

1 STATE OF OKLAHOMA

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

3 HOUSE BILL 4458

By: Newton

6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending
8 68 O.S. 2021, Section 2902, as last amended by
9 Section 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp.
10 2025, Section 2902), which relates to qualifying
11 manufacturing concerns; modifying provisions related
12 to definition of qualifying manufacturing concern;
13 stating legislative intent with respect to
14 clarification of prior law; providing for
15 noncodification; and providing an effective date.

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

17 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2902, as
18 last amended by Section 1, Chapter 411, O.S.L. 2025 (68 O.S. Supp.
19 2025, Section 2902), is amended to read as follows:

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

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

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

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

18 a. establishments which have received a manufacturer
19 exemption permit pursuant to the provisions of Section
20 1359.2 of this title. If an establishment cannot
21 provide a manufacturer exemption permit pursuant to
22 the provisions of Section 1359.2 of this title, if the
23 establishment is engaged in the mechanical or chemical
24 transformation of material or substances and otherwise

qualifies pursuant to the provisions of this section,
the establishment shall be a qualifying manufacturing
concern,

- b. facilities including repair and replacement parts, primarily engaged in aircraft repair, building and rebuilding whether or not on a factory basis,
- c. establishments primarily engaged in computer services 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, 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. 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,

f. 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

g. 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 for exempt treatment of real or personal property acquired or improved beginning January 1, 2022, and for any calendar year thereafter, the entity shall be required to pay new direct jobs, as defined by Section 3603 of this title for purposes of the Oklahoma Quality Jobs Program Act, an average annualized wage which equals or exceeds the average wage requirement in the Oklahoma Quality Jobs Program Act for the year

1 in which the real or personal property was placed into
2 service. The Oklahoma Tax Commission may request
3 verification from the Oklahoma Department of Commerce
4 that an establishment seeking an exemption for real or
5 personal property pays an average annualized wage that
6 equals or exceeds the average wage requirement in
7 effect for the year in which the real or personal
8 property was placed into service. For purposes of
9 this subparagraph, it shall not be necessary for the
10 establishment to qualify for incentive payments
11 pursuant to the Oklahoma Quality Jobs Program Act, but
12 the establishment shall be subject to the wage
13 requirements of the Oklahoma Quality Jobs Program Act
14 with respect to new direct jobs in order to qualify
15 for the exempt treatment authorized by this section.

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

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

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

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

19 3. "Research and development" means activities directly related
20 to and conducted for the purpose of discovering, enhancing,
21 increasing or improving future or existing products or processes or
22 productivity.

23 C. The following provisions shall apply:

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

7 2. No manufacturing concern shall receive more than one five-
8 year exemption for any one manufacturing facility unless the
9 expansion which qualifies the manufacturing facility for an
10 additional five-year exemption meets the requirements of paragraph 4
11 of this subsection and the employment level established for any
12 previous exemption is maintained;

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

16 4. All initial applications for any exemption for a new,
17 acquired or expanded manufacturing facility shall be granted only
18 if:

19 a. there is a net increase in annualized base payroll
20 over the initial payroll of at least Two Hundred Fifty
21 Thousand Dollars (\$250,000.00) if the facility is
22 located in a county with a population of fewer than
23 seventy-five thousand (75,000), according to the most
24 recent Federal Decennial Census, while maintaining or

1 increasing base payroll in subsequent years, or at
2 least One Million Dollars (\$1,000,000.00) if the
3 facility is located in a county with a population of
4 seventy-five thousand (75,000) or more, according to
5 the most recent Federal Decennial Census, while
6 maintaining or increasing base payroll in subsequent
7 years; provided, the payroll requirement of this
8 subparagraph shall be waived for claims for exemptions
9 including claims previously denied or on appeal on
10 March 3, 2010, for all initial applications for
11 exemption filed on or after January 1, 2004, and on or
12 before March 31, 2009, and all subsequent annual
13 exemption applications filed related to the initial
14 application for exemption, for an applicant, if the
15 facility has been located in Oklahoma for at least
16 fifteen (15) years engaged in marine engine
17 manufacturing as defined under U.S. Industry Number
18 333618 of the NAICS Manual, latest revision, and has
19 maintained an average employment of five hundred (500)
20 or more full-time-equivalent employees over a ten-year
21 period. Any applicant that qualifies for the payroll
22 requirement waiver as outlined in the previous
23 sentence and subsequently closes its Oklahoma
24 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 stockholder-employees of a corporation who own at least ten percent (10%) of the stock in the corporation, and
- ii. any nonrecurring bonuses, exercise of stock option or stock rights or other nonrecurring, extraordinary items included in total payroll numbers as reported by the Oklahoma Employment Security Commission. A manufacturing facility electing either option shall indicate such election upon its

