

OKLAHOMA

BUSINESS INCENTIVES AND TAX INFORMATION GUIDE

2004

(Version 4.04)

OKLAHOMA
DEPARTMENT OF COMMERCE

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WE'RE READY FOR YOU!

This Business Incentives and Tax Information Guide is more than a summary of Oklahoma's business location advantages; it represents our state's commitment to being a flexible partner with companies and entrepreneurs who already call Oklahoma their home, as well as businesses considering relocating here.

We're ready for you with a business-operating climate that offers the kind of competitive financial opportunities that can keep you profitable. Oklahoma is a Right-To-Work state, which makes for a very favorable workforce environment. In addition, reduced tax rates and a favorable tax structure helps Oklahoma-based companies pay less and keep more.

In fact, the May 2003 issue of *Forbes Magazine* named Tulsa #1 and Oklahoma City #3 as having the lowest costs of doing business among 150 metro cities across the nation. And the April 2003 issue of *Area Development Magazine* listed Oklahoma as one of the Top Ten States with the lowest tax burden.

We're ready for you with a vibrant economic culture that's focused on helping you maximize your business opportunities. This includes things like integrated logistics capabilities; a competitive business operating environment; reliable utilities and abundant natural resources; skilled and productive workers; and a very affordable, high-quality lifestyle.

We're ready for you with the kind of business solutions and financial incentives that make you realize Oklahoma is a pro-business state. Based on the information you'll discover in this guide, we look forward to providing a confidential incentive analysis that's based on your company's specific needs and parameters.

OKLAHOMA'S BALANCED STATE BUDGET IS GOOD FOR BUSINESS

Oklahoma's revenue system is founded on a constant source of broadly based taxes that are levied at moderate rates. Oklahoma's revenues are stabilized, with consistent increases in collections representing solid growth in the State.

Oklahoma's stabilization policy eliminates the necessity of frequent legislative action. State revenues automatically increase with economic growth, or with the advance of national inflation. This policy also means the state can't single out the business sector to carry the load with special taxes.

In terms of a historical perspective, here's a quick look at some of Oklahoma's key tax initiatives:

1941 – Oklahoma adopted a constitutional amendment that requires state government to operate on a balanced budget. Warrants cannot be drawn against any appropriation unless revenues have accumulated for their payment. This fiscal plan assures stability of state finances and control of indebtedness.

1959 – A trust fund safeguard provision was enacted in the form of a rate escalator clause for unemployment compensation tax rates. This law was amended in 1981 to provide that no employers’ rate may exceed 2% per year.

1990 – The corporate income tax was raised from 5% to 6%, primarily to provide increased funding for education. This was only the second increase since 1947.

1992 – Amendment to the Oklahoma Constitution requires that either a 75% majority of the legislature or a vote of the people is necessary to raise state taxes.

1996 – Local property taxes are stabilized by constitutional amendment, by limiting assessment valuations and percentages of change from year to year.

BUSINESS COSTS IN OKLAHOMA

When looking at the costs associated with doing business in one state versus another, it’s important to consider all the factors that influence bottom-line profitability. These factors can include such things as utility costs, healthcare costs, the skill and productivity of the workforce, and taxes. After evaluating these kinds of business cost variables, we believe you’ll find that Oklahoma offers a very favorable business environment; one that works to help both new and existing businesses minimize taxes and fees, and maximize profitability.

Oklahoma offers a broad-based economy that includes everything from our traditional industries of agriculture and energy, to the technology-inspired clusters of aviation, biotechnology, weather and logistics. In general, Oklahoma based corporations are subject to the taxes, fees and/or required premiums that – in one form or another – are found in most of the 50 states. The following outlines the most significant:

TYPE	BASE OR MEASURE	RATE	ADMINISTERING AGENCY
Corporate Income Tax	Net Income	6%	Oklahoma Tax Commission
Franchise Tax	Capital employed to produce state income	\$10-\$20,000 max. \$1.25 per \$1,000	Oklahoma Tax Commission
State Sales and Use Tax	Receipts from sales/ use of taxable items	4.50%	Oklahoma Tax Commission
Local Sales and Use Tax	Receipts from sales/ use of taxable items	Approx. 3% County/City	Oklahoma Tax Commission
Unemployment Insurance Tax	Wages to approximately \$14,300	3-9.2% 1% new locations	Oklahoma Employment Security Commission
Workers’ Compensation Insurance	Payroll and Occupation	Variable	Workers’ Compensation Court
Personal Income Tax	Taxable Income	0.5-7.0% max.(most purposes)	Oklahoma Tax Commission
Local Property Tax	Valuation of Property	Approx. 1% of Value	County Assessor

OKLAHOMA'S INCENTIVE PROGRAMS OFFER INFINITE POSSIBILITIES

Oklahoma offers both new and expanding businesses a wide variety of statutory and negotiated incentives for applicable projects. You'll find Oklahoma is a state that proactively encourages economic development opportunities. We'll work quickly to provide innovative, mutually beneficial solutions to expansion or relocation challenges.

In addition to being a proactive state, you'll also find Oklahoma to be a pro-business state. In fact, in a report identifying the "Top 10 Pro-Business States for 2004," Pollina Corporate Real Estate ranked Oklahoma third in the nation. Pollina's evaluation was based on factors like taxes, human resources, training, right-to-work legislation, energy costs, infrastructure spending, and incentives. In the Pollina Report's own words:

"Oklahoma is a state that clearly understands business. Its recent change to a right-to-work state reflects on a legislature that is willing to act to preserve existing jobs and attract new jobs. Oklahoma has a strong and competitive Quality Jobs Program offering cash payments to new companies for up to seven years, based on payroll thresholds. Other competitive programs include: income tax credits for investment and job creation, enterprise zone tax credits, property tax abatement for up to five years, well-funded programs for low-interest financing, and former Indian land tax benefits affecting two-thirds of the state. Oklahoma offers one of the most competitive and aggressive business incentive packages in the country, which allows it to take full advantage of its central United States location."

As you'll discover in this Business Incentives and Tax Information Guide, Oklahoma offers inducements that are highly competitive and extremely attractive. In addition, the Oklahoma Department of Commerce offers a "one-stop shop" that can help put together an incentive package that is tailor-made for your business.

HOW THE OKLAHOMA DEPARTMENT OF COMMERCE CAN HELP

The Oklahoma Department of Commerce is the Governor's lead agency for economic, community and workforce development. Our mission is to stimulate the creation, expansion and retention of jobs, and increase investment in Oklahoma.

The Oklahoma Department of Commerce is here to provide the kind of insights about our state that will help make your expansion or location decision straightforward and uncomplicated; we strongly encourage you to take full advantage of the services and resources offered through our office. No matter how simple or extensive your site selection needs may be, no one knows more about Oklahoma's properties, profitability or potential. Staff will work closely with you at every turn – from initial site identification to project start-up and beyond – providing important services such as:

Site and Building Identification

An extensive, up-to-date database of hundreds of available sites and facilities statewide is maintained. Check our website for the latest information, www.locateok.com.

Labor Market Information

Comprehensive labor market and wage data is available. Several labor surveys are currently accessible on the website, www.locateok.com.

Training Assistance

A customized training program is provided at no cost to qualifying companies. A full-time training specialist is on staff to assist you.

Tax Incentive and Abatement Breakdown

A confidential analysis of all state and local incentives and abatements applicable to your project is offered. Our tax specialists will help find answers to all your questions.

One-Stop Coordination

A cooperative team approach simplifies the entire process by providing single-source coordination with other state agencies and local communities relative to your project and timelines. Reduced red tape means your project is on time and within budget.

Comparative Cost Analysis

The Department of Commerce makes it easy to show comprehensive cost differentials between an Oklahoma location and other target sites, providing cost comparisons in critical areas such as transportation, taxes, utilities, labor rates and cost of living. Our research department has the latest U.S. data available, saving you time and effort.

Financial Resource Assistance

We have staff members who can help you identify potential state and local finance sources.

Site Familiarization Tours

We provide specific information and escorted transportation to communities and sites that meet your requirements.

Infrastructure Support

The Department of Commerce administers a broad range of federal and state community-based programs, including a grant/loan economic development infrastructure finance program to help communities meet the infrastructure needs of relocating or expanding businesses in certain areas of the State.

Access to Local Programs

Referrals to local resources that help improve your bottom line in Oklahoma are available. Hands-on resources help to improve productivity, increase sales and reduce costs.

Ongoing Expansion and Retention Assistance

Oklahoma's existing businesses are the heart of our state's economy. The Department of Commerce regularly contacts major companies within the state to provide updates on business tax incentives and other programs. Efforts focus on identifying current needs and generating solutions to resolve operational and expansion issues.

Supplier Support

The support and technical assistance available to a locating or expanding company is also available to its vendors and suppliers.

MAJOR PROPERTY TAX AND FINANCIAL INCENTIVES

A. CASH PAYMENT PROGRAMS

I. The Oklahoma Quality Jobs Program

(68 O.S. §§ 3601 et seq.)

For more information contact the Oklahoma Department of Commerce by phone at (800) 588-5959 or (405) 815-5213; or by email at info@odoc.state.ok.us. For forms visit www.locateok.com.

This incentive program provides quarterly cash payments of up to 5% of newly created gross taxable payroll to a qualifying company. The company must enter into a contract with the Oklahoma Department of Commerce before it may receive any payments based on salaries of any new direct jobs. Payments are made quarterly for claims for three years and if thresholds are achieved, they may extend for an additional seven years.

A qualified company must achieve a \$2.5 million annualized payroll for the new full-time employees for any four consecutive quarters during its first 13 quarters in the program. If this payroll amount is not achieved, payments cease. The payments received do not have to be paid back.

In order to qualify for the program, the business must offer basic health insurance coverage to all employees whose pay is included in the new payroll figures. Initially, a company has 180 days to institute a qualified basic health insurance coverage policy. Thereafter, the plan must permit employees to access the coverage within 180 days of employment. Eighty percent of these employees, whose pay is included in the new payroll, must work at least 25 hours per week. New legislation introduced in 2003 set certain minimum average wage requirements based on an average county wage. Presently, however, wage requirements do not exceed \$25,000 in any county regardless of average county wage. The

wage amounts, including the maximum wage, are adjusted annually. The minimum wage requirements do not apply to opportunity zones, as designated by the Department of Commerce. Under certain circumstances, leased employees may be included in payroll calculations.

