

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 1117

By: Stewart

AS INTRODUCED

An Act relating to income tax credit; amending Section 1, Chapter 340, O.S.L. 2022, as amended by Section 1, Chapter 164, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2357.105), which relates to credit for qualified economic development and infrastructure expenditures; modifying definition; and providing an effective date.

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

SECTION 1. AMENDATORY Section 1, Chapter 340, O.S.L. 2022, as amended by Section 1, Chapter 164, O.S.L. 2024 (68 O.S. Supp. 2024, Section 2357.105), is amended to read as follows:

Section 2357.105. A. As used in this section:

1. "Eligible entity" means an entity incorporated and located in the state with a qualifying project in a qualifying project location;

2. "Qualifying project" means the new construction or expansion of an eligible entity or the development of qualified initial infrastructure to serve an eligible entity in a qualifying project location;

1           3. "Qualifying project location" means a project located in an  
2 industrial park, economic development zone, or port located within a  
3 county in this state with a population of less than one hundred  
4 thousand (100,000) persons according to the latest Federal Decennial  
5 Census for expenditures made prior to tax year 2026, and four  
6 hundred thousand (400,000) persons according to the latest Federal  
7 Decennial Census for expenditures made in tax year 2026 and  
8 subsequent tax years ("Qualified Area"), or a project located  
9 adjacent to a terminal, switching, or Class II or III railroad as  
10 defined by the federal Surface Transportation Board;

11           4. "Project sponsor" means a local economic development  
12 organization or authority, port authority, qualified industrial  
13 park, or a terminal, switching, or Class II or III railroad;

14           5. "Project application" means an application submitted by a  
15 project sponsor on behalf of a qualifying project for an allocation  
16 of qualifying strategic industrial development enhancement (SIDE)  
17 tax credits. Project applications must include a description of the  
18 qualifying project, project location, detailed project costs, and a  
19 summary of expected economic benefits and job creation;

20           6. "Qualified economic development expenditures" means  
21 expenditures for land improvements, building construction, building  
22 improvements and expansion, port terminal improvements, and the  
23 purchase of certain machinery and equipment;

1           7. "Qualified initial infrastructure expenditures" means  
2 expenditures for new rail infrastructure and improvements, which  
3 includes the acquisition of right-of-way, engineering,  
4 rehabilitation of existing inactive track to reinstate operation,  
5 construction of new track such as industrial leads, switches, spurs,  
6 and sidings, loading dock improvements, and transloading structures  
7 involved with providing rail service to a qualifying project; and

8           8. "Project tax credit amount" means the amount of tax credits  
9 allocated by Oklahoma Department of Commerce to a qualifying project  
10 for qualified economic development and initial infrastructure  
11 expenditures.

12           B. For tax years beginning after December 31, 2022, and ending  
13 not later than December 31, 2027, there shall be allowed a credit  
14 against the tax imposed pursuant to Section 2355 of this title in an  
15 amount not to exceed ten percent (10%) of an eligible entity's  
16 qualified economic development expenditures, subject to limitations,  
17 determination, and allocation by the Oklahoma Department of  
18 Commerce.

19           C. The total project tax credit amount may not exceed ten  
20 percent (10%) of the qualified economic development expenditures,  
21 except for qualified initial infrastructure expenditures the project  
22 tax credit amount is earned at the rate of fifty percent (50%) of  
23 qualified initial infrastructure expenditures.  
24

1 D. 1. The project tax credit amount for qualified economic  
2 development expenditures may not exceed Six Million Dollars  
3 (\$6,000,000.00) per qualifying project.

4 2. The project tax credit amount for qualified initial  
5 infrastructure expenditures may not exceed Three Million Dollars  
6 (\$3,000,000.00) per qualifying project.

7 Projects are eligible to combine qualified economic development  
8 and qualified initial infrastructure expenditures, but the total  
9 project tax credit amount may not exceed Six Million Dollars  
10 (\$6,000,000.00) per qualifying project in aggregate.

11 E. The issuance of the project tax credit amount shall be  
12 subject to review of eligible expenditures and qualifying project  
13 status by the Oklahoma Department of Commerce.

14 F. The credits authorized pursuant to this section may not be  
15 used to reduce the tax liability of the taxpayer to less than zero  
16 (0).

17 G. The credits allowed pursuant to this section that are not  
18 used may be assigned to a qualifying project affiliate by written  
19 agreement at any time during the tax year in which the credit is  
20 earned or the five (5) years following the tax year the qualified  
21 expenditures are incurred. For purposes of this subsection, a  
22 "qualifying project affiliate" shall include a customer, vendor,  
23 project investor, or strategic finance partner of the eligible  
24 entity subject to the Oklahoma corporate or individual income tax.

1 The eligible taxpayer and the qualifying project affiliate must  
2 jointly file a copy of the written assignment agreement with the  
3 Oklahoma Tax Commission within thirty (30) days of the assignment.  
4 The written agreement must contain the name, address, and taxpayer  
5 identification number of the parties to the assignment, the tax year  
6 the eligible taxpayer incurred the qualified expenditures, the  
7 amount of credit being assigned, and the tax year or years for which  
8 the credit may be claimed.

9 H. To the extent not used, the tax credit authorized by this  
10 section may be carried over, in order, to each of the five (5)  
11 subsequent taxable years.

12 I. Credits allocated by the Department shall not exceed Twelve  
13 Million Dollars (\$12,000,000.00) in a tax year. Qualifying projects  
14 that have submitted an application and are not allocated all or part  
15 of credit for qualified economic development expenditures or  
16 qualified initial infrastructure expenditures shall be eligible for  
17 credit in subsequent tax years.

18 J. 1. The Oklahoma Tax Commission may promulgate rules, forms,  
19 and regulations as are necessary to implement and administer the  
20 provisions of this section and certify the tax credit amount  
21 generated by each qualifying project annually.

22 2. The Oklahoma Department of Commerce shall promulgate rules  
23 to permit verification of the eligibility of a qualifying project  
24 for the purpose of claiming the credit. The rules shall provide for

1 the approval of qualified economic development expenditures prior to  
2 commencement of a project and provide a certificate of verification  
3 upon completion of a project that uses qualified economic  
4 development expenditures. The certificate of verification shall  
5 satisfy all requirements of the Oklahoma Tax Commission pertaining  
6 to the eligibility of the eligible taxpayer claiming the credit.

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

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