1 application for an exemption under this
2 section. Any manufacturing facility
3 electing either option shall submit
4 such information as the Tax Commission
5 may require in order to verify payroll
6 information. Payroll information
7 submitted pursuant to the provisions of
8 this paragraph shall be submitted to
9 the Tax Commission and shall be subject
10 to the provisions of Section 205 of
11 this title, and

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

20 For purposes of this section, calculation of the amount of
21 increased base payroll shall be measured from the start of initial
22 construction or expansion to the completion of such construction or
23 expansion or for three (3) years from the start of initial
24 construction or expansion, whichever occurs first. The amount of

1 increased base payroll shall include payroll for full-time-
2 equivalent employees in this state who are employed by an entity
3 other than the facility which has previously or is currently
4 qualified to receive an exemption pursuant to the provisions of this
5 section and who are leased or otherwise provided to the facility, if
6 such employment did not exist in this state prior to the start of
7 initial construction or expansion of the facility. The
8 manufacturing concern shall submit an affidavit to the Tax
9 Commission, signed by an officer, stating that the construction,
10 acquisition or expansion of the facility will result in a net
11 increase in the annualized base payroll as required by this
12 paragraph and that full-time-equivalent employees of the facility
13 are or will be offered a basic health benefits plan as required by
14 this paragraph. If, after the completion of such construction or
15 expansion or after three (3) years from the start of initial
16 construction or expansion, whichever occurs first, the construction,
17 acquisition or expansion has not resulted in a net increase in the
18 amount of annualized base payroll, if required, or any other
19 qualification specified in this paragraph has not been met, the
20 manufacturing concern shall pay an amount equal to the amount of any
21 exemption granted including penalties and interest thereon, to the
22 Tax Commission for deposit to the Ad Valorem Reimbursement Fund;
23 5. Except as otherwise provided by this paragraph, any new,
24 acquired or expanded computer data processing, data preparation or

1 information processing services provider classified in U.S. Industry
2 Number 518210 of the North American Industrial Classification System
3 (NAICS) Manual, 2017 revision, may apply for exemptions under this
4 section for each year in which new, acquired, or expanded capital
5 improvements to the facility are made for assets placed in service
6 not later than December 31, 2021, if:

- 7 a. there is a net increase in annualized payroll of the
8 applicant at any facility or facilities of the
9 applicant in this state of at least Two Hundred Fifty
10 Thousand Dollars (\$250,000.00), which is attributable
11 to the capital improvements, or a net increase of
12 Seven Million Dollars (\$7,000,000.00) or more in
13 capital improvements, while maintaining or increasing
14 payroll at the facility or facilities in this state
15 which are included in the application, and
- 16 b. the facility offers, or will offer within one hundred
17 eighty (180) days of the date of employment of new
18 employees attributable to the capital improvements, a
19 basic health benefits plan to the full-time-equivalent
20 employees of the facility, which is determined by the
21 Oklahoma Department of Commerce to consist of the
22 elements specified in subparagraph b of paragraph 1 of
23 subsection A of Section 3603 of this title or elements
24 substantially equivalent thereto.

1 An establishment described by this paragraph, the primary
2 business activity of which is described by Industry No. 518210 of
3 the North American Industry Classification System (NAICS) Manual,
4 2017 revision, that has applied for and been granted an exemption
5 for personal property at any time within five (5) years prior to
6 November 1, 2021, may apply for exemptions for items of eligible
7 personal property to be located within improvements to real property
8 and such real property and improvements having been exempt from ad
9 valorem taxation prior to November 1, 2021, pursuant to the
10 provisions of this section if such personal property is placed in
11 service not later than December 31, 2036. No additional personal
12 property of such establishment placed in service after such date
13 shall qualify for the exempt treatment otherwise authorized pursuant
14 to this paragraph;

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

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1 7. An entity or applicant engaged in an industry as defined
2 under U.S. Industry Number 324110 of the NAICS Manual, latest
3 revision, which has applied for or been granted an exemption for a
4 time period which began on or after calendar year 2012 and before
5 calendar year 2016 but which did not meet the payroll requirements
6 of subparagraph a of paragraph 4 of this subsection because of
7 nonrecurring bonuses, exercise of stock option or stock rights or
8 other nonrecurring, extraordinary items included in total payroll in
9 the previous year, shall be allowed an exemption, beginning with
10 calendar year 2016, for the number of years including the calendar
11 year for which the exemption was denied, remaining in the entity's
12 five-year exemption period, provided such entity attains or
13 increases payroll at or above the initial or base payroll
14 established for the exemption;