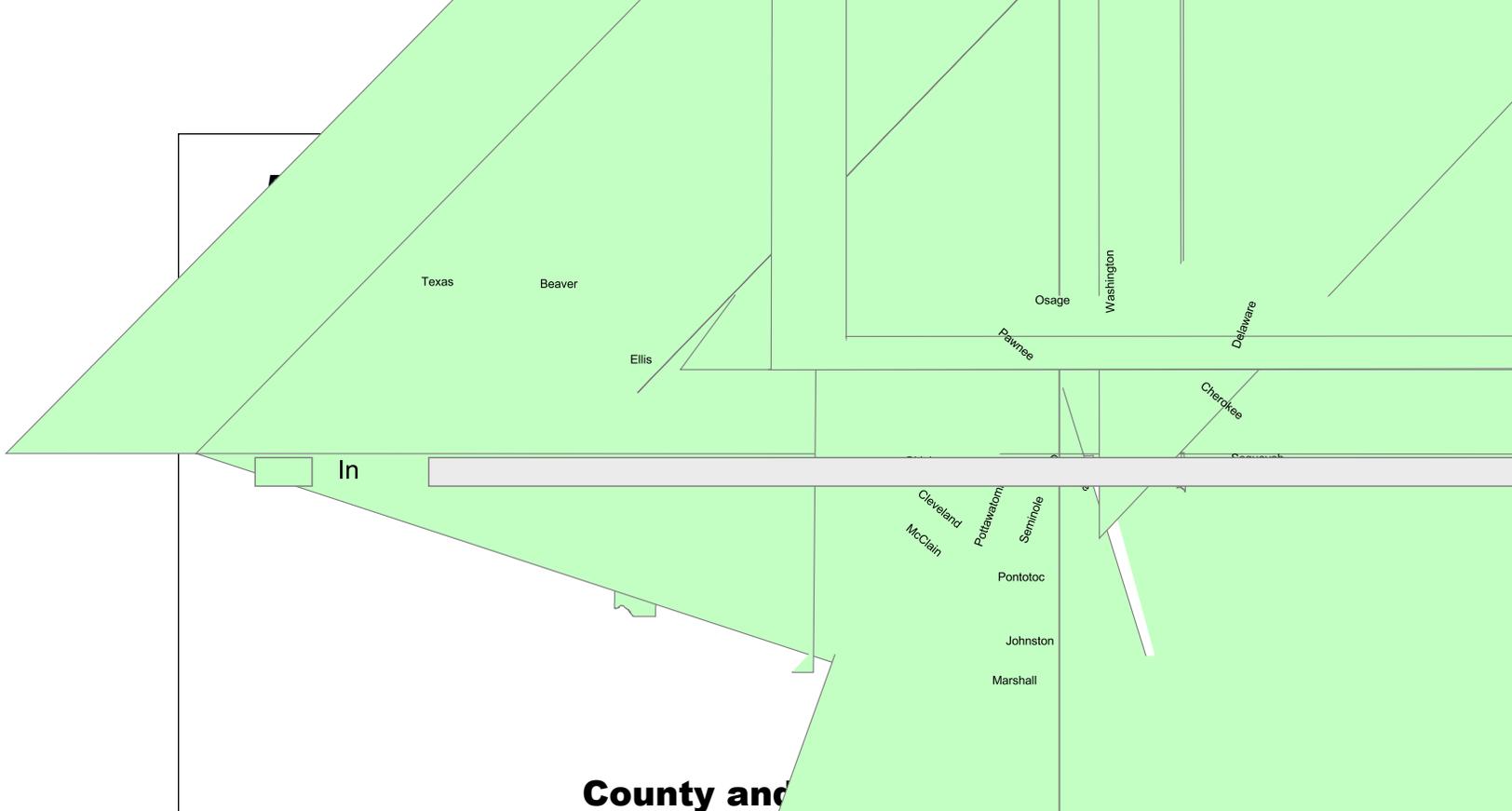
In order to apply, companies must contact an Oklahoma Quality Jobs Representative from the Department of Commerce. A preliminary cost-benefit analysis will be prepared. This analysis estimates the payments that a project may be eligible to obtain. If the company wishes to pursue application for the program it must then submit a formal application. A contract offer may follow. The Department of Commerce determines eligibility for the initial contract, but the Oklahoma Tax Commission oversees contract payments.

Companies enrolled in the Quality Jobs Program may not use certain income tax credits, sales tax refunds and low cost loan programs.

Most businesses that qualify receive payments in the range of 4% of new payroll. In certain designated depressed areas, a 5% rate automatically applies. This percentage fluctuates by the average weighted salary of the new jobs.

A lower annualized payroll threshold of \$1.5 million may apply to the following applicants:

- Food processors with 75% out-of-state sales (see NAICS Manual Nos. 3111 through 3119).
- Firms performing Research, Development and Testing Services as described in NAICS Manual Nos. 541710 and 541380.
- Auxiliary Research and Development Labs of large enterprises.
- Relocations on select former military bases.



County and

Adair	In	Kay	In	Canadian	Out	McClain	
Alfalfa	In	Kiowa	In	Carter	Out	Muskogee	
Atoka	In	Latimer	In	Cleveland	Out	Noble	
Beaver	In	LeFlore	In	Comanche	Out	Oklahoma	
Beckham	In	Love	In	Cotton	Out	Pawnee	
Blaine	In	Major	In	Craig	Out	Payne	
Bryan	In	Marshall	In	Creek	Out	Pontotoc	
Caddo	In	McCurtain	In	Garfield	Out	Rogers	
Cherokee	In	McIntosh	In	Garvin	Out	Stephens	
Choctaw	In	Murray	In	Kingfisher	Out	Texas	
Cimarron	In	Nowata	In	Lincoln	Out	Tulsa*	
Coal	In	Okfuskee	In	Logan	Out	Washington	
Custer	In	Okmulgee	In	Mayes	Out		
Delaware	In	Osage	In				
Dewey	In	Ottawa	In				
Ellis	In	Pittsburg	In				
Grady	In	Pottawatomie	In				
Grant	In	Pushmataha	In				
Greer	In	Roger Mills	In				
Harmon	In	Seminole	In				
Harper	In	Sequoyah	In				
Haskell	In	Tillman	In				
Hughes	In	Wagoner	In				
Jackson	In	Wahita	In				
Jefferson	In	Woods	In				
Johnston	In	Woodward	In				

A lower threshold of \$1 million in new annualized payroll is available to businesses that produce new direct jobs to the State that are equal to or greater than 1% of the total labor force of the county in which they locate. These *High Impact Projects* can be located in over a third of all Oklahoma counties. The payments, which are set at 2.5% of new qualified payroll, may extend for up to six years, instead of 10 years as set out in the original program.

In addition, a *no payroll threshold* applies to companies locating on a site consisting of at least 10 acres that is also a Superfund renewal site or listed on the National Priorities List. Sites may still qualify if not on the list, if they have been formally deferred to the State, or if they are being remediated pursuant to a clean-up plan approved by the Department of Environmental Quality. The Department of Environmental Quality notifies the Oklahoma Department of Commerce of the qualifying areas and companies.

Qualifying Basic Industries for the Quality Jobs Programs include the following:

- Manufacturing Industries classified under NAICS Manual Nos. 31, 32, 33, 5111, or 11331.
- Research and Development and Testing Laboratories. See NAICS Manual Nos. 541710 and 541380.
- Central Administrative Offices and Research and Development and Testing Divisions of other establishments or enterprises. See NAICS Manual Nos. 5611, 5612, 51421, 52232, 56142, 54191 and 524291.
- Certain Warehouse/Distribution Operations (where 40% of inventory is shipped out-of-state).
- Transportation by Air (See NAICS Manual No. 4811) if corporate headquarters and

some reservations activities are within the state or 5% of air transport sales is to out-of-state consumers.

- The following Service Companies, if 75% of the sales are out-of-state:

NAICS No. 2111 - Certain jobs related to the mining of oil and gas

NAICS Nos. 493, 484, 4884-4889 - Motor Freight Transportation and Warehousing

NAICS Nos. 561510, 561520, 561599 - Arrangement of Passenger Transportation

NAICS No. 541614 - Transportation of Freight or Cargo

NAICS Nos. 51334 and 51339 - Certain Communications Services

NAICS No. 5622 - Certain Refuse Systems that distribute methane gas

NAICS No. 4224 and 4225 - Grocery Wholesale Distributing

NAICS No. 5241 - Insurance Carriers

NAICS Nos. 524210 and 524292 - Insurance Claims Processors only

NAICS No. 561440 - Adjustment and Collection Services

NAICS Nos. 541430, 541860, 541922, 561439, 561492 - Mailing, Reproduction, Commercial Art, Photography and Stenographic Services

NAICS No. 5617 - Services to Dwellings and Other Buildings; excluding 5617-30

NAICS Nos. 5323 and 5324 - Miscellaneous Equipment Rental

NAICS No. 5613 - Personnel Supply Services

NAICS Nos. 5112, 5141, 5142, 5115 - Computer Programming, Data Processing and Other Computer-Related Services

NAICS Nos. 561410 through 561439 and 5616, 51411 - Miscellaneous Business Services

NAICS No. 621511 - Medical and Dental Laboratories

NAICS Nos. 5412, 5414-5417, 54131, 54133, 54136-54138, 54182 - Engineering, Management and Related Services

- Electric Services Companies, within NAICS Nos. 221111-221122 - Exempt Electric Wholesale Generators, if 90% of energy input is consumed from in-state sources and 90% of sales are out-of-state.

2. Small Employer Quality Jobs Incentive Act

(68 O.S. §§ 3901 et seq.)

For more information contact the Oklahoma Department of Commerce by phone at (800) 588-5959 or (405) 815-5213; or by email at info@odoc.state.ok.us. For forms visit www.locateok.com.

This incentive program provides annual cash payments to a qualifying company. The payments may reach as much as 5% of new taxable payroll and last for up to seven years. Qualifying payroll must be attributable to annual salaries that are at least 110% to 125% of the average wage of the county in which the jobs are located. Generally, companies locating in metropolitan counties will not qualify unless they locate in opportunity zones that are specified according to census data. Research and Development companies in Physical, Engineering and Life Sciences and Testing Laboratories may locate anywhere and still qualify. Health premiums paid by the company may be added to the base salaries to determine the total compensation for the average wage amount. Basic health insurance must be offered to new employees within 12 months, and the employer must pay at least 50% of the cost. Depending on location, at least five, and possibly as many as 15, new employees must be added in the first 12 months after the contract start date.

Companies must be in a basic industry listed in the Quality Jobs Program, except companies engaged in the mining of oil and gas. Generally, businesses must make at least 75% of annual sales to out-of-state customers, or to in-state customers if resold to an out-of-state consumer, or to the federal government. Life Science

Research and Development Companies are exempt from this requirement. Distribution Centers for a larger operation are required to distribute 40% of their inventory out-of-state. Qualified companies may not have had more than 90 employees in the State for the 12 months prior to the time of application.

Companies that have received incentive payments under any other state Quality Jobs Program may not participate in this program. Companies benefiting from the Rural Economic Development Loan Act may not access this program. Companies contracting for this program are also prohibited from taking the investment/new jobs income tax credit, construction sales tax refunds and other tax benefits. The Department of Commerce determines eligibility for the initial contract, but the Oklahoma Tax Commission oversees contract payments.

B. EMPLOYEE TRAINING

1. Training For Industry Program (TIP)

For more information contact Vikki Dearing by phone at (405) 815-5110 or (800) 588-5959; or by email at vikki_dearing@odoc.state.ok.us. Visit www.careertech.org to begin the process.

The American dream is alive and well in Oklahoma, as companies secure their future with a talented, skilled and productive workforce. Whether you're a new or an expanding company in our state, our nationally acclaimed Training for Industry Program (TIP) can help you create the trained workforce you need in order to be productive from the start. And best of all – it's free.

In existence since 1968, TIP has served thousands of companies in virtually every industry sector. From manufacturing to warehouse and distribution centers, business services to aviation,

biotech to food processing, you can be sure we have the experience and expertise to serve your company well. Totally customized and extremely flexible, TIP is delivered through Oklahoma's CareerTech System with 54 state-of-the-art technology centers across the State.

Beyond start-up, our technology centers provide ongoing, customized training for your existing employees at significant cost savings to you. Each year thousands of Oklahoma companies keep their employees on the leading edge by taking advantage of programs like Customized Business and Industry Training, Existing Industry Training, Management and Organization Development, Career Development for Adults and our award-winning Safety Training.

Whether you are using TIP or any of our programs for existing industry, you can count on expertise in everything from software to inventory management, customer service to safety, industrial maintenance to ISO, SPC, Lean, and process improvement, team and interpersonal skills to blueprint reading.

C. AD VALOREM TAX EXEMPTIONS

I. State Decision

(68 O.S. § 2902)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3178 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us or contact a local County Assessor to discuss what property may qualify for the exemption.

Certain new and expanding manufacturers, research and development companies, certain computer services and data processing companies with significant out-of-state sales, aircraft repair companies and certain distribution companies may be eligible for ad valorem tax exemptions for up to five years.

Computer services and data processing companies must meet certain conditions. SIC Industry Group Numbers 7372 and 7373 must have out-of-state sales of at least 50%. SIC Code Industry Group Number 7374 must have out-of-state sales of at least 80%.

Distribution centers in SIC Industry Groups 4221, 4222, 4225, 4226 and Major Groups 50 and 51 that have 100 employees, invest at least five million dollars (\$5,000,000) and break ground before December 31, 2006, may also qualify. Employees must be paid at least 175% of the federal minimum wage.

Threshold requirements are an investment of at least \$250,000 and an addition of \$250,000 in annual payroll in counties with a population of 50,000 or less. If the company is located in a larger county, an additional annualized payroll of at least \$1,000,000 is required. However, if a \$7 million investment is made in new facilities for certain computer service companies already in the program, no new payroll is required.

Eligible property, which may be exempt from the ad valorem tax, may include land, buildings, improvements, machinery, fixtures and equipment used directly and exclusively in the primary activity or process of the company located on the facility site.

Firms must make an annual application to the County Assessor. Upon approval of the application, the State will reimburse tax dollars to local taxing jurisdictions, which they would have otherwise received. As a result, although application for the exemption is made to the County Assessor, Oklahoma Tax Commission personnel are involved in the final review to determine the exemption. It is the responsibility of the company to apply for the exemption each year.

