

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: April 6, 2021

BILL NUMBER: HB2172 **STATUS AND DATE OF BILL:** Committee Substitute 3/30/2021

AUTHORS: House Hilbert Senate Coleman

TAX TYPE (S): Ad Valorem **SUBJECT:** Other

PROPOSAL: Amendatory

HB 2172 proposes to amend 68 O.S. § 2902 modifying the definitions of “manufacturing facilities” and “facility”/“facilities”.

EFFECTIVE DATE: January 1, 2022

REVENUE IMPACT:

FY 22: No impact to state revenues
FY 23: No impact to state revenues
FY 24: Unknown impact to reimbursement claims against the Ad Valorem Reimbursement Fund.

ADMINISTRATIVE IMPACT:

FY 22: Minimal

April 6, 2021
DATE

Rick Miller
DIVISION DIRECTOR

KLS

4/7/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

4/7/21
DATE

[Signature]
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE AND ADMINISTRATIVE IMPACT HB 2172 [Committee Substitute]

Prepared April 6, 2021

HB 2172 proposes to amend 68 O.S. § 2902 modifying the definitions of “manufacturing facilities” and “facility”/“facilities”.

Currently, the definition of “manufacturing facilities” includes facilities for which the investment cost of the construction, acquisition or expansion of the manufacturing facility is \$250,000 or more. HB 2172 proposes to increase the investment cost threshold to \$500,000 or more for assets placed in service during calendar year 2022. This measure proposes that for all subsequent calendar years, the threshold amount shall increase annually by a percentage equal to the previous year’s increase in the Consumer Price Index-All Urban Consumers and such adjusted amount shall be the required investment cost in order to qualify for the exemption authorized by this section. This measure requires the Oklahoma Department of Commerce to determine the amount of increase, if any, on January 1 of each year and requires the OTC to publish said increase on their website annually.

The current definition of “manufacturing facilities” also applies to establishments primarily engaged in distribution as defined under Industry Numbers 49311, 49312, 49313, and 49319 and Industry Sector Number 42 of the NAICS Manual which meet certain qualifications, including payment of wages or salaries to its employees at a wage which equals or exceeds 175% of the federally mandated minimum wage as certified by the Oklahoma Employment Security Commission (“OESC”). HB 2172 proposes to alter this threshold requirement to wages that equal or exceed the average wage requirements in the Oklahoma Quality Jobs Program Act for the year in which the real property was placed into service.

HB 2172 further proposes to expand the definition of “manufacturing facilities” to include facilities engaged in the manufacturing, compounding, processing or fabrication of material into articles of tangible personal property according to the special order of a customer by manufacturers classified as operating in NAICS Sectors 32 and 33. This measure also proposes including a requirement that all entities making an application for the exemption authorized by this section on or after January 1, 2022, pay an average annualized 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. The OTC may request verification that the applicant meets the wage requirement from the Oklahoma Department of Commerce.

Currently, “facility” or “facilities” is defined to include the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process. HB 2172 proposes to amend this definition such that the “facility”/“facilities” includes the land, buildings, structures and improvements used directly and exclusively in the manufacturing process and beginning January 1, 2022, and for each calendar year thereafter, facilities which have received a manufacturer exemption permit under 68 O.S. § 1359.2 or are engaged in manufacturing activities defined or classified under the NAICS Manual under Industry Nos. 311111 through 339999, inclusive, but for no other establishments facility/facilities shall include the land, buildings, structures, improvements, machinery, fixtures, equipment and other personal property used directly and exclusively in the manufacturing process.

HB 2172 removes language allowing for a waiver to the base payroll requirement in certain situations and removes the language allowing for a waiver of payroll requirements for acquired or expanded automotive final assembly manufacturing facilities that meet certain requirements.

HB 2172 has no impact to state revenues for FY 22 and FY 23. The impact to reimbursement claims against the Ad Valorem Reimbursement Fund is unknown for FY 24. This proposed measure has an associated minimal administrative impact.