15 8. A facility engaged in manufacturing defined under U.S.
16 Industry Number 327310 of the NAICS Manual shall have the payroll
17 requirements of paragraph 4 of this subsection waived for tax year
18 2021, which is based in part on the 2020 calendar year payroll
19 reported to the Oklahoma Employment Security Commission, and may
20 continue to receive the exemption for the five-year period provided
21 in this section only if all other requirements of this section are
22 met; and

23 9. A facility engaged in manufacturing which otherwise
24 qualifies for the exemption or exemptions pursuant to the provisions

1 of this section shall have the payroll requirements of paragraph 4
2 of this subsection waived for tax year 2021, which is based in part
3 on the 2020 calendar year payroll reported to the Oklahoma
4 Employment Security Commission, and for tax year 2022, which is
5 based in part on the 2021 calendar year payroll reported to the
6 Oklahoma Employment Security Commission, and may continue to receive
7 the exemption for the five-year period provided in this section only
8 if all other requirements of this section are met. Provided, a
9 facility engaged in manufacturing as defined under Industrial Group
10 Number 3364 of the NAICS Manual, latest revision, which otherwise
11 qualifies or qualified to receive the exemption for the five-year
12 period provided in this section, including claims previously denied,
13 shall have the payroll requirements of paragraph 4 of this
14 subsection waived for the five-year exemption period of those
15 initial exemption applications filed after January 1, 2020, and
16 before March 16, 2021.

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

22 2. The five-year period of exemption from ad valorem taxes for
23 any qualifying manufacturing facility, as specified in subparagraphs
24 a and b of this paragraph, which is located within a tax incentive

1 district created pursuant to the Local Development Act by a county
2 having a population of at least five hundred thousand (500,000),
3 according to the most recent Federal Decennial Census, shall begin
4 on January 1 following the expiration or termination of the ad
5 valorem exemption, abatement, or other incentive provided through
6 the tax incentive district. Facilities qualifying pursuant to this
7 subsection shall include:

- 8 a. a manufacturing facility as defined in subparagraph c
9 of paragraph 1 of subsection B of this section, and
- 10 b. an establishment primarily engaged in distribution as
11 defined under Industry Number 49311 of the North
12 American Industry Classification System for which the
13 initial capital investment was at least One Hundred
14 Eighty Million Dollars (\$180,000,000.00); provided,
15 that the qualifying job creation and depreciable
16 property investment occurred prior to calendar year
17 2017 but not earlier than calendar year 2013.

18 E. Any person, firm or corporation claiming the exemption
19 herein provided for shall file each year for which exemption is
20 claimed, an application therefor with the county assessor of the
21 county in which the new, expanded or acquired facility is located.
22 The application shall be on a form or forms prescribed by the Tax
23 Commission, and shall be filed on or before March 15, except as
24 provided in Section 2902.1 of this title, of each year in which the

1 facility desires to take the exemption or within thirty (30) days
2 from and after receipt by such person, firm or corporation of notice
3 of valuation increase, whichever is later. In a case where
4 completion of the facility or facilities will occur after January 1
5 of a given year, a facility may apply to claim the ad valorem tax
6 exemption for that year. If such facility is found to be qualified
7 for exemption, the ad valorem tax exemption provided for herein
8 shall be granted for that entire year and shall apply to the ad
9 valorem valuation as of January 1 of that given year. For
10 applicants who qualify under the provisions of subparagraph b of
11 paragraph 1 of subsection B of this section, the application shall
12 include a copy of the affidavit and any other information required
13 to be filed with the Tax Commission.

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

1 declared null and void by the Tax Commission. In the event that a
2 taxpayer qualified to receive an exemption pursuant to the
3 provisions of this section shall make payment of ad valorem taxes in
4 excess of the amount due, the county treasurer shall have the
5 authority to credit the taxpayer's real or personal property tax
6 overpayment against current taxes due. The county treasurer may
7 establish a schedule of up to five (5) years of credit to resolve
8 the overpayment.

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

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

22 SECTION 2. NEW LAW A new section of law not to be
23 codified in the Oklahoma Statutes reads as follows:
24

1 The provisions of Section 1 of this act shall be considered and
2 construed to be a clarification of the law as it existed prior to
3 the effective date of this act and shall not be considered or
4 construed to be a change in the law as it existed prior to the
5 effective date of this act.

6 SECTION 3. This act shall become effective November 1, 2026.

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