2. Exempt Inventory

(Art. 10, § 6A Okla. Const.)(68 O.S. § 2902.2)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3178 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us or contact a local County Assessor to discuss what property may qualify for the exemption.

Oklahoma's Freeport Law exempts from taxation goods, wares and merchandise that come from outside the State and leave the State within nine months if such goods, wares and merchandise are held for assembly, storage, manufacturing, processing or fabricating purposes within the State.

The Oklahoma State Constitution and Title 68 O.S. § 2805 exempt intangible personal property including cash, receivables, bonds, stocks and annuities from ad valorem taxation.

All tangible personal property is reported to the County Assessor no later than March 15th of each year. A freeport exemption application must accompany the report to avoid payment of property tax.

3. Aircraft Manufacturers Exemption

License

(3 O.S. § 254)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3178 or by email at helpmaster@oktax.state.ok.us.

Manufacturers of aircraft may purchase an exemption license of \$250 in lieu of any ad valorem tax upon aircraft owned by the manufacturer.

4. Local Incentive

(62 O.S. § 860)

For more information contact the Oklahoma Department of Commerce by phone at (800) 588-5959 or (405) 815-5213; or by email at info@odoc.state.ok.us.

Another method for companies to obtain ad valorem exemptions is for local taxing entities to designate Incentive Districts in the community and allow exemptions of some, or a portion of local taxes, by written agreement amongst all taxing units affected. The revenue is not reimbursed by the State using this method, so the decision to allow the exemption is strictly a local one. The exemption is allowed on new investment only and is not available to predominantly "retail" establishments, which by statutory definition do not include hotels or motels.

Exemptions are for five years unless the business is located in an enterprise zone. Then, the exemption may be for up to six years. It may be extended for the sixth year only by agreement of all local taxing entities. The exemption is not allowed for ad valorem taxes if a firm qualifies under the State Exemption of this section.

INCOME TAX CREDITS AND EXEMPTIONS

A. FOR BUSINESS

1. The Investment / New Jobs

Income Tax Credit

(68 O.S. § 235 7.4)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Manufacturers who hold a manufacturer's sales tax exemption permit may choose this income tax credit based on either an investment in depreciable property *or* on the addition of full-time-equivalent employees engaged in manufacturing, processing or aircraft maintenance. *Participation in this benefit prohibits a manufacturer from participating in the Quality Jobs Program.*

Manufacturers which invest in qualified new depreciable property and also hire new employees, may compute the five year tax credit either (1) by calculating 1% of the qualifying investment or (2) by multiplying \$500 per new employee, and then choosing whichever credit is larger. The maximum credit in the first five years equals up to 5% of the investment, or \$2,500 per new employee. The credit doubles for most investments in excess of \$40 million or for those qualified investments in an Enterprise Zone. Credits may reach as high as 10% of new investment, or \$5,000 per new employee. Any credit allowed but not used in the initial five-year period, for investments after January 1, 2000, may be carried over until used by the company.

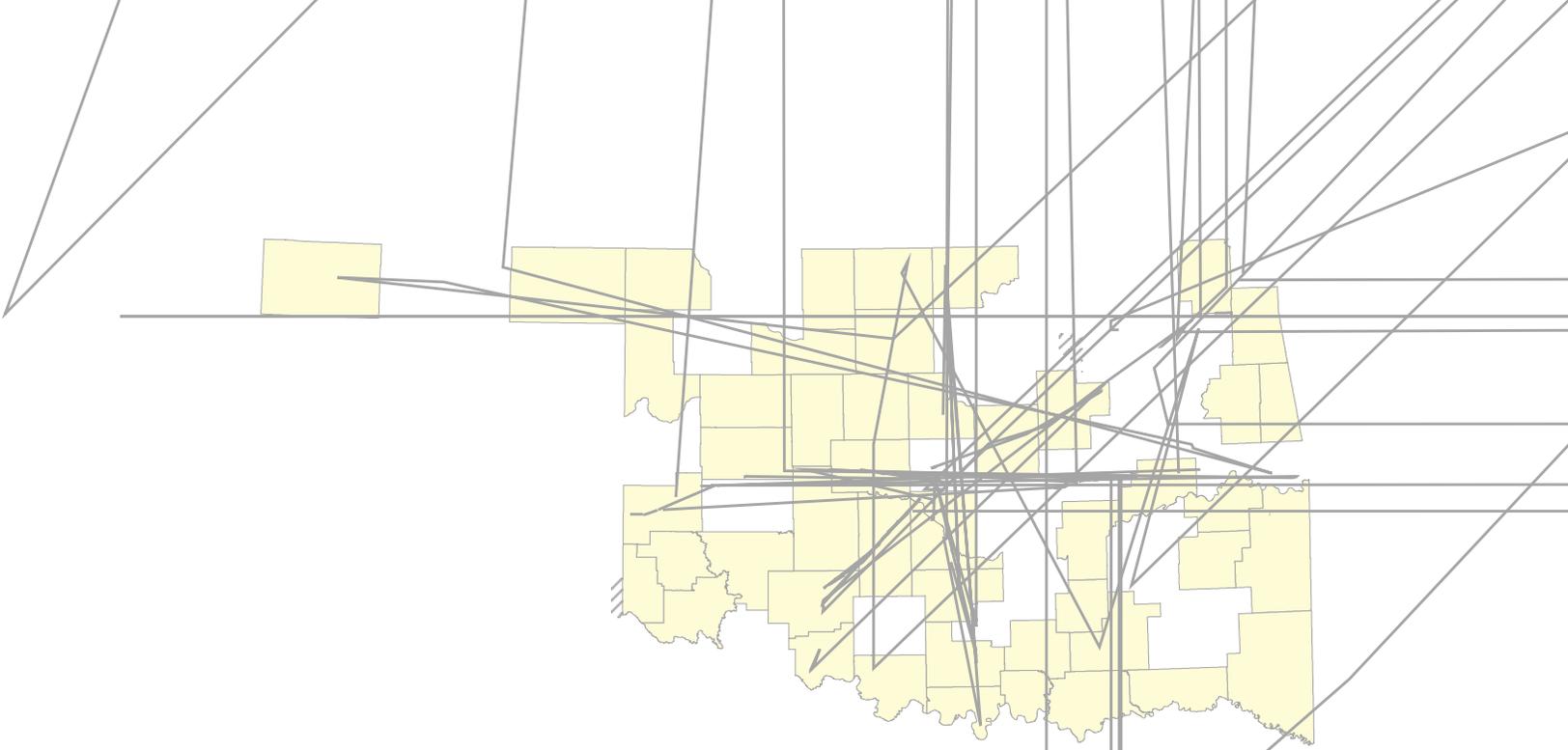
Investment in depreciable property must equal at least \$50,000, and the number of employees must not decrease as a result of the investment. Qualified property includes all machinery,

fixtures and buildings, including warehousing or substantial improvements to buildings used in a manufacturing operation on a manufacturing site. Eligibility is initially determined each year by the taxpayer on its income tax return.

If an employer wishes to take the credit based on an increase in the number of full-time equivalent employees engaged in manufacturing, processing, or aircraft maintenance, each new position on which the credit is based must earn at least \$7,000 in wages or salary per year. After the first year of the initial employee increase, an additional credit may be earned for up to four more years. Eligibility is determined each year by the taxpayer on its annual tax return.

The credit is computed on a year-by-year basis. Therefore, a company that had qualified in one year for the credit based on new employees hired, but experiences a reduction in employment the next year, would still qualify for a partial credit, unless employment fell below the employment level for the year prior to the first year the credit was allowable. If, in later years, additional qualifying employees were added, a new base employment level would be calculated and the new series of credits could be taken for the number of employees above that base level of employment.

The number of jobs may fluctuate if the credit is based on investment. However, a loss in number of jobs must not be attributable to the new investment.



2. Tax Incentives On Former Indian Reservation Lands

(26 I.R.C. §§ 45A, 168 (j))

(68 O.S. § 2358 [17])

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5148 or by email at jonna_kirschner@odoc.state.ok.us. For forms contact the IRS at (800) TAX-1040 or visit www.irs.gov.

Congress clarified the Internal Revenue Code in 1997 to verify that former Indian Reservation lands comprise over two-thirds of Oklahoma. Businesses locating or expanding in these areas benefit by accelerated depreciation of investment or by employment tax credits when employing tribal members or their spouses. The taxpayer must be in an active trade or business on the former Indian lands.

The depreciation schedule of the investment is for a shorter recovery period of approximately 40% for nonresidential property. Use of the accelerated depreciation schedule also requires that the depreciable property be placed in service during years 1994 through 2004.

The tax credit is 20% of increased wages over those paid to qualified individuals in 1993, including health insurance premiums paid by the employer. Wages of individuals eligible for the tax credit may not exceed \$30,000 indexed after 1993, and the credit is applicable to new wages of up to \$20,000 for years 1994 through 2004.

To compute and claim the credit, use IRS Form 8845 when filing the federal income tax return. To take advantage of accelerated depreciation on prior years not claimed, use the process stated in Internal Revenue Service Revenue Procedure 99-44.

Oklahoma businesses may deduct the amount of wages paid and used to calculate the federal tax credit from taxable income.

3. Income Tax Credit For Computer / Data Processing / Research & Development Jobs

(68 O.S. § 54006)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

A State income tax credit is available for up to five years for a net increase in the number of full-time equivalent employees engaged in computer services, data processing or research and development. The credit is based on employees whose annual wages were at least \$35,000. The credit allowed is \$500 per employee for up to 50 employees. The credit may not exceed \$25,000 annually.

This credit is not available to participants in the Quality Jobs Program.

4. Recycling, Reuse And Source Reduction Incentive Act

(27 A O.S. §§ 2-11-301 et seq.)

For more information contact the Department of Environmental Quality (DEQ) at (800) 869-1400 or (405) 702-9128. For forms visit www.deq.state.ok.us/CSDnew/p2.htm.

Manufacturing and service industries may receive an income tax credit of up to 20% of investment costs for purchase and installation of equipment used to recycle, reuse or reduce hazardous waste at the source of generation. Credits are limited to \$50,000. Companies must apply to the Department of Environmental Quality (DEQ) which, after approval, certifies an amount of net investment cost to the Oklahoma Tax Commission. The credit must be taken on the income tax return within three years of actual use of the equipment.

5. Gas Usage Tax Credit For Manufacturing

(68 O.S. § 2357[C])

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Operators of manufacturing establishments in Oklahoma are allowed a tax credit proportionate to the amount of gas used or consumed in Oklahoma in manufacturing operations, at a rate of 3 mills per 1,000 cubic feet of gas during each taxable year (not applying to the first 25,000 MCF).

6. Ethanol Facilities Credit

(68 O.S. 2357.66)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Owners of an ethanol facility producing at the rate of 25% or more of its name plate design capacity before 2007 may receive income tax credits for up to five years of twenty cents (\$0.20) per gallon of production. An additional twenty cents (\$0.20) per gallon may be earned for production at full capacity of new or expanded facilities. After 2011, the credit is reduced to three-quarters of a cent (\$0.075) per gallon for new production only.

7. Insurance Premium Tax Credit

(36 O.S. § 625.1)

For more information contact Tina Aleshire, of the Oklahoma Insurance Department, at (405) 521-3966.

Insurance companies that locate or expand regional home offices in Oklahoma and maintain an employee level above 200 are eligible for special tax credits against the tax imposed in

the Insurance Code. Annual credits range from 15% to 50% based on the numbers of full-time, year-round employees.

This credit is not available to participants in the Quality Jobs Program.

8. Small Business Administration (SBA)

Guarantee Fee Tax Credit

(68 O.S. §§ 2370 and 2370-1)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Every small business operating in Oklahoma may claim a credit against income tax liability resulting from the conduct of the small business. The credit shall be for the amount of fee paid to obtain financing from the Small Business Administration (SBA). The credit may be carried forward five years.

Banks receive a credit in the amount of quarterly fees paid to the SBA.

9. Alternative Energy Sources Tax Credits

(68 O.S. § 2357.32A and B)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma encourages alternative, zero-emission fuel production by providing tax credits to producers of electricity utilizing such sources and to small wind turbine manufacturers.

Producers may receive 75 one-hundredths of one cent per kilowatt-hour until 2005. The credit gradually decreases until it ceases in 2012. Credits may be earned for 10 years once production begins, and earned credits may be carried forward

10 years. Non-taxable electric producers may transfer the credits.

