

1 ENGROSSED SENATE
2 BILL NO. 605

By: Rader of the Senate

3 and

4 Pfeiffer of the House

5
6 An Act relating to income tax credit; amending 68
7 O.S. 2021, Section 2357.22, as amended by Section 1,
8 Chapter 404, O.S.L. 2022 (68 O.S. Supp. 2022, Section
9 2357.22), which relates to one-time credit for
10 investments in qualified clean-burning motor vehicle
fuel property; modifying certain required calculation
by the Oklahoma Tax Commission for certain fiscal
years; providing an effective date; and declaring an
emergency.

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

13 SECTION 1. AMENDATORY 68 O.S. 2021, Section 2357.22, as
14 amended by Section 1, Chapter 404, O.S.L. 2022 (68 O.S. Supp. 2022,
15 Section 2357.22), is amended to read as follows:

16 Section 2357.22. A. For tax years 2028 and before, there shall
17 be allowed a one-time credit against the income tax imposed by
18 Section 2355 of this title for investments in qualified clean-
19 burning motor vehicle fuel property placed in service on or after
20 January 1, 1991.

21 B. As used in this section, "qualified clean-burning motor
22 vehicle fuel property" means:

23 1. Equipment installed to modify a motor vehicle which is
24 propelled by gasoline or diesel fuel so that the vehicle may be

propelled by compressed natural gas, liquefied natural gas, or
liquefied petroleum gas. The equipment covered by this paragraph
must:

- a. be new, not previously used to modify or retrofit any
vehicle propelled by gasoline or diesel fuel and be
installed by an alternative fuels equipment technician
who is certified in accordance with the Alternative
Fuels Technician Certification Act,
- b. meet all Federal Motor Vehicle Safety Standards set
forth in 49 CFR 571, or
- c. for any commercial motor vehicle (CMV), follow the
Federal Motor Carrier Safety Regulations or Oklahoma
Intrastate Motor Carrier Regulations;

2. A motor vehicle originally equipped so that the vehicle may
be propelled by compressed natural gas, or liquefied natural gas or
liquefied petroleum gas but only to the extent of the portion of the
basis of such motor vehicle which is attributable to the storage of
such fuel, the delivery to the engine of such motor vehicle of such
fuel, and the exhaust of gases from combustion of such fuel;

3. Property, not including a building and its structural
components, which is:

- a. directly related to the delivery of compressed natural
gas, liquefied natural gas or liquefied petroleum gas,
or hydrogen for commercial purposes or for a fee or

1 charge, into the fuel tank of a motor vehicle
2 propelled by such fuel including compression equipment
3 and storage tanks for such fuel at the point where
4 such fuel is so delivered but only if such property is
5 not used to deliver such fuel into any other type of
6 storage tank or receptacle and such fuel is not used
7 for any purpose other than to propel a motor vehicle,
8 or

- 9 b. a metered-for-fee, public access recharging system for
10 motor vehicles propelled in whole or in part by
11 electricity. The property covered by this paragraph
12 must be new, and must not have been previously
13 installed or used to refuel vehicles powered by
14 compressed natural gas, liquefied natural gas or
15 liquefied petroleum gas, hydrogen, or electricity.

16 Any property covered by this paragraph which is related to the
17 delivery of hydrogen into the fuel tank of a motor vehicle shall
18 only be eligible for tax years 2010 and 2023 through 2028;

19 4. Property which is directly related to the compression and
20 delivery of natural gas from a private home or residence, for
21 noncommercial purposes, into the fuel tank of a motor vehicle
22 propelled by compressed natural gas. The property covered by this
23 paragraph must be new and must not have been previously installed or
24 used to refuel vehicles powered by natural gas; or

1 5. For tax years 2010 and 2023 through 2028, a motor vehicle
2 originally equipped so that the vehicle may be propelled by a
3 hydrogen fuel cell electric fueling system.

4 C. As used in this section, "motor vehicle" means a motor
5 vehicle originally designed by the manufacturer to operate lawfully
6 and principally on streets and highways.

