meets the requirements of paragraph 4  
18 of this subsection and the employment level established for any  
19 previous exemption is maintained;

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

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1           4. All initial applications for any exemption for a new,  
2        acquired or expanded manufacturing facility shall be granted only  
3        if:  
4           a. there is a net increase in annualized base payroll  
5               over the initial payroll of at least Two Hundred Fifty  
6               Thousand Dollars (\$250,000.00) if the facility is  
7               located in a county with a population of fewer than  
8               seventy-five thousand (75,000), according to the most  
9               recent Federal Decennial Census, while maintaining or  
10              increasing base payroll in subsequent years, or at  
11              least One Million Dollars (\$1,000,000.00) if the  
12              facility is located in a county with a population of  
13              seventy-five thousand (75,000) or more, according to  
14              the most recent Federal Decennial Census, while  
15              maintaining or increasing base payroll in subsequent  
16              years; provided, the payroll requirement of this  
17              subparagraph shall be waived for claims for exemptions  
18              including claims previously denied or on appeal on  
19              March 3, 2010, for all initial applications for  
20              exemption filed on or after January 1, 2004, and on or  
21              before March 31, 2009, and all subsequent annual  
22              exemption applications filed related to the initial  
23              application for exemption, for an applicant, if the  
24              facility has been located in Oklahoma for at least

fifteen (15) years engaged in marine engine manufacturing as defined under U.S. Industry Number 333618 of the NAICS Manual, latest revision, and has maintained an average employment of five hundred (500) or more full-time-equivalent employees over a ten-year period. Any applicant that qualifies for the payroll requirement waiver as outlined in the previous sentence and subsequently closes its Oklahoma manufacturing plant prior to January 1, 2012, may be disqualified for exemption and subject to recapture. For an applicant engaged in paperboard manufacturing as defined under U.S. Industry Number 322130 of the NAICS Manual, latest revision, union master payouts paid by the buyer of the facility to specified individuals employed by the facility at the time of purchase, as specified under the purchase agreement, shall be excluded from payroll for purposes of this section.

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

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

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

The Tax Commission shall verify payroll information through the Oklahoma Employment Security Commission by using reports from the Oklahoma Employment Security Commission for the calendar year immediately preceding the year for which initial application is made for base-line payroll, which must be maintained or increased for each subsequent year; provided, a manufacturing facility shall have the option of excluding from its payroll, for purposes of this section:

i. payments to sole proprietors, members of a partnership, members of a limited liability company who own at least ten percent (10%) of the capital of the limited liability company or

1 stockholder-employees of a corporation  
2 who own at least ten percent (10%) of  
3 the stock in the corporation, and  
4 ii. any nonrecurring bonuses, exercise of  
5 stock option or stock rights or other  
6 nonrecurring, extraordinary items  
7 included in total payroll numbers as  
8 reported by the Oklahoma Employment  
9 Security Commission. A manufacturing  
10 facility electing either option shall  
11 indicate such election upon its  
12 application for an exemption under this  
13 section. Any manufacturing facility  
14 electing either option shall submit  
15 such information as the Tax Commission  
16 may require in order to verify payroll  
17 information. Payroll information  
18 submitted pursuant to the provisions of  
19 this paragraph shall be submitted to  
20 the Tax Commission and shall be subject  
21 to the provisions of Section 205 of  
22 this title, and

23 b. the facility offers, or will offer within one hundred  
24 eighty (180) days of the date of employment, a basic

health benefits plan to the full-time-equivalent employees of the facility, which is determined by the Oklahoma Department of Commerce to consist of the elements specified in subparagraph b of paragraph 1 of subsection A of Section 3603 of this title or elements substantially equivalent thereto.

7 For purposes of this section, calculation of the amount of  
8 increased base payroll shall be measured from the start of initial  
9 construction or expansion to the completion of such construction or  
10 expansion or for three (3) years from the start of initial  
11 construction or expansion, whichever occurs first. The amount of  
12 increased base payroll shall include payroll for full-time-  
13 equivalent employees in this state who are employed by an entity  
14 other than the facility which has previously or is currently  
15 qualified to receive an exemption pursuant to the provisions of this  
16 section and who are leased or otherwise provided to the facility, if  
17 such employment did not exist in this state prior to the start of  
18 initial construction or expansion of the facility. The  
19 manufacturing concern shall submit an affidavit to the Tax  
20 Commission, signed by an officer, stating that the construction,  
21 acquisition or expansion of the facility will result in a net  
22 increase in the annualized base payroll as required by this  
23 paragraph and that full-time-equivalent employees of the facility  
24 are or will be offered a basic health benefits plan as required by

1 this paragraph. If, after the completion of such construction or  
2 expansion or after three (3) years from the start of initial  
3 construction or expansion, whichever occurs first, the construction,  
4 acquisition or expansion has not resulted in a net increase in the  
5 amount of annualized base payroll, if required, or any other  
6 qualification specified in this paragraph has not been met, the  
7 manufacturing concern shall pay an amount equal to the amount of any  
8 exemption granted including penalties and interest thereon, to the  
9 Tax Commission for deposit to the Ad Valorem Reimbursement Fund;

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

18           a. there is a net increase in annualized payroll of the  
19                   applicant at any facility or facilities of the  
20                   applicant in this state of at least Two Hundred Fifty  
21                   Thousand Dollars (\$250,000.00), which is attributable  
22                   to the capital improvements, or a net increase of  
23                   Seven Million Dollars (\$7,000,000.00) or more in  
24                   capital improvements, while maintaining or increasing

payroll at the facility or facilities in this state which are included in the application, and the facility offers, or will offer within one hundred eighty (180) days of the date of employment of new employees attributable to the capital improvements, a basic health benefits plan to the full-time-equivalent employees of the facility, which is determined by the Oklahoma Department of Commerce to consist of the elements specified in subparagraph b of paragraph 1 of subsection A of Section 3603 of this title or elements substantially equivalent thereto.