Small wind turbine manufacturers may earn a credit of \$25 per square foot of rotor swept area starting in 2003. The credit amount gradually decreases until it ceases at the end of 2005. The credits are freely transferable and may be carried forward 10 years.

10. Agricultural Commodity Processing Facility Income Tax Exemption

(68 O.S. § 2358[A][6])

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Owners of new or expanding agricultural commodity processing facilities may exclude from Oklahoma taxable income up to 15% of their investment. Agricultural commodity processing facilities include buildings, fixtures, and improvements used to process or package agricultural commodities, as long as more than mere storage, cleaning or transporting takes place in the facility. Individual investors, or the entity owned by such investors, may take the exclusion. Certain dairy operations may also qualify.

No more than a total of \$1,000,000 annually may be excluded by all qualified investors. The Oklahoma Tax Commission applies a formula to reduce the percentage allowable to assure exclusions do not exceed the \$1,000,000 total. Excluded amounts may be carried over for six years. The exclusion is taken on the income tax return at the end of the tax year, and for the five years following, if not fully depleted.

B. FOR INVESTORS

1. Technology Transfer Income Tax

Exemption

(68 O.S. § 2358[C])

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

The taxable income of any corporation is decreased for transfers of technology to qualified small businesses located in Oklahoma. The corporation transferring the technology is allowed an exemption from taxable income in the amount of the royalty payment received as a result of such transfer, provided that the exempted amount shall not exceed 10% of the amount of gross proceeds received by such corporation as a result of the technology transfer. Gross proceeds is defined as the total amount of consideration for the transfer, whether it is money or otherwise. This benefit lasts for 10 years from the date of the receipt of the first royalty payment accruing from such transfer.

2. New Markets Tax Credits

(26 U.S.C. § 45D)

For more information contact Rural Enterprises, Inc. (REI) by phone at (800) 658-2823 or email at kennysimpson@ruralenterprises.com; or contact Meta Fund, Inc. by phone at (405) 949-0001.

Two Oklahoma organizations have been selected as eligible Community Development Entities (CDE's) for purposes of the New Markets Tax Credits on behalf of the US Department of Treasury. The CDE's are the REI New Markets Investment, LLC and Meta Fund, Inc. Eligible investors in these organizations may qualify for federal income tax credits when the organizations invest in underserved low-income communities. The credits are five percent (5%) of investment for the first three years of the credit and six percent (6%) for the last

four years of the credit, for a total of 39% of investment over the seven years of credit period.

3. Income Tax Credit For Investment In Oklahoma Producer-Owned Agriculture Processing

(68 O.S. § 2357.25)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

An income tax credit of up to 30% of investment is available to Oklahoma agricultural producer investors in Oklahoma producer-owned agricultural processing ventures, cooperatives or marketing associations, including dairies. Qualified facilities may be processing plants, marketing associations or investment firms. The facility must do more than store, clean or transport agricultural commodities.

The credit percentage is adjusted so the estimate of total credits taken by all investors does not exceed \$1,000,000 annually. The tax credit is not available in any year in which the investor has received any payments pursuant to the Quality Jobs Program Act or the Saving Quality Jobs Act. The credits are taken on the annual income tax return and may be used over a six-year period.

4. Rural Small Business Capital Formation Tax Credit

(68 O.S. §§ 2357.72 et seq.)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

The act authorizes an income tax credit of 30% of equity or near-equity (e.g. warrants or convertible subordinated debt) investment in an Oklahoma small business venture, either through a

qualified rural small business capital company, or by an angel investor in conjunction with investment made by a qualified Oklahoma rural small business capital company. The credits are available for tax years between December 31, 2000, and January 1, 2008. There are limitations on the amounts of investments to which the credits will apply. The credits are allowed when the investment funds are actually invested in a qualified company. The credit may be carried forward 10 years.

5. Small Business Capital Formation Tax Credit
(68 O.S. § 2357.53)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

The act authorizes an income tax credit of 20% of equity or near-equity (e.g. warrants or convertible subordinated debt) investment for investors in qualified businesses, either by a qualified small business capital company, or by an angel investor in conjunction with investment by a qualified small business capital company. There are limitations on the amounts of investment to which the credits apply. The credit is allowed when the investment funds are actually invested in an Oklahoma small business venture. Earned credit may be taken annually for up to 10 years.

6. Tax Credit For Banks Participating In The Oklahoma Rural Economic Development Loan Program
(68 O.S. § 2370 (E))

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Banks receive a credit of 5% of new annual payroll created in a loan made to a qualified business

pursuant to the Rural Economic Development Loan Program. The credit accumulates until credits equal the amount of taxable income to the bank as a result of the program. Credits may be carried forward 5 years.

7. Income Tax Exemption For Interest Paid On Bonds Issued By Or On Behalf Of Public Agencies
(68 O.S. § 2358)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Interest payments received as a result of obligations issued by cities, counties or public trusts on behalf of towns, cities, counties or Oklahoma educational institutions are not subject to Oklahoma income tax if such payments are exempt from federal income tax, unless such obligations are issued on behalf of nonprofit corporations.

Generally, interest payments on bonds issued by the Oklahoma Finance Authorities and the Department of Transportation are also state income tax exempt.

Interest payments received as a result of obligations of nonprofit corporations issued on behalf of cities, counties and educational institutions for housing are not subject to Oklahoma income tax.

8. Commercial Space Industry Credit
(68 O.S. § 2357.13)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Investors may take a credit of 5% of investment in qualifying projects that encourage the

development of commercial space industries as certified by the Oklahoma Tax Commission. One hundred new jobs must be created and at least \$25 million dollars invested.

9. Historic Rehabilitation Tax Credit

(68 O.S. § 2357.47)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma has freely transferable tax credits for investment in any certified historic hotel or newspaper plant building in an increment district created pursuant to the Local Development Act. The State credit equals the federal rehabilitation credit allowed on such historic properties. The credits may be sold during the first five years after qualifying and may be carried forward a total of 10 years.

10. Venture Capital Tax Credit

(68 O.S. § 2357.7)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Investment in qualified venture capital companies creates a transferable income tax credit or premium tax credit. Venture Capital companies must be capitalized at a minimum of \$5 million and invest at least 55% of those dollars in qualified Oklahoma companies over a ten year period. The credit equals 20% of the cash invested.

C. FOR ENTREPRENEURS

1. New Products Development Income Tax Exemption

(74 O.S. § 5064.7)

For more information contact the Oklahoma Center for the Advancement of Science and Technology (OCAST) by phone at (405) 524-1357, ext. 228 or email at cstratton@ocast.state.ok.us.

Royalties earned by an inventor on products developed and manufactured in Oklahoma are exempt from State income tax for seven years when registered with the Oklahoma Center for the Advancement of Science and Technology (OCAST). OCAST, through the Oklahoma Inventors Assistance Service, provides seminars regarding patent searches, market analysis, product research and development.

An in-state manufacturer of a product developed in Oklahoma may exclude from taxable income 65% of the cost of depreciable property (including machinery, fixtures, equipment, buildings or substantial improvement of the building) purchased and used directly in manufacturing the product. The product must be patented or patent pending. The maximum exclusion is \$500,000. If the credit is not fully used in the year the depreciable property is placed in service, it may be carried forward four years.

2. Incubator Site Tenant Tax Exemption

(74 O.S. §§ 5071-5079)

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5143 or by email at rana_steeds@odoc.state.ok.us.

A business incubator site is a facility in which small businesses may rent space and where management provides business development services, such as financial consulting and marketing assistance. Sponsors of an incubator may be exempt

from Oklahoma income taxes on income earned from rental fees, other income derived from services provided to the tenants, or for providing funding for an incubator site. This exemption is for 10 years from the date of the tenant's occupancy within an incubator. A sponsor must be a certified incubator with the Oklahoma Department of Commerce.

The tenant of a certified incubator, or its owner, is exempt from state tax liability on income earned as a result of activities conducted as an occupant in an incubator for up to 10 years from the occupancy date in an incubator site in accordance with rules of the Oklahoma Tax Commission. The exemption remains in effect after the date the tenant is no longer an occupant in an incubator, but not to exceed a total of 10 years. In order to qualify for the income tax exemption for the 6th through 10th year, the tenant must make at least 75% of its gross sales to buyers located outside the State or to the federal government.

D. WORKER RELATED

1. The Work Opportunity Tax Credit Program (WOTC)

For more information and employee certifications contact the Oklahoma Employment Security Commission by phone at (405) 557-5371 or by email at paul.williams@oesc.state.ok.us. For forms visit www.irs.ustreas.gov

The Work Opportunity Tax Credit Program (WOTC) was designed to promote the hiring of target group individuals. The WOTC and Welfare-to-Work Tax Credits cannot be claimed for the same individual in the same taxable year.

The tax credit for WOTC is up to \$2,400 for each new hire: 40% of qualified first-year wages for those employed 400 hours or more, 25% for those employed at least 120 hours. Qualified

wages are capped at \$6,000. Summer Youth wages are capped at \$3,000. See IRS forms 5884 and 8850.

Congress has authorized the WOTC until December 31, 2003. The credits are likely to be extended retroactively and companies are still encouraged to apply.

2. The Welfare-to-Work Tax Credit (WTW)

For more information and employee certifications contact the Oklahoma Employment Security Commission by phone at (405) 557-5371 or by email at paul.williams@oesc.state.ok.us. For forms visit www.irs.ustreas.gov.

The tax credit is as much as \$8,500 per new hire: 35% of qualified wages for the first year of employment and 50% for the second year of employment. Qualified wages, including tax-exempt amounts received under health and accident plans, as well as educational and dependent assistance programs, are capped at \$10,000 per year. Hires must work at least 400 hours or 180 days. The credit is part of the general business credit. See IRS forms 5884, 8850 and 8861.

Congress has authorized the WTW until December 31, 2003. The credit is likely to be extended retroactively and companies are still encouraged to apply.

3. Federal Empowerment Zone Incentives

For more information contact the City of Oklahoma City by email at paul.newmark@ci.okc.ok.us or the Greater Oklahoma City Chamber of Commerce by email at bworkman@okcchamber.com.

Certain areas within Oklahoma City have been deemed to be an Empowerment Zone. Enhanced WOTC and WTW credits are applicable within the Empowerment Zone. In addition, tax

credits of up to \$3,000 annually per new or existing employee that lives and works in the Empowerment Zone are available to businesses within the Empowerment Zone. Qualifying salary amounts are an offset when taking more than one of these credits. See IRS form 8844. Exclusions from taxable income are increased for business costs on machinery and equipment acquired after 2001.

Additionally, capital gains on original issue stock, business interests and property purchased after 2000 and held for more than one year in an Empowerment Zone business, are excluded from income if placed in another Empowerment Zone business within 60 days. Those who hold stock in an Empowerment Zone business for five years or more may exclude 60 percent of income from the sale of such stock from federal taxable income until 2014. State income tax is lowered as a result of these benefits, also.

Empowerment Zone businesses must have at least 35% Empowerment Zone residents as employees to qualify. Empowerment Zone Facility Bonds are also available to such businesses and are more fully discussed in the Financing Assistance section of this guide.

IV SALES TAX EXEMPTIONS AND REFUNDS

A. EXEMPTIONS

I. Manufacturers

(68 O.S. §§ 1354, 1359, 1364)

For more information and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma has a comprehensive sales tax exemption for manufacturers who obtain a Manufacturer's Sales Tax Exemption Permit from the Oklahoma Tax Commission. The permit must be renewed every three years. This permit must be presented to the vendor, and a claim for exemption made at or before the time of purchase, to relieve the vendor of the liability for collecting sales tax. The exemptions cover purchases of machinery and equipment, energy and tangible personal property used in design, development and manufacturing.

Sales to a manufacturer of exempt property must be used in the manufacturing operation at a manufacturing site. The exemption is not extended to purchases for administration, sales, distribution, transportation, site construction or site maintenance.

2. Aircraft Maintenance Facilities

(68 O.S. § 1357 [18][26])

For more information and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Sales at aircraft maintenance facilities operated

by an air common carrier that employs at least 2,000 workers for aircraft and aircraft parts are exempt from sales tax.

Sales of aircraft parts by maintenance facilities' operators to customers whose planes are between 9,000 and 300,000 pounds gross take-off weight and which were brought into Oklahoma exclusively for repairs or modification are also exempt from sales tax. This exemption applies to those operators who have recently expanded the facility or invested in research and development with respect to modifying aircraft. At least \$3,000,000 must be expended or the facility must be a manufacturer's authorized service facility.

