

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

HOUSE BILL 4424

By: Hilbert

AS INTRODUCED

An Act relating to revenue and taxation; 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 exemption from ad valorem taxation for manufacturing facilities; modifying definition of manufacturing facilities to exclude certain establishments engaged in computer services and data processing; defining term; 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

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

1 Numbers 5112 and 5415, and U.S. Industry Number 334611
2 and 519130 of the NAICS Manual, latest revision,
3 provided that the establishment was in operation on or
4 before January 1, 2027, and which derive at least
5 fifty percent (50%) of their annual gross revenues
6 from the sale of a product or service to an out-of-
7 state buyer or consumer, and as defined under
8 Industrial Group Number 5182 of the NAICS Manual,
9 latest revision, which derive at least eighty percent
10 (80%) of their annual gross revenues from the sale of
11 a product or service to an out-of-state buyer or
12 consumer. For purposes of this subparagraph, "in
13 operation" means that the data center:

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

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

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

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

1 adjusted dollar amount in order to qualify for the
2 exemption authorized by this section and shall include
3 the adjusted dollar amount in any of its relevant
4 forms or publications with respect to the exemption.
5 Provided, "investment cost" shall not include the cost
6 of direct replacement, refurbishment, repair or
7 maintenance of existing machinery or equipment, except
8 that investment cost shall include capital
9 expenditures for direct replacement, refurbishment,
10 repair or maintenance of existing machinery or
11 equipment that qualifies for depreciation and/or
12 amortization pursuant to the Internal Revenue Code of
13 1986, as amended, and such expenditures shall be
14 eligible as a part of an expansion that otherwise
15 qualifies under this section,

16 e. establishments primarily engaged in distribution as
17 defined under Industry Numbers 49311, 49312, 49313 and
18 49319 and Industry Sector Number 42 of the NAICS
19 Manual, latest revision, and which meet the following
20 qualifications:

21 (1) construction with an initial capital investment
22 of at least Five Million Dollars (\$5,000,000.00),
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- 1 (2) employment of at least one hundred (100) full-
2 time-equivalent employees, as certified by the
3 Oklahoma Employment Security Commission,
4 (3) payment of wages or salaries to its employees at
5 a wage which equals or exceeds the average wage
6 requirements in the Oklahoma Quality Jobs Program
7 Act for the year in which the real property was
8 placed into service, and
9 (4) commencement of construction on or after November
10 1, 2007, with construction to be completed within
11 three (3) years from the date of the commencement
12 of construction,

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

22 g. with respect to any entity making an application for
23 the exemption authorized by this section on or after
24 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.

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

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

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

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

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

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

- 20 i. payments to sole proprietors, members
21 of a partnership, members of a limited
22 liability company who own at least ten
23 percent (10%) of the capital of the
24 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

1 health benefits plan to the full-time-equivalent
2 employees of the facility, which is determined by the
3 Oklahoma Department of Commerce to consist of the
4 elements specified in subparagraph b of paragraph 1 of
5 subsection A of Section 3603 of this title or elements
6 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

1 payroll at the facility or facilities in this state
2 which are included in the application, and
3 b. the facility offers, or will offer within one hundred
4 eighty (180) days of the date of employment of new
5 employees attributable to the capital improvements, a
6 basic 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 An establishment described by this paragraph, the primary
13 business activity of which is described by Industry No. 518210 of
14 the North American Industry Classification System (NAICS) Manual,
15 2017 revision, that has applied for and been granted an exemption
16 for personal property at any time within five (5) years prior to
17 November 1, 2021, may apply for exemptions for items of eligible
18 personal property to be located within improvements to real property
19 and such real property and improvements having been exempt from ad
20 valorem taxation prior to November 1, 2021, pursuant to the
21 provisions of this section if such personal property is placed in
22 service not later than December 31, 2036. No additional personal
23 property of such establishment placed in service after such date
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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

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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