

1 **SENATE FLOOR VERSION**

2 February 19, 2025

3 SENATE BILL NO. 573

By: Rader

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5
6 An Act relating to small business incubators;
7 amending 74 O.S. 2021, Section 5078, which relates to
8 state income tax exemption and annual reports;
9 requiring tenant to submit certain information to
10 receive certain exemption; requiring the Oklahoma
Department of Commerce to prescribe certain form;
11 requiring certain information to be included in
12 annual report provided by the Department; and
13 providing an effective date.

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

15 SECTION 1. AMENDATORY 74 O.S. 2021, Section 5078, is
16 amended to read as follows:

17 Section 5078. A. For a period of up to ten (10) years from the
18 date of tenant's occupancy in an incubator, income earned by the
19 tenant as a result of activities conducted as an occupant in an
20 incubator, including income distributed to partners, shareholders of
21 a corporation for which a Subchapter S election is in effect and to
22 the members of a limited liability company, shall be exempt from
23 state income tax. The exemption provided by this section shall
24 remain in effect for such activities by such tenant after the date

1 the tenant is no longer an occupant in an incubator, but not to
2 exceed a total duration of ten (10) years for any tenant.

3 B. For tax years ending before January 1, 2020, in order to
4 qualify for the income tax exemption for the sixth through tenth
5 year as authorized by this section, the tenant must make at least
6 seventy-five percent (75%) of its gross sales constituting the
7 principal business activity of the business to buyers located
8 outside the state or to buyers whose principal business activity is
9 conducted outside the state or to the federal government or to
10 buyers located within the state if the product or service is resold
11 to an out-of-state customer or buyer for ultimate use. Provided, if
12 a tenant does not achieve the qualifying percentage for any one of
13 the above tax years, the tenant shall not be disqualified for
14 subsequent tax years in which the qualifying percentage is achieved.

15 C. For tax year 2026 and subsequent tax years, following the
16 first tax year a tenant is provided the exemption pursuant to
17 subsection A of this section, in order to continue to qualify for
18 the exemption, the tenant shall submit information on a form
19 prescribed by the Oklahoma Department of Commerce which shall
20 include, but not be limited to, the following:

21 1. Employment levels, including full-time-equivalent levels and
22 the ratio of part-time employees to full-time employees;

23 2. Interns employed;

24 3. Payments to subcontractors and their purpose;

1 4. Estimated gross annual revenues;

2 5. Estimated annual costs for property and services;

3 6. A statement of any additional financial assistance,
4 incentives, credits, or exemptions provided by this state or any
5 political subdivision of this state; and

6 7. A statement of any taxable income exempted pursuant to this
7 subsection in the previous tax year.

8 The Oklahoma Tax Commission shall promulgate rules to implement
9 the provisions of this section.

10 SECTION 2. This act shall become effective November 1, 2025.

11 COMMITTEE REPORT BY: COMMITTEE ON ECONOMIC DEVELOPMENT, WORKFORCE
12 AND TOURISM
13 February 19, 2025 - DO PASS