3. Computer Services And Data Processing

(68 O.S. § 1357 [19])

For more information about filing the required affidavit and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma recognizes the importance of companies engaged in computer services or data processing activities by offering exemptions from sales tax on certain items as follows:

- Machinery and equipment used by companies primarily engaged in activities described in SIC Code Industrial Group Numbers 7372 and 7373 that derive at least 50% of their revenues from out-of-state purchasers or companies primarily engaged in activities described in SIC Code. Industrial Group Number 7374 and derive at least 80% of revenues from out-of-state purchasers.

Presentation to vendors of a letter of exemption avoids payment of sales tax at the time of purchase.

4. Aircraft Manufacturing Facility

(68 O.S. § 1357 [14])

For more information about filing the required affidavit and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

In addition, Oklahoma also offers a sales tax refund for sales of computers, data processing equipment and related telecommunications equipment for use in an aircraft maintenance or manufacturing facility that:

- Is new or expanding.
- Is primarily engaged in aircraft repair, building or rebuilding.
- Has a total cost of construction exceeding \$5 million.
- Employs at least 250 new full time employees upon completion.
- Pays at least \$2 million for computer services/ data processing equipment.

5. Excise Tax On Aircraft Sales

(68 O.S. §§ 6001 et seq.)

For more information and certification contact the Oklahoma Aeronautics Commission by phone at (405) 521-2377.

Generally excise tax in lieu of sales tax is imposed on the sale or lease of aircraft. However, resident taxpayers may receive an excise tax credit (when purchasing an aircraft for \$2.5 million or more) for certified expenditures for improvements to airports within the State.

Sales of aircraft to commercial airlines or to non-residents or on behalf of non-residents, when the selling price exceeds \$2.5 million, are free of the excise sales charge.

6. Telecommunications

(68 O.S. §§ 1354 and 1357 [16][24])

For more information and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Sales tax exemptions apply to Interstate 1-800, WATS and interstate private-line business telecommunication services and to cell phones sold to a vendor who transfers the equipment as part of an inducement to a consumer to contract for wireless telecommunications.

7. Spaceport

(68 O.S. § 1356)

For more information and certification contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Sales of any tangible property to a spaceport user as determined by the Oklahoma Space Industry Development Authority are exempt from sales tax. Launch vehicles, satellites and such related attached or used property may also be purchased free from sales and use tax.

B. REFUNDS

Oklahoma offers sales tax refunds for qualified companies. To qualify, a company submits an Application/Intent to Qualify to the Oklahoma Tax Commission to establish an interest-bearing account. Upon receiving the application and documentation concerning the sales/use taxes to be paid by the applicant or their contractors, the Oklahoma Tax Commission will determine whether a company qualifies. If so, the Oklahoma Tax Commission will immediately set up

an account to track sales taxes paid on sales as shown by the invoices submitted.

- Interest accrues at the rate of a 3-month Treasury bill from the date invoiced items are approved.
- Sales taxes paid on construction materials incorporated in certain new manufacturing facilities by the manufacturer or by a contractor or subcontractor on behalf of a qualified manufacturer are refundable.
- Sales taxes paid for machinery and equipment by certain service businesses (computer services, R & D and aircraft repair) are refundable.
- Invoices of each vendor that distinguish the state and local sales taxes paid must be submitted with claims.
- Affidavits from vendors or contractors that the sales taxes were charged, paid and have not been refunded by the vendor must be submitted with claims.
- Eligible applicants must file for a refund within 36 months of the date of purchase.
- The Oklahoma Tax Commission requires certification from the Oklahoma Employment Security Commission regarding the number of jobs.

Note: Participation in the Quality Jobs Program or other incentive payment programs precludes participation in these refunds.

1. Computer Services / Data Processing / Telecommunications Equipment

(68 O.S. § 54003)

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma offers a sales tax refund on the purchase of computers, data processing equipment, related peripherals, telegraph or telecommunications services and equipment.

- Applies to SIC Codes 7372-7374 (Computer services and data processing) and 8731-8734 (Research and Development).
- New or expanding businesses.
- Addition of 10 new full-time employees that have an average salary of \$35,000.
- These new employees must be employed for at least 36 months.
- 50% of annual gross revenues must result from sales to out-of-state buyers, but may include the federal government.
- 75% of annual gross income results from computer services, data processing activities or research and development activities.
- If the company is in SIC Code Industrial Group Number 7374, it must also purchase \$100,000 worth of exempt items.

Note: This refund is not as favorable to computer services and data processing companies as the sales tax exemption found at 68 O.S. § 1357 (19).

2. Construction Materials

(68 O.S. § 1359 [7])

For more information contact the Oklahoma Tax Commission by phone at (405) 521-3133 or by email at helpmaster@oktax.state.ok.us. For forms visit www.oktax.state.ok.us.

Oklahoma refunds sales taxes paid on construction materials for certain new or expanding manufacturing facilities, including:

- Facilities with construction costs exceeding \$5 million that create 100 new manufacturing jobs and are maintained for a minimum of 36 months. Construction costs include building and construction costs and engineering and architectural fees, but not legal fees.
- Facilities with construction costs exceeding \$10 million, and with combined total costs of material, construction and machinery exceeding \$50 million, which add 75 new employees who are retained for 36 months.
- Qualified new or expanding aircraft maintenance and overhaul facilities that create 250 or more jobs, with construction costs totaling at least \$5 million.

These construction exemptions are unique not only because they are refunds, but also because they allow contractors or subcontractors that have previously entered into a written contractual relationship with the manufacturer, or a qualified aircraft maintenance facility operator, to make refundable purchases on behalf of manufacturers. The manufacturer may use invoices made out in the contractors' names for proof when applying for sales tax refunds. Generally refundable purchases do not include machinery and equipment.

Warehousing/Distribution for manufacturers, structures or land used for packaging, re-packag-

ing, labeling or assembly for distributing products that are at least 70% made in Oklahoma, but at an off-site, in-state manufacturing facility or facilities are also deemed manufacturing facilities for purposes of these sales tax refunds.

V TRANSPORTATION AND DISTRIBUTION BENEFITS

A. INDUSTRIAL ACCESS ROADS

For more information contact Mitch Surrett, of the Oklahoma Department of Transportation, by phone at (405) 522-0290 or by email at msurrett@FD9NSo1.okladot.state.ok.us.

The Industrial Access Road Program is designed to provide assistance to local industrial development efforts by funding, within practical limitations, access facilities connecting a specific industry or industrial area directly to the state or local road system. Application is through local governing bodies that in turn contact the Department of Transportation.

B. FOREIGN TRADE ZONES

For more information on the Tulsa Port of Catoosa Zone contact Bob Portiss by phone at (918) 266-2291 or email at bob@tulsaport.com. For more information on the Greater Oklahoma City Area Zone contact Luther Trent by phone at (405) 682-3200. For more information on the Port of Muskogee Zone contact Scott Robinson by phone at (918) 682-7886 or by email at scott@muskogeeport.com. For more information on the International Business Park in Durant Zone contact Phil Scoggin by phone at (580) 924-5094.

Businesses engaged in international trade within these zones benefit from special customs procedures when importing and when warehousing, manufacturing or assembling with imported goods that remain in bond under Customs Control. Subzones may be established for single purpose manufacturing/fabricating operations. There are presently four zones in Oklahoma: Port of Muskogee (FTZ 164) and the Tulsa Port of Catoosa (FTZ 53), which are both on the McClellan Kerr Arkansas River Navigation System provid-

ing rail, barge and truck transportation services from Oklahoma to ports throughout the world; the Port Authority at Will Rogers International Airport of the Greater Oklahoma City Area (FTZ 106) Oklahoma City, and the International Business Park in Durant (FTZ 227).

The Tulsa Port of Catoosa's (FTZ 53) also covers four other sites: Stillwater Industrial Park, Bartlesville Industrial Park, Mid America Industrial Park at Pryor Creek and Tulsa International Airport. It also includes two subzones: the Mercruiser plant in Stillwater and the Arco facility in Cushing.

The Port Authority for the Oklahoma City Area is the governing board for Oklahoma's largest Foreign Trade Zone (FTZ 106) and has responsibility for a 42-county service area in central and western Oklahoma. The zone has expanded dramatically beyond its original locations, which were Will Rogers World Airport and Biagi Warehouse. Additions to the general purpose zone include nine sites in the Oklahoma City Area: Mid America Business Park I and II; South River Industrial Park; Western Heights Properties' Industrial Park; Oklahoma City Trust Authority's Airport NE; Kelley Pointe Industrial Park, Edmond; Kelley Avenue International Trade Center; and Tower Industrial Park, Tract II in Moore.

The Oklahoma City Area Zone has sponsored several subzones for specific manufacturers: General Motors Plant in Midwest City, VAC Corp., Xerox Corporation, Imation Enterprise Corp. in Weatherford, and the Conoco Refinery in Ponca City.

The Muskogee City/County Port authority is FTZ 164. This zone site covers the Port of Muskogee. In addition to several on site industrial facilities,

the Port provides barge, rail, and truck services to the one million square foot Dal Tile plant that receives several thousand tons of raw materials by water annually. The Port is currently constructing the largest state-of-the-art marina on the McClellan-Kerr providing in part, docking facilities for both domestic and international vessels.

FTZ 227 is located in the 320-acre International Business Park in Durant. It serves several counties in southern and southeastern Oklahoma. The zone is located adjacent to US Hwy 69/75 and is one hour from the Dallas/Ft. Worth metroplex; eight hours from Laredo, Texas; and five hours from San Antonio and Houston, Texas. Interstate Hwy 35, the primary trunk of the NAFTA Super Highway Systems, lies just 45 miles west of the zone.

Benefits to businesses located in foreign trade zones include the following:

- Ability to hold most merchandise subject to quotas until the quota opens and/or the ability to bring such goods into the foreign trade zone and subsequently re-export them.
- Increases flexibility with just-in-time delivery, quotas and reduced customs delays.
- Duty elimination on :
 - Previously imported material, which is re-exported.
 - Rejected, scrapped, waste or return-to-vendor imported material.
 - Sales of imported materials or finished products containing imported components to companies operating in other U.S. foreign trade zones.
- Duty reduction by:
 - Manufacturing in the U.S. and selling domestically.
 - Utilizing pick-and-pack operations where the “set” has a lower duty rate than the individual pieces.

- Duty-Deferral until merchandise is shipped from the zone into customs territory. Merchandise may be held in a foreign trade zone indefinitely.

C. TRUCK REGISTRATION BENEFITS

For more information and updates contact the Oklahoma Tax Commission, Motor Vehicle Division, IFTA by phone at (405) 521-3246 or the IRP by phone at (405) 521-3036.

Oklahoma’s economic and demographic advantages make it an optimum location for manufacturing, warehousing and distribution facilities, particularly for transportation-sensitive industries.

Oklahoma’s participation in the International Registration Plan (IRP) and the International Fuel Tax Administration (IFTA) provides uniformity in vehicle registration and motor fuel tax for interstate motor carriers who base-license their vehicles in Oklahoma. Specific provisions in the statutes complement the IRP and IFTA and provide additional benefits for the Oklahoma-based licensed carrier.

Other Benefits Include:
(47 O. S. §§ 1101 et seq.)

- Permanent Trailer Registration – The permanent registration plate remains with the trailer until there is a change in ownership. No annual renewal identification device is required.
- Permanent Truck/Tractor Plates - A permanent tag is now available to a motor carrier registered under the International Registration Plan.
- Transfer of Plates – Transfer to vehicles in the same fleet is permitted upon approval of the application by the Oklahoma Tax Commission.
(47 O.S. § 1113A)

- **Tractor Excise Tax** - For truck or truck-tractor registered for a gross vehicle weight of 54,001 pounds or more, the excise tax is \$10. The same applies to any cargo-carrying trailer.
- **Reciprocity Miles** - The miles traveled in states that are not members of any pro-rata agreements are no longer used in computing your Oklahoma mileage percentage factor for proportional registration.
- **Property Tax** - Motor vehicles and cargo-carrying trailers are not subject to any personal property tax in Oklahoma.
- **Temporary Registration Authority** - Temporary registration authority for vehicles to be added to an established fleet of proportionally registered vehicles is valid for 45 days.
- **Electronic Registration by Data Transfer** - Oklahoma now has the ability to customize a fleet registration program through its new, no-paperwork, computerized, Electronic Registration Data Transfer (ERDT) system. ERDT saves time and money, eliminates errors and provides unparalleled fleet registration services.
- **One-Stop Shop** - Oklahoma has established a one-stop shop for the convenience of the motor carrier. Motor Vehicle staff provides immediate personalized assistance in providing registration and fuel permitting.