7 D. The credit provided for in subsection A of this section
8 shall be as follows:

9 1. For the qualified clean-burning motor vehicle fuel property
10 defined in paragraphs 1, 2, or 5 of subsection B of this section,
11 the amount of the credit shall be as follows based upon gross
12 vehicle weight of the qualified vehicle:

- 13 a. for vehicles up to or below six thousand (6,000)
14 pounds, the credit shall be a maximum of Five Thousand
15 Five Hundred Dollars (\$5,500.00),
- 16 b. for vehicles between six thousand one (6,001) pounds
17 to ten thousand (10,000) pounds, the credit shall be a
18 maximum amount of Nine Thousand Dollars (\$9,000.00),
- 19 c. for vehicles of ten thousand one (10,001) pounds, but
20 not in excess of twenty-six thousand five hundred
21 (26,500) pounds, the credit shall be a maximum amount
22 of Twenty-six Thousand Dollars (\$26,000.00), and
- 23 d. for vehicles in excess of twenty-six thousand five
24 hundred one (26,501) pounds, the credit shall be a

1 maximum amount of One Hundred Thousand Dollars
2 (\$100,000.00);

3 2. For qualified clean-burning motor vehicle fuel property
4 defined in paragraph 3 of subsection B of this section, a per-
5 location credit of forty-five percent (45%) of the cost of the
6 qualified clean-burning motor vehicle fuel property; and

7 3. For qualified clean-burning motor vehicle fuel property
8 defined in paragraph 4 of subsection B of this section, a per-
9 location credit of the lesser of fifty percent (50%) of the cost of
10 the qualified clean-burning motor vehicle fuel property or Two
11 Thousand Five Hundred Dollars (\$2,500.00).

12 E. In cases where no credit has been claimed pursuant to
13 paragraph 1 of subsection D of this section by any prior owner and
14 in which a motor vehicle is purchased by a taxpayer with qualified
15 clean-burning motor vehicle fuel property installed by the
16 manufacturer of such motor vehicle and the taxpayer is unable or
17 elects not to determine the exact basis which is attributable to
18 such property, the taxpayer may claim a credit in an amount not
19 exceeding the lesser of ten percent (10%) of the cost of the motor
20 vehicle or One Thousand Five Hundred Dollars (\$1,500.00).

21 F. If the tax credit allowed pursuant to subsection A of this
22 section exceeds the amount of income taxes due or if there are no
23 state income taxes due on the income of the taxpayer, the amount of
24 the credit not used as an offset against the income taxes of a

1 taxable year may be carried forward, in order, as a credit against
2 subsequent income tax liability for a period not to exceed five (5)
3 years. The tax credit authorized pursuant to the provisions of this
4 section shall not be used to reduce the tax liability of the
5 taxpayer to less than zero (0).

6 G. A husband and wife who file separate returns for a taxable
7 year in which they could have filed a joint return may each claim
8 only one-half (1/2) of the tax credit that would have been allowed
9 for a joint return.

10 H. The Oklahoma Tax Commission is herein empowered to
11 promulgate rules by which the purpose of this section shall be
12 administered including the power to establish and enforce penalties
13 for violations thereof.

14 I. Notwithstanding the provisions of Section 2352 of this
15 title, for the fiscal year beginning on July 1, 2014, ~~and each~~
16 ~~fiscal year thereafter~~ through fiscal year 2023, the Tax Commission
17 shall calculate an amount that equals five percent (5%) of the cost
18 of qualified clean-burning motor vehicle fuel property as provided
19 for in paragraph 1 of subsection D of this section for tax year
20 2012. For each subsequent fiscal year thereafter, the Tax
21 Commission shall perform the same computation with respect to the
22 second tax year preceding the beginning of each subsequent fiscal
23 year. For fiscal year 2024, the Tax Commission shall calculate an
24 amount that equals twelve percent (12%) of the credit for qualified

1 clean-burning motor vehicle fuel property as provided in paragraph 1
2 of subsection D of this section for tax year 2021. For each
3 subsequent fiscal year, the Tax Commission shall perform the same
4 calculation for credits claimed in the second preceding tax year.