An establishment described by this paragraph, the primary business activity of which is described by Industry No. 518210 of the North American Industry Classification System (NAICS) Manual, 2017 revision, that has applied for and been granted an exemption for personal property at any time within five (5) years prior to November 1, 2021, may apply for exemptions for items of eligible personal property to be located within improvements to real property and such real property and improvements having been exempt from ad valorem taxation prior to November 1, 2021, pursuant to the provisions of this section if such personal property is placed in service not later than December 31, 2036. No additional personal property of such establishment placed in service after such date

1 shall qualify for the exempt treatment otherwise authorized pursuant  
2 to this paragraph;

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

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

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1 increases payroll at or above the initial or base payroll  
2 established for the exemption;

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

11       9. A facility engaged in manufacturing which otherwise  
12 qualifies for the exemption or exemptions pursuant to the provisions  
13 of this section shall have the payroll requirements of paragraph 4  
14 of this subsection waived for tax year 2021, which is based in part  
15 on the 2020 calendar year payroll reported to the Oklahoma  
16 Employment Security Commission, and for tax year 2022, which is  
17 based in part on the 2021 calendar year payroll reported to the  
18 Oklahoma Employment Security Commission, and may continue to receive  
19 the exemption for the five-year period provided in this section only  
20 if all other requirements of this section are met. Provided, a  
21 facility engaged in manufacturing as defined under Industrial Group  
22 Number 3364 of the NAICS Manual, latest revision, which otherwise  
23 qualifies or qualified to receive the exemption for the five-year  
24 period provided in this section, including claims previously denied,

1 shall have the payroll requirements of paragraph 4 of this  
2 subsection waived for the five-year exemption period of those  
3 initial exemption applications filed after January 1, 2020, and  
4 before March 16, 2021.

5 D. 1. Except as provided in paragraph 2 of this subsection,  
6 the five-year period of exemption from ad valorem taxes for any  
7 qualifying manufacturing facility property shall begin on January 1  
8 following the initial qualifying use of the property in the  
9 manufacturing process.

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

20 a. a manufacturing facility as defined in subparagraph c  
21 of paragraph 1 of subsection B of this section, and  
22 b. an establishment primarily engaged in distribution as  
23 defined under Industry Number 49311 of the North  
24 American Industry Classification System for which the

1                   initial capital investment was at least One Hundred  
2                   Eighty Million Dollars (\$180,000,000.00); provided,  
3                   that the qualifying job creation and depreciable  
4                   property investment occurred prior to calendar year  
5                   2017 but not earlier than calendar year 2013.

6               E. Any person, firm or corporation claiming the exemption  
7               herein provided for shall file each year for which exemption is  
8               claimed, an application therefor with the county assessor of the  
9               county in which the new, expanded or acquired facility is located.  
10          The application shall be on a form or forms prescribed by the Tax  
11          Commission, and shall be filed on or before March 15, except as  
12          provided in Section 2902.1 of this title, of each year in which the  
13          facility desires to take the exemption or within thirty (30) days  
14          from and after receipt by such person, firm or corporation of notice  
15          of valuation increase, whichever is later. In a case where  
16          completion of the facility or facilities will occur after January 1  
17          of a given year, a facility may apply to claim the ad valorem tax  
18          exemption for that year. If such facility is found to be qualified  
19          for exemption, the ad valorem tax exemption provided for herein  
20          shall be granted for that entire year and shall apply to the ad  
21          valorem valuation as of January 1 of that given year. For  
22          applicants who qualify under the provisions of subparagraph b of  
23          paragraph 1 of subsection B of this section, the application shall  
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1 include a copy of the affidavit and any other information required  
2 to be filed with the Tax Commission.

3       F. The application shall be examined by the county assessor and  
4 approved or rejected in the same manner as provided by law for  
5 approval or rejection of claims for homestead exemptions. The  
6 taxpayer shall have the same right of review by and appeal from the  
7 county board of equalization, in the same manner and subject to the  
8 same requirements as provided by law for review and appeals  
9 concerning homestead exemption claims. Approved applications shall  
10 be filed by the county assessor with the Tax Commission no later  
11 than June 15, except as provided in Section 2902.1 of this title, of  
12 the year in which the facility desires to take the exemption.

13 Incomplete applications and applications filed after June 15 will be  
14 declared null and void by the Tax Commission. In the event that a  
15 taxpayer qualified to receive an exemption pursuant to the  
16 provisions of this section shall make payment of ad valorem taxes in  
17 excess of the amount due, the county treasurer shall have the  
18 authority to credit the taxpayer's real or personal property tax  
19 overpayment against current taxes due. The county treasurer may  
20 establish a schedule of up to five (5) years of credit to resolve  
21 the overpayment.

22       G. Nothing herein shall in any manner affect, alter or impair  
23 any law relating to the assessment of property, and all property,  
24 real or personal, which may be entitled to exemption hereunder shall

1 be valued and assessed as is other like property and as provided by  
2 law. The valuation and assessment of property for which an  
3 exemption is granted hereunder shall be performed by the Tax  
4 Commission using one or more of the cost, income and expense and  
5 sales comparison approaches to estimate fair cash value in  
6 accordance with the Uniform Standards of Professional Appraisal  
7 Practice.

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

11 SECTION 2. This act shall become effective January 1, 2027.

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13 60-2-15485        AO        01/12/26  
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