Benefits Under IFTA:

- **License and Identification** - The motor fuel license and identification decal issued by Oklahoma are the only license and decal required to operate interstate vehicles in IFTA member states. The temporary fuel permit is valid for five days.

- **Reporting** - Only one report is filed for fuel tax liability on fuel consumption in the State for IFTA member states. Credit for over-purchase in any member IFTA state is accomplished in the one report filed with Oklahoma.
- **Auditing** - Generally, Oklahoma will be the only state to audit the records of an Oklahoma license-based carrier for all other IFTA and IRP jurisdictions.
- **Deregulation** - The Corporation Commission no longer regulates rates, routes and services of most motor carriers.
- **Member** - Oklahoma is a member, as are all other states and most Canadian Provinces, in the International Registration Plan (IRP).
- **Member - International Fuel Tax Administration** - All states are members except Alaska and Hawaii.
- **I-35** - The interstate that bisects Oklahoma, is a NAFTA Corridor (North American Free Trade Agreement).

D. INTERNATIONAL TRADE PROCESSING CENTER

(74 O.S. § 2121 et seq.)

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5122 or by email at Vickie_Armstrong@odoc.state.ok.us.

Oklahoma is establishing an international trade processing center to aid Oklahoma businesses with exporting activities and to aid import feasibility. The center is positioned to be part of the NAFTA treaty effort to encourage exchange among Mexico, the US and Canada.

VI TOURISM AND FILM INCENTIVES

A. OKLAHOMA FILM ACT

(68 O.S. §§ 3621-3626)

For more information contact Dino Lolli, at the Oklahoma Film Commission, by phone at (800) 766-3456 or by email at dlalli@otrd.state.ok.us.

The Oklahoma Film Enhancement Rebate Act allows a rebate of up to 15% of qualified expenditures made in Oklahoma that are directly attributable to film, television and theatre. Expenditures for production costs can include national advertising, wages and wardrobe, facilities and related services. However, the film budget must be \$1 million or more.

B. SALES/INCOME TAX CREDIT FOR TOURISM ATTRACTION PROJECTS

(68 O.S. 2357.40)

For more information contact Doug Hawthorne by phone at (405) 521-6865.

Oklahoma offers a credit against either income tax or sales tax liability for an approved company as a result of expenditures for projects that result in more tourists to Oklahoma. The credit is calculated based on the increment of increased sales tax liability as compared to the same month the year before. The company and the Director of the Department of Tourism must enter into an inducement agreement with a 10-year term before any credits may be earned.

VII MAJOR FINANCE AND ASSISTANCE PROGRAMS

A. FINANCING ASSISTANCE

1. Oklahoma Finance Authorities

(74 O.S. §§ 851 et seq. and 5062.1 et seq.)

For more information contact the Oklahoma Finance Authorities by phone at (405) 842-1145.

The Oklahoma Finance Authority (OFA) provides permanent financing for real estate and equipment. OFA has both tax-exempt and taxable financing available for most types of industries, including manufacturing, agricultural processing and certain mining or recreational/tourism facilities. Qualifying projects include construction of a new plant or existing plant expansion or replacement of all or part of the plant.

The maximum funding is \$5 million on fixed collateral assets for up to 15 years. Loans are fixed rate or variable and below market for tax-exempt qualified projects.

The Oklahoma Development Finance Authority (ODFA) has established a credit enhancement program to bolster the credit of revenue bonds issued by the ODFA for loans to Oklahoma business or governmental borrowers. All bonds are state tax-exempt and may be federally tax-exempt. The ODFA may also issue tax-exempt bonds to support certain exempt facilities such as transportation, infrastructure or environmental facilities.

2. Public Trust Financing: IRBs

(60 O.S. §§ 176 et seq.)

For more information contact the State Bond Advisor's Office by phone at (405) 602-3100 or a local community's economic development office to discuss opportunities for use.

Oklahoma authorizes public trust financing for economic development purposes at the state, county and city level. Trusts may enter into lease-leaseback, sale-leaseback, interest rate swaps and similar transactions as well as issuing bonds.

Local authorities may access the Oklahoma Industrial Finance Authority's pool to fund bonds or notes issued. There are over 700 public trust authorities in Oklahoma. An allocation from the Private Activity Bond allocation pool through the State Bond Advisor's Office is necessary if a federal income tax exemption of interest earned is allowed on private activity bonds.

3. General Obligation Limited Tax Bonds (GOLTBs)

(Art 10, § 35, Okla. Const.)

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5148 or by email at Jonna_Kirschner@odoc.state.ok.us.

Many Oklahoma counties and cities have approved the issuance of General Obligation Limited Tax Bonds for industrial development projects. Generally, these "revenue bonds" are issued in association with a particular private activity project. Revenue generated by the project in the form of income is used to retire the bonds. If revenue generated by the project is inadequate to retire the bonds then a levy will be placed on the

property taxes of the jurisdiction in order to retire the bonds. The property tax levy is only used if project generated revenues are inadequate to meet interest and principal payments on the bonds. GOLTBs have been used since the early 1960's to finance a wide variety of economic development projects throughout the State. Information can be obtained from local and county Industrial Development Authorities, County Treasurers, Assessors and or the Oklahoma Department of Commerce.

4. Tax Increment Financing (TIF)

(62 O.S. §§ 850 et seq.)

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5148 or by email at Jonna_Kirschner@odoc.state.ok.us.

Cities and counties in Oklahoma may create tax increment districts to provide funding for economic development in distressed areas for up to 25 years. The tax increment is determined in accordance with the following:

- The base assessed value includes all real and personal property on the tax rolls and assessed as of January 1 of the year during which the district is designated.
- Incremental tax dollars are those assessed in excess of the base, on the first January 1st after the district has been declared, and continuously until the increment district ceases, less the amount attributable to change in assessment ratio for real and personal property in the county.
- Proceeds from tax increment financing may be used in accordance with approved plans for project areas such as facilities, infrastructure, parks, sidewalks and other public projects.

5. Empowerment Zone Facility Bonds

(26 U.S.C. § 1394 et seq.)

For more information contact the City of Oklahoma City by email at paul.newmark@ci.okc.ok.us or the Greater Oklahoma City Chamber of Commerce by email at bworkman@okcchamber.com.

State and local governments can issue bonds that pay interest that is federally tax exempt to benefit empowerment zone businesses (EZ business) to finance qualified property in an Empowerment Zone within Oklahoma City. Businesses have two years to achieve compliance as an EZ business after the bonds are issued or the assets purchased with the proceeds are placed in service. No more than three million dollars in bonds may be issued for any one EZ business. Qualified expenditures may include land, building, and machinery and equipment assets necessary to perform the EZ business' activities within the Empowerment Zone. Pooled issuances for several EZ businesses are permitted and may enhance feasibility of this method of financing.

An allocation from the Private Activity Bond Volume Cap is necessary for issuance of the bonds through the State Bond Advisor's Office.

6. Sales Tax Financing

(68 O.S. § 1370) (68 O.S. § 2701)

For more information contact the Oklahoma Department of Commerce by phone at (800) 588-5959 or (405) 815-5213; or by email at info@odoc.state.ok.us.

Oklahoma cities and counties are authorized, upon a vote of the people, to build facilities and provide other economic development benefits for businesses financed by sales tax collections. Some have pooled economic development funds from this method.

7. Private Activity Bond Allocation

(62 O.S. §§ 695. 23 et seq.)

For more information contact the State Bond Advisor's Office by phone at (405) 602-3100. Visit www.ok-bonds.state.ok.us for additional details.

Private Activity Bonds that render interest payments that are federally tax-exempt, in accordance with the Internal Revenue Code, must receive an allocation from the State Bond Advisor's Office. Public Issuers in Oklahoma may issue approximately \$250 million in Private Activity Bonds each year. The State's allocation is divided into various pools each year: Qualified Small Issue Pool, Beginning Agricultural Producers Pool, Exempt Facility Pool, Student Loan Pool, Local Issuer Single Family Pool, the State Issuer Pool, the Oklahoma Housing Finance Agency Pool and the Economic Development Pool. On September 2 of each year, all pools are consolidated. Generally, allocations are on a first-come, first-serve basis, with some size limitation.

8. Rural Economic Development Loan Program

(62 O.S. §§ 90.1 through 90.9) (68 O.S. § 2370)

For more information contact the Oklahoma Department of Agriculture by phone at (405) 521-3864.

Banks and savings and loan associations may pledge between three to ten million dollars (\$3,000,000-\$10,000,000) to the Rural Economic Development Revolving Loan fund within the State Treasury. The Program's review board and the Secretary of Agriculture manage and approve use of the fund in conjunction with participating financial institutions. Loans are at below market interest rates set by the lender. Credits may offset the amount of any Oklahoma tax liability resulting to the lender as a result of the loan transaction. Privilege tax credits are for 5% of new payroll resulting from the loan.

9. Small Business Linked Deposit Program

(62 O.S. §§ 88.1A et seq.)

For more information and forms contact the State Treasurer's Office by phone at (405) 521-3191.

The Small Business Linked Deposit Program provides below-market interest rates for qualified small businesses and certified industrial parks through local financing sources.

Loans to businesses with less than 200 employees and gross annual sales of less than \$4 million are eligible for up to \$1 million. Industrial parks certified by the Oklahoma Department of Commerce are eligible for up to \$6 million. Loans are for a two-year term and may be renewed for three additional terms in accordance with guidelines of the State Treasurer's office. In Enterprise Zones, loans may be for three years with a three-year renewal and a two-year renewal. In Priority Enterprise Zones, loans may be for five years with a three-year renewal.

10. Oklahoma Capital Access Program

For more information contact the Oklahoma Capital Investment Board by phone at (405) 848-9456.

The Oklahoma Capital Investment Board manages this easy-to-use economic service that encourages additional business lending activity. It provides a "credit insurance" reserve for Oklahoma banks through a fee-matching arrangement for loans enrolled in the program. It gives banks additional resources to finance economic development and community reinvestment activities.

11. Oklahoma Export Finance Program

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5143 or by email at rana_steeds@odoc.state.ok.us.

The Oklahoma Department of Commerce works with Oklahoma firms by identifying financing options for exports. Assistance is available through a relationship with the Export-Import Bank of the United States (Ex-Im Bank) to facilitate export financing with working capital guarantees, credit insurance and foreign buyer financing.

12. Small Business Loan Guarantees

(15 U.S.C. § 632 et seq.)

For more information contact the U.S. Small Business Administration at 1-800-U-ASK-SBA or visit www.sba.gov.

The U.S. Small Business Administration offers numerous loan programs to assist small businesses. Under the guaranty concept, commercial lenders make and administer the loans. The business applies to a lender for their financing. The lender decides if they will make the loan internally or if the application has some weaknesses that, in their opinion, will require an SBA guaranty. The guaranty that SBA provides the lender gives them the assurance the Government will reimburse the loan, up to a percentage; in the event the borrower defaults.

Although there are fees associated with SBA guaranteed loans, Oklahoma is one of the few states in the country that allows small business owners to claim a tax credit equal to the guaranty fee.

B. TECHNOLOGY ASSISTANCE

1. Technology Partnerships

(70 O.S. §§ 3206.3 et seq. and Art 10, §§ 14 and 15 of the Oklahoma Constitution)

For more information contact the following staff at Oklahoma's universities:

*Dr. J.W. Alexander, Interim V.P. for Research, **Oklahoma State University** - Technology Transfer Office by phone at (405) 744-6930 or Cindy Malayer by email at Mcindy@okstate.edu.*

*Dan Davis, **University of Oklahoma** - Office of Technology Development by phone at (405) 325-3800 or by email at dgdavis@ou.edu.*

*Al Soltow, **University of Tulsa** by phone at (918) 631-2766 or by email at allen-saltow@utulsa.edu.*

Extensive research in information security, laser technology, robotics, biotechnology, food production, materials modification, energy, medicine, meteorology and aerospace at Oklahoma's universities helps Oklahoma businesses bring innovative products and services to the world marketplace. Constitutional changes and legislation enables transfer of technologies more readily from universities to the private sector. Applied research on technologies developed by private business may be performed in partnership with research universities. Such institutions may enter into collaborative arrangements with industry that facilitate commercial development. Each university develops its own policies and processes for these activities.

