

# OKLAHOMA TAX COMMISSION

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

**DATE OF IMPACT STATEMENT:** February 8, 2023

**BILL NUMBER:** SB 1071 **STATUS AND DATE OF BILL:** Introduced 1/19/2023

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

**TAX TYPE (S):** Income Tax **SUBJECT:** Exemption

**PROPOSAL:** New Law

SB 1071 proposes to create an income tax exemption for revenues generated from the operation of an establishment that is primarily engaged in the manufacture of hydrogen classified in the NAICS Manual under U.S. Industry No. 325120. 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.

**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.

February, 8, 2023

DATE

*Rick Miller*

DIVISION DIRECTOR

mk

2/9/2023

DATE

*Huan Gong*

HUAN GONG, ECONOMIST

2/9/2023

DATE

*Joseph P Gappa*

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.***

SB 1071 proposes to create an income tax exemption for revenues generated from the operation of an establishment that is primarily engaged in the manufacture of hydrogen classified in the NAICS Manual under U.S. Industry No. 325120.<sup>1</sup> 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 meet the following requirements:

- The natural gas used in the production of the hydrogen must be produced in this state; and
- 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.).

The Oklahoma Tax Commission must provide an application for the exemption and determine annual eligibility.

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.

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<sup>1</sup> The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS Code 325210 comprises establishments primarily engaged in manufacturing industrial organic and inorganic gases in compressed, liquid, and solid forms. **It is not limited to hydrogen gas.** [North American Industry Classification System \(NAICS\) U.S. Census Bureau](#)