

**BILL SUMMARY**  
2<sup>nd</sup> Session of the 58<sup>th</sup> Legislature

|                        |                        |
|------------------------|------------------------|
| <b>Bill No.:</b>       | <b>SB 590</b>          |
| <b>Version:</b>        | <b>CS</b>              |
| <b>Request Number:</b> | <b>11356</b>           |
| <b>Author:</b>         | <b>Rep. Martinez</b>   |
| <b>Date:</b>           | <b>4/22/2022</b>       |
| <b>Impact:</b>         | <b>Tax Commission:</b> |

**UNKNOWN Decrease in  
Sales Tax Collections**

**UNKNOWN Decrease in  
Income Tax Collections**

**Research Analysis**

Pending

Prepared By: House Research Staff

**Fiscal Analysis**

Analysis provided by the Tax Commission:

Creates the “Commercial Digital Asset Mining Act of 2022”, provides for definitions and exempts from the sales tax levy, sales of machinery and equipment such as servers, computers, racks, power distribution units, cabling, switchgear, transformers, substations, software, network equipment, and electricity used for commercial mining of digital assets in a “colocation facility<sup>1</sup>”. Research indicates that there are presently establishments operating in the state of Oklahoma engaging in the described activities, but it is unknown if they meet the necessary criteria for the exemption. Further, no information is available regarding the taxable expenditures associated with the purchase of tangible personal property by these establishments. Therefore, the measure will result in an unknown decrease of state sales tax revenues for FY 23 and an unknown decrease of state sales tax revenues for FY 24.

Section 4 proposes to amend 68 O.S. § 2357.4 relating to the Oklahoma Investment / New Jobs Credit effective for tax year 2022 and subsequent tax years.

Under current law there is an income tax credit for either an investment in depreciable property<sup>2</sup> used in a manufacturing or processing facility or for a net increase in average levels of employment in said facilities. Any credit allowed but not used may be carried over in order to each of the four years following the year of qualification and, to the extent not used in those years, in order to each of the fifteen years following the initial five-year period; however, for investments in property made on or after January 1, 2000, the carryover period is unlimited. The credit for the investment portion is generally 1% of the investment in depreciable property per year for 5 years; under certain conditions<sup>3</sup> that amount is increased to 2%.

This measure proposes to add colocation facilities as entities eligible for the Oklahoma Investment / New Jobs Credit effective for tax year 2022 and subsequent tax years. This would in an unknown decrease in income tax collections as early as FY23 when tax year 2022 income tax returns are filed.

<sup>1</sup> “Colocation facility” means a facility or facilities, totaling not less than fifty thousand (50,000) square feet, located in this state and utilized in the commercial mining of digital assets or in hosting persons engaging in the commercial mining of digital assets through utilization of the facility’s infrastructure, including servers and network hardware powered by internet bandwidth, electricity, and other services generally required for mining operations.

<sup>2</sup> The investment cannot directly result in the loss of jobs.

<sup>3</sup> To qualify for the 2% investment in qualified depreciable property with a total cost equal to or greater than \$40 million must be made within 3 years from the date of initial qualifying expenditure and placed in service in this state during those years for use in the manufacture of products described by any Industry Number contained in Division D of Part I of the Standard Industrial Classification (SIC) Manual. Investment in Enterprise Zones also double the credit to 2% per 62 O.S. § 690.4.

Prepared By: Mark Tygret

### **Other Considerations**

None.