2. The Oklahoma Technology Commercialization Center (OTCC)

(74 O.S. §§ 5060.20 [a][b])

For more information contact the Oklahoma Technology Commercialization Center by phone at (405) 235-2305 or by email at greg_main@otcc.org.

The Oklahoma Technology Commercialization Center works with Oklahoma companies, inventors, researchers, and entrepreneurs to turn technological innovations into exceptional business opportunities for Oklahoma. The organization provides, directly or by referrals, statewide access to the specialized business development services that are required to take new technologies from concept to market. They also work closely with technology development, technology transfer and economic development professionals in both the public and private sectors to expand the technology base in Oklahoma.

3. Basic And Applied Research And Technology Programs

(74 O.S. §§ 5060.1 et seq.)

For more information contact OCAST by phone at (405) 524-1357 or EPSCOR by phone at (405) 744-9990. Visit www.ocast.state.ok.us for details.

The Oklahoma Center for the Advancement of Science and Technology (OCAST) supports basic and applied research and technology programs through matching grants. Also contact the Oklahoma Experimental Program to Stimulate Competitive Research (EPSCOR) within the Office of the Regents for Higher Education.

4. Oklahoma Institute Of Technology

(74 O.S. §§ 5060.3 et seq.)

For more information contact OCAST by phone at (405) 524-1357.

The Institute participates with universities and investors to cause creation of technology businesses in Oklahoma. It has programs aimed at bringing more research funding to high technology projects.

C. VENTURE CAPITAL

1. Oklahoma Capital Investment Board

(74 O.S. § 5085.1)

For more information contact the Oklahoma Capital Investment Board by phone at (405) 848-9456.

Through its venture capital program, the Oklahoma Capital Investment Board (OCIB) facilitates investment in venture capital companies that focus on investing in quality Oklahoma companies. To date \$41.3 million in OCIB funds have been committed to 11 venture capital firms. These investments are in:

- Ventures Medical II, a \$14 million firm specializing in early stage, technology-based medical companies.
- Richland Ventures, a \$50 million fund specializing in later stage services companies.
- Intersouth Partners III, a \$27 million seed capital investor in both technology and non-technology companies.
- Davis, Tuttle Venture, Partners, a \$45 million fund investor in basic industries.
- Chisholm Private Capital Partners, an \$11.3 million opportunistic fund.

- Richland II, a later stage \$89 million fund.
- Pacesetter Growth Fund, a \$41 million later stage fund investor focused on businesses that are owned/led by minorities.
- Rocky Mountain Mezzanine Fund II, a \$120 million mezzanine and equity investment fund specializing in later-stage, low technology companies.
- Dolphin Communications Fund II, a \$146 million fund focused on start-up to early stage communications companies.
- Tullis-Dickerson Capital Focus III, a healthcare focused fund currently capitalized at \$87 million.
- Emergent Technologies Oklahoma, a seed stage, technology focused fund targeting \$3-5 million in commitments.

2. Quality Jobs Investment Program

(74 O.S. § 5062.8A)

For more information contact the Oklahoma Development Finance Authority by phone at (405) 842-1145.

The Quality Jobs Investment Program encourages the growth of equity and near equity-capital (e.g. warrants or convertible subordinated debt) for Oklahoma businesses. Under the program, the Oklahoma Development Finance Authority can match dollar for dollar an investment enterprise's private capital for helping new and expanding businesses. An investment enterprise includes any corporation, limited partnership or similar business entity, including entities qualifying as Small Business Investment Companies under applicable federal law. The primary function of the Quality Jobs Investment Program is to use private and public resources to build a more comprehensive and efficient financing infrastructure for businesses expanding or relocating in the State of Oklahoma.

D. INFRASTRUCTURE

1. Community Development Block Grants (CDBG)

For more information contact the Oklahoma Department of Commerce, Office of Community Development, by phone at (405) 815-5356.

Non-entitlement cities, towns and counties may apply for grants and or grants/loans toward the creation of jobs for targeted income groups. Local units of government apply to the Oklahoma Department of Commerce on behalf of a business. The use of the CDBG resources is for the development of publicly-owned infrastructure that is directly related to the business location or expansion. Projects financed through CDBG must create one new job for each \$10,000 of investment by CDBG. Projects may be funded up to a maximum of \$500,000 through a loan/grant combination. The first \$100,000 may be in the form of a grant and the remaining amount, up to \$400,000, in the form of a loan.

E. WORKFORCE ASSISTANCE

1. Advanced Degree Programs

For more information contact Sid Hudson, Vice Chancellor for System Advancement and Economic Development, Oklahoma State Regents for Higher Education, by phone at (405) 225-9100.

Oklahoma's Higher Education system includes 25 colleges and universities. Associate, bachelor's and advanced degree programs are tailored on an ongoing basis to respond to business and industry needs.

In addition, Oklahoma colleges and universities have established numerous alliances and partnerships with business and industry to ensure that Oklahoma graduates are prepared to compete in

today's job market. New funds provide universities within Oklahoma's higher education system opportunities to develop programs for workforce training for fast-changing, high-paying job fields, to build expertise in targeted knowledge-based industries and to transfer research to the marketplace.

2. Labor Surveys

For more information contact the Oklahoma Department of Commerce by phone at (405) 815-5144. Visit www.locateok.com to learn if an area has been surveyed and, if so, to obtain a copy.

The Center for Economic and Management Research is developing labor surveys in partnership with Oklahoma's local economies and the Oklahoma Department of Commerce. Local economies are communities and unincorporated areas within a commute area to specific communities. Unemployed, as well as underemployed persons, are included in the surveys.

3. Job Matching

For more information contact the Oklahoma Employment Security Commission by phone at (405) 557-5317.

The Oklahoma Employment Security Commission (OESC) provides computerized and customized assistance to serve the needs of employers and job seekers. There is no cost to business for screening and referrals of qualified job applicants by job service specialists.

4. Workforce Investment Act

For more information contact Terry Watson, of the Oklahoma Employment Security Commission, by phone at (405) 557-7294 or by email at terry.watson@oesc.state.ok.us.

The passage of the Workforce Investment Act (WIA) of 1998 represents the nation's attempt to align the delivery of employment and training programs in a one-stop environment with services for employers and job seekers. The Oklahoma Employment Security Commission (OESC) and Local Workforce Investment Boards (LWIB) are working together to stay responsive to changing needs in local economies.

Oklahoma has established twelve Workforce Investment Areas under the Act, each administered by a LWIB made up of business representatives and local elected officials to oversee the One Stop Career Centers in their areas, ensuring that the local needs of business and job seekers are met. Oklahoma's boards and contacts are available on the web site, www.workforceok.org.

If your business is new to Oklahoma, considering Oklahoma, or expanding in Oklahoma, you will want to contact your nearest Career Center for assistance in hiring new people, tax credit programs, assessment, training and education, unemployment insurance, etc. The toll-free phone number to locate the nearest center is 1-888-840-WORK.

OESC also administers funds for training Oklahoma's current workforce. Incumbent Worker funds are awarded to businesses yearly and their purpose is to enhance the job skills of currently employed Oklahomans. Contact information is on the OESC website, www.oesc.state.ok.us.

5. Partial Unemployment Benefits Program

(OESC rule 240:10-3-24)

*For more information contact the Oklahoma
Employment Security Commission by phone at
(405) 557-5317.*

Oklahoma permits payments of partial benefits for a reduced workweek in order to retain workers until they return to full time.

VIII ORGANIZATIONAL COSTS AND TAXES

A. OKLAHOMA BUSINESS ORGANIZATIONAL COSTS

1. Domestic Corporations

(18 O.S. §§ 1001 et seq)

Corporations organized in Oklahoma must file a Certificate of Incorporation with the Secretary of State. A filing fee of one-tenth of 1% per total authorized capital stock is required. The minimum filing fee is \$50.

Corporations may check on the availability of a name by contacting the Secretary of State's office. A name may be reserved for a period of 60 days by filing an application for Reservation of Name with the Secretary of State and paying a fee of \$10.

Corporations must maintain a registered office and registered agent whose address is identical to the registered office address. The agent may be an individual, a domestic corporation, which may be itself, or a foreign corporation authorized to transact business in Oklahoma. The Secretary of State may also serve as the registered agent for a fee of \$100.

2. Foreign Corporations

(18 O.S. §§ 1130, 1131, 1135)

Generally, in order to qualify to do business in Oklahoma, a foreign corporation must file two signed Certificates of Qualification with the Secretary of State. Also, a certificate issued by an authorized office of the jurisdiction of its incorporation evidencing its corporate existence must be filed with the Secretary of State. If the certificate is in a foreign language, a translation must be attached.

A filing fee of \$1 per \$1,000 on the total authorized capital or on the amount of capital to be invested in Oklahoma during the current fiscal year is required for profit corporations. If the invested capital is more than the total authorized capital, corporations pay only on that authorized. The minimum filing fee is \$300. The filing fee for a nonprofit corporation is \$300.

Oklahoma law requires the Secretary of State to be the primary registered agent for foreign corporations. An additional agent may be appointed for service of process. The additional agent must be either an individual residing in Oklahoma when appointed or another legal entity authorized to transact business in Oklahoma. A service agent fee of \$100 per year is due upon qualification and with the annual franchise tax return each year thereafter. The fee is payable to the Oklahoma Tax Commission.

3. Limited Liability Companies (LLCs)

(18 O.S. §§ 2000 et seq.)

LLCs may conduct any lawful business in Oklahoma except banking or domestic insurance. One or more persons may form an LLC by filing Articles of Organization with the Secretary of State. A filing fee of \$100 is required.

LLCs must maintain a principal office and a registered agent within the State. An annual fee of \$40 must be paid to the Secretary of State for acting as a registered agent. Foreign LLCs may register with the Secretary of State by filing an application for registration and paying a filing fee of \$300.

4. Limited Liability Partnerships (LLPs)

(54 O.S. §§ 54-1-1002 et seq.)

Oklahoma has provisions for general partnerships and for Limited Liability Partnerships that may be formed by filing a Statement of Qualification with the Secretary of State. Filing fees vary but do not exceed \$100.

5. Business Licenses

(74 O.S. § 5058.4)

The Oklahoma Department of Commerce assists businesses in identifying state licenses and permits needed for establishing or engaging in business in Oklahoma. Where feasible, staff will respond to questions about local and federal requirements. The services are optional; as any person may deal directly with the issuing agency.

B. MAJOR BUSINESS TAXES AND PREMIUMS

1. Individual State Income Tax

(68 O.S. §§ 2355, 2358)

Generally, Oklahoma taxable income is initially defined by Internal Revenue Code, and applies to income resulting from property owned and business done in Oklahoma. Rates vary from 0.5% on the first \$1,000 of taxable income to 7% on that income in excess of \$16,000. A personal exemption of \$1,000 is allowed. The standard deduction is 15% with a minimum of \$1,000 and maximum of \$10,000.

- Oklahoma recognizes an automatic extension granted by the Internal Revenue Service. A copy of that extension request should be attached to the Oklahoma return. A taxpayer may request original or additional extension on form 504. A corporation may request an extension of up to one month in excess of the federal extension.
- Generally, tax estimate payments are due quarterly or as specified on vouchers: April 15, June 15, September 15 and January 15; however, if the tax return is filed and payment made by January 31, the January 15 payment does not have to be made.
- Taxpayers with Oklahoma taxable income of at least \$1 million in one of three preceding years may annualize estimates as is allowed in the Internal Revenue Code on federal taxable income.
- Withholding reports from businesses are due weekly, monthly, (large companies) or quarterly (small companies). Every employer owing an average of \$100,000 or more per month shall make deposits semi-weekly in accordance with federal schedules. Employers owing an average of \$10,000 but less than \$500 must pay monthly. Less than \$500 pays quarterly.

3. General Property (Ad Valorem) Tax

(68 O.S. § 2801 et seq.)

Property tax rates in Oklahoma are among the lowest in the United States. The tax is collected by county governments. There is no state property tax. The average effective tax rate for locally assessed property is about 1% of the value of the property. The average effective tax rate is determined by the amount of tax divided by the market value. Property taxes are stable in Oklahoma. In 1996, Oklahoma limited the amount of fair cash value that can be increased from year to year to 5%. Transfers or improvements, however, are separately taken into account.

About two-thirds of the property tax is used for the support of local schools, with lesser portions going to county government, cities, career technical schools, junior colleges, health departments, libraries and emergency medical service districts.

