

# OKLAHOMA TAX COMMISSION

## REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-NINTH OKLAHOMA LEGISLATURE

**DATE OF IMPACT STATEMENT:** January 11, 2023

**BILL NUMBER:** SB 210 **STATUS AND DATE OF BILL:** Introduced 1/9/2023

**AUTHORS:** House n/a Senate Dahm

**TAX TYPE (S):** Income Tax **SUBJECT:** Exemption, Credit and Quality Jobs

**PROPOSAL:** New Law and Amendatory

SB 210 proposes to create an income tax exemption for revenues generated from the operation of an establishment that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the North American Industry Classification System (NAICS) Manual under Industry No. 324110. Such establishment must be newly constructed in Oklahoma and placed in service after November 1, 2023. Effective for tax years 2024 through 2034, the exemption may be claimed for the first five years of operations. SB 210 also proposes to amend 68 O.S. §§ 2357.4 and 3603, relating to the Oklahoma Investment/New Jobs Credit and the Quality Jobs Program Act, respectively.

**EFFECTIVE DATE:** November 1, 2023

### REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 23: None.

FY 24: None.

Jan. 13, 2023  
DATE

Rick Miller  
DIVISION DIRECTOR

bf

1/25/2023  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

1/31/2023  
DATE

Joseph P. Maysa  
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 IMPACT - SB 210 [Introduced] Prepared 1/11/2023**

SB 210 proposes to create an income tax exemption for revenues generated from the operation of an establishment that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the North American Industry Classification System (NAICS) Manual under Industry No. 324110. Such establishment must be newly constructed in Oklahoma and placed in service after November 1, 2023. Effective for tax years 2024 through 2034, the exemption may be claimed for the first five years of operations.

To qualify for the exemption, an establishment must:

- Employ at least 100 full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission, for the entire tax year.
- Pay wages or salaries at a wage that equals or exceeds the average wage requirements in the Oklahoma Quality Jobs Program Act (68 O.S. § 3601 et seq.).
- Be primarily engaged in the processing of liquid fuel from crude oil or qualified fuels. No exemption is allowed for any refinery whose primary purpose is for use as a topping plant, asphalt plant, lube oil facility, or crude or product terminal.

The Oklahoma Tax Commission must provide an application for the exemption and determine annual eligibility. An establishment that fails to qualify for the exemption in any of the first five years of operations is not eligible for the exemption in any subsequent tax year.

SB 210 also proposes to amend 68 O.S. § 2357.4, which provides an income tax credit for certain investment in qualified depreciable property in Oklahoma or for a net increase in the number of certain full-time-equivalent employees in Oklahoma. The amendment provides a credit of 3% of the cost of property placed in service after November 1, 2023, that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the NAICS Manual under Industry No. 324110.<sup>1</sup>

SB 210 further proposes to amend 68 O.S. § 3603, which provides definitions under the Quality Jobs Program Act. A net benefit rate of 6% is proposed for a petroleum refinery establishment placed in service after November 1, 2023, that is defined in the NAICS Manual under Industry No. 324110.

The proposed income tax exemption is not expected to affect income tax revenues for the first five years that a qualified establishment is in operation. Potential credits generated pursuant to 68 O.S. § 2357.4 during a qualified establishment's first five years of operations would be carried forward to reduce future earnings not exempted from income tax. No revenue impact is expected for potential incentive payments pursuant to 68 O.S. § 3603.

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<sup>1</sup> An establishment that is primarily engaged in the refining of crude petroleum into refined petroleum classified in the NAICS Industry No. 324110 would have to qualify as a "manufacturing operation" for the Oklahoma Investment/New Jobs Credit as defined under 68 O.S. § 1352.