5 The Tax Commission shall then transfer an amount equal to the amount
6 calculated in this subsection from the revenue derived pursuant to
7 the provisions of subsections A, B and E of Section 2355 of this
8 title to the Compressed Natural Gas Conversion Safety and Regulation
9 Fund created in Section 130.25 of Title 74 of the Oklahoma Statutes.

10 J. For the tax years 2020 through 2022, the total amount of
11 credits authorized by this section used to offset tax shall be
12 adjusted annually to limit the annual amount of credits to Twenty
13 Million Dollars (\$20,000,000.00). The Tax Commission shall annually
14 calculate and publish by the first day of the affected taxable year
15 a percentage by which the credits authorized by this section shall
16 be reduced so the total amount of credits used to offset tax does
17 not exceed Twenty Million Dollars (\$20,000,000.00) per year. The
18 formula to be used for the percentage adjustment shall be Twenty
19 Million Dollars (\$20,000,000.00) divided by the credits claimed in
20 the second preceding year, with respect to any changes to the future
21 of the credit.

22 K. Pursuant to subsection J of this section, in the event the
23 total tax credits authorized by this section exceed Twenty Million
24 Dollars (\$20,000,000.00) in any calendar year, the Tax Commission

1 shall permit any excess over Twenty Million Dollars (\$20,000,000.00)
2 but shall factor such excess into the percentage adjustment formula
3 for subsequent years with respect to any changes to the future of
4 the credit.

5 L. For the tax years 2023 through 2028, the total amount of
6 credits authorized by this section used to offset tax shall be
7 adjusted annually to limit the annual amount of credits to:

8 1. Ten Million Dollars (\$10,000,000.00) for qualified clean
9 burning fuel property propelled by compressed natural gas, liquefied
10 natural gas, or liquefied petroleum gas, property related to the
11 delivery of compressed natural gas, liquefied natural gas or
12 liquefied petroleum gas, and property directly related to the
13 compression and delivery of natural gas;

14 2. Ten Million Dollars (\$10,000,000.00) for property originally
15 equipped so that the vehicle may be propelled by a hydrogen fuel
16 cell electric fueling system and property directly related to the
17 delivery of hydrogen; and

18 3. Ten Million Dollars (\$10,000,000.00) for property which is a
19 metered-for-fee, public access recharging system for motor vehicles
20 propelled in whole or in part by electricity.

21 The Tax Commission shall annually calculate and publish by the
22 first day of the affected taxable year a percentage by which the
23 credits authorized by this section shall be reduced so the total
24 amount of credits used to offset tax does not exceed each of the

1 limits provided in paragraphs 1 through 3 of this subsection. The
2 formula to be used for the percentage adjustment shall be Ten
3 Million Dollars (\$10,000,000.00) divided by the credits claimed in
4 the second preceding year, with respect to any changes to the future
5 of the credit.

6 M. Pursuant to subsection L of this section, in the event the
7 tax credits authorized by this section exceed any of the limits
8 provided in paragraphs 1 through 3 of subsection L of this section
9 in any year, the Tax Commission shall permit any excess over Ten
10 Million Dollars (\$10,000,000.00) but shall factor such excess into
11 the percentage adjustment formula for subsequent years with respect
12 to any changes to the future of the credit.

13 N. The Tax Commission shall notify the Office of the State
14 Secretary of Energy and Environment at any time when the amount of
15 claims for credits allowed pursuant to this section reaches eighty
16 percent (80%) of the total annual limit provided in subsection J of
17 this section. Upon such notification, the Secretary shall provide
18 notice to the Governor, President Pro Tempore of the Senate and
19 Speaker of the House of Representatives.

20 SECTION 2. This act shall become effective July 1, 2023.

21 SECTION 3. It being immediately necessary for the preservation
22 of the public peace, health or safety, an emergency is hereby
23 declared to exist, by reason whereof this act shall take effect and
24 be in full force from and after its passage and approval.

1 Passed the Senate the 9th day of March, 2023.

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3 _____
4 Presiding Officer of the Senate

5 Passed the House of Representatives the ____ day of _____,
6 2023.

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8 _____
9 Presiding Officer of the House
10 of Representatives
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