Inventories are valued according to the average amount on hand during the preceding year, or the average amount on hand during such part of the preceding year the inventory was at its January 1 location.

The assessment procedure involves:

- A determination of the fair cash value.
- The application of a uniform assessment percentage to determine the assessed value.
- The application of the total mill levy by all eligible local taxing units, applicable to all property at its location to determine the amount of tax.

Example:

	\$100,000 Property Value	
x	11% Assessment	
	=	\$11,000 Assessed
	\$11,000 Assessed Value	
x	0.08 Mileage Rate (\$0.08 x \$11,000)	
	=	\$880 Tax Due

The Constitution of the State of Oklahoma requires uniform methods of determining fair cash value and requires the County Assessor to apply the same percentage of assessment to all like property in the county to determine assessed values. All real property in the State is required to be inspected at least once every four years.

The percentage of assessment, which a County Assessor may select and apply to all real property in the county, must be at least 11% and not more than 13.5%. Personal property must be assessed at not less than 10% and not more than 15%.

An in-lieu vehicle stamp tax on aircraft, new vehicles, automobiles, trucks, manufactured homes, travel trailers, motor homes, boats and boat motors exempts dealers' inventories and certain farm equipment from the personal property tax (68 O.S. § 2805).

Property taxes are due and payable on November 1. If one-half of the tax is paid on or before January 1, the remaining one-half may be paid any time until April 1 without accruing interest. Mortgagees paying taxes on behalf of mortgagors must pay the entire tax no later than December 31.

Taxable personal property, including business inventory, must be listed with the County Assessor on or before March 15 of each year. Exemption applications from real, personal and inventory property tax must be filed by this date.

4. Unemployment Compensation Tax

(40 O.S. §§ 1-101 to 9-104)

For more information and changes contact the rate department at the Oklahoma Employment Security Commission by phone at (405) 557-7141.

- Oklahoma statutes set out the methods for figuring amounts of contributions to be paid to the Unemployment Compensation Fund by employers.
- Employer contribution rates are recalculated annually. By March 31 of each year, the Oklahoma Employment Security Commission (OESC) notifies every employer of its contribution rate. The rate will remain the same for the entire calendar year if there are no changes in the status of the account. The employer can file a written request for review of its rate with in 20 days of mailing of the notification. A Commission review order may be appealed to District Court.

- A new employer with no unemployment insurance experience shall pay contributions at a rate of 1% of taxable wages for the calendar year 2004. The new employer rate can change annually, and it is based on an average of all contribution rates of state employers, with the minimum new employer rate being 1%.
- Generally, each employer with two or more years of experience is assigned an earned rate. The earned rate is based on the employer's experience by calculating a benefit wage ratio and two statewide factors known as the state experience factor and the conditional factor.
- The benefit wage ratio is a ratio of the benefit wage charges made against an employer account divided by the employer's taxable payroll for the preceding three years on which taxes have been paid by January 31 of the rate year.
- The state experience factor is the ratio of the total unemployment benefits paid in Oklahoma to the total benefit wages of all employers in the State for the preceding calendar year. The conditional factor is the ratio of the five-year average of total unemployment benefits paid in Oklahoma to the Trust Fund balance for the State.
- There are tables found at 40 O.S. § 3-109 that list a range of state experience factors next to a range of possible employer's benefit wage ratios. Once the benefit wage ratio, the state experience factor and the conditional factor are calculated, an employer's earned rate can be determined if the fund is in "no condition" by consulting the table. If the fund is in conditions A, B, C, or D, the corresponding increase in rates can be found in 40 O.S. § 3-113.
- The taxable wage base is determined as a percentage of the state's average annual wage. This figure changes annually and represents

the amount of wages that are to be taxed per employee. In the year 2004, the taxable wage base is \$14,300. Each employer is to report all wages on its quarterly report forms, but taxes are paid at the assigned rate only up to the amount of the taxable wage base on each employee.

- A successor or acquiring employer is one that meets the terms of 40 O.S. § 3-111 and regulations of the OESC. To become a successor, an employer or business entity must substantially acquire one or all of the trade, organization, business or assets of another employer and continue the operations of that predecessor employer as an ongoing business. If this occurs, the successor shall acquire the rating account of the predecessor employer, including the predecessor's actual contribution and benefit experience, annual payrolls and contribution rate.

5. Annual Corporate Franchise Tax

(68 O.S. §§ 1201 et seq.)

Base: Capital employed within the State Capital includes the outstanding capital stock, surplus and undivided profits, plus any evidence of indebtedness maturing more than three years after issuance. Borrowed capital, evidenced by notes maturing within three years from date of issuance, is not included in the tax base. If business is transacted outside Oklahoma, or if there are assets located outside Oklahoma, capital employed is allocated to Oklahoma on the basis of the percentage that assets and business done in Oklahoma bear to the total assets and business done everywhere.

Rate: \$1.25 per \$1,000 of capital employed in Oklahoma; minimum tax \$10; maximum tax \$20,000. Initial organization fees are in lieu of franchise tax for the fiscal year in which a Certificate of Incorporation or a Certificate of Qualification is issued. Title 18 O.S. § 1022 requires all foreign or domesticated corporations to retain

the Secretary of State as their Oklahoma registered agent. The annual fee for this service is \$100 and is remitted to the Oklahoma Tax Commission with the franchise tax return.

The Franchise Tax returns for all corporations become due July 1 or the date of the income tax year of the taxpayer, and is considered delinquent September 1, or the date the income tax return of taxpayer becomes delinquent.

6. Workers' Compensation Insurance

For more information and forms contact the Workers' Compensation Court by phone at (405) 522-8600.

Oklahoma's workers' compensation system is governed by the body of law found in Title 85 of the Oklahoma Statutes. That law provides for medical indemnity and rehabilitation benefits to injured workers.

The law is administered by the Oklahoma Workers' Compensation Court. Claimants may request a hearing before a judge or may settle without a trial. Appeals from a trial judge's ruling may be made to the Court En Banc, then to the Oklahoma Supreme Court. The Court Administrator's responsibilities include the regulation of all self-insurance and the application of the Schedule of Medical Fees.

Generally, coverage is mandatory for all employers with a few exceptions. Coverage for workers' compensation can be obtained by securing coverage from (1) a private carrier; (2) CompSource (a State agency that must offer the insurance); or (3) by obtaining approval from the Workers' Compensation Court to self-insure if a company meets the following qualifications:

- Have a \$1 million annual payroll for the preceding three years;
- Have at least 100 workers;

- Have continuously engaged in business for at least five years; and
- Have shareholders' equity of at least \$500,000.

The Workers' Compensation Court implemented a strengthened workers' compensation reform package targeted to reduce costs and improve the system. This includes an advocacy program, voluntary mediation system, optional workplace medical plans, mandatory safety plans, medical and legal fee limitation, expanded Independent Medical Examiner (IME) authority, expanded court efficiencies, broadening fraud definition and revised benefit payment procedures.

7. Retail Sales And Use Tax

(68 O.S. §§ 1350 et seq. and 1401 et seq.)

Base Sales Tax: Gross proceeds or gross receipts from sales of tangible personal property and a few enumerated services to consumers or users.

Use Tax: Purchase price of tangible personal property purchased outside the State of Oklahoma for use and/or consumption within the State by the purchaser.

Rate: A 4.5% sales tax and use tax is levied by the State. Municipalities may levy an additional city sales tax by vote of the people. Counties may levy a county sales tax not to exceed 2% after voter approval. The governing body of a municipality or county levying a sales tax may also levy use tax at a rate that does not exceed the sales tax rate on tangible personal property purchased that is brought into the municipality or county.

For vendors with an average tax due of \$2,500 per month, sales tax reports are due the 20th day of the month for sales during the first half of the month. For sales occurring during the second half of the month, sales tax reports are due on the 20th of the month following the sales – reports are delinquent if not received on that date. Ex-

cept for vendors of certain building materials, vendors who reported an average of \$2,500 per month in the prior fiscal year must participate in the Oklahoma Tax Commission's electronic funds transfer and electronic data interchange program. If good faith payments are made, as described in section 365 of Title 68, a taxpayer is considered to be in compliance. Direct pay permits may be obtained by those making purchases in excess of \$800,000 annually.

Oklahoma has signed the Streamlined Sales and Use Tax Administration Agreement.

IX APPENDIX

I. INCENTIVE OVERVIEW CHART

For manufacturers and certain types of service companies (research, development and computer services), Oklahoma offers two options. Companies may choose either the Quality Jobs cash-back program, or the Investment or New Jobs income tax credit package. Ad valorem exemptions are available for capital investments made by certain types of companies provided that qualified investment exceeds \$250,000 within the calendar year and the company complies with certain payroll

thresholds. The package may include a refund of sales taxes paid for construction materials by manufacturers. Incentives are also available for investment in equipment to curtail hazardous waste and in conversion of vehicles to clean burning motor fuel. For most service companies, the cash-back program is the primary incentive. Training costs are generally covered for industries making a significant contribution to the number and quality of Oklahoma jobs.

Benefits You Should Review for:	1. Cash Payments Quality Jobs	2. High Impact Cash Payments	3. Small Employer Cash Payments	4. Investment New Jobs Income Tax Credit	5. Sales Tax Refunds	6. Ad Valorem Exemptions	7. Training for Industry	8. Inventory Tax Exemption	9. Sales Exemptions
Large Manufacturers \$2.5 Million New Payroll	✓ Unless Taking #4 or 5			✓ Unless Taking #1	✓ Unless Taking #1	✓	✓	✓	✓
Medium-Size Manufacturers \$1 Million New Payroll		✓ Unless Taking #4 or 5		✓ Unless Taking #2	✓ Unless Taking #2	✓	✓	✓	✓
Small Business-Manufacturers 90 or less Employees at application			✓	✓ Unless Taking #3		✓	✓	✓	✓
Aircraft Maintenance	✓ Unless Taking #2, 3, 4 or 5	✓ Unless Taking #1, 3, 4 or 5	✓ Unless Qualifying for #1 or 2	✓ Unless Taking #1, 2 or 3	✓ Unless Taking #1, 2 or 3	✓	✓	✓	Repair Parts
Computer Services or Data Processing	✓	✓ Unless Qualifying for #1	✓ Unless Qualifying for #1 or 2		✓ Unless Taking #1, 2, 3 or 9	✓	✓	✓	✓
Research and Development	✓	✓ Unless Qualifying for #1	✓ Unless Qualifying for #1 or 2		✓ Unless Taking #1, 2, 3	✓	✓	✓	Refunds Only
Large Service Companies \$2.5 Million New Payroll	✓					✓	✓		
Small Business Service Companies		✓	✓ Unless Qualifying for #2				✓	✓	

This information is for planning purposes only. Generally, the Oklahoma Tax Commission determines when tax incentives apply.

2. BUSINESS INCENTIVE ANALYSIS EXAMPLES

Example A - Electronic Components: (Sic 367) (NAICS 33441) • \$30 million investment 650 jobs • Salary \$26k/year

	Expected	Length
1a Quality Jobs	\$6,659,090	10 years
1b Alternative to Quality Jobs		
– Investment/Jobs Tax Credit	\$1,543,750	20 years
– Sales Tax Reimbursements on Construction Materials	\$213,750	One-Time
2 Five-Year Property Tax Exemption	\$1,196,758	Five Years
3 Sales Tax Exemption on Machinery and Equipment	\$1,603,125	One-Time
4 Freeport Tax Exemption	\$72,222	Annual
5 Sales Tax Exemption on Goods Consumed in Mfg. Process	\$3,412,500	Annual
6 Sales Tax Exemption on Energy Use in Mfg. Process	\$97,500	Annual
<u>Estimated Total Value of Incentives Over 10 Years</u>		
*With 1a, Quality Jobs Cash Incentive	\$45,281,195	
*With 1b, Investment Tax Credit Package	\$40,379,605	

Example B - Data Processing Company: (Sic 7374) (NAICS 51421) • \$20 million investment 3,000 jobs • Salary \$25k/year

	Expected	Length
1a Quality Jobs	\$25,853,263	10 years
1b Alternative to Quality Jobs		
– Investment/Jobs Tax Credit	Not Eligible	20 years
– Sales Tax Reimbursements on Construction Materials	Not Eligible	One-Time
2 Five-Year Property Tax Exemption	\$679,250	Five Years
3 Sales Tax Exemption on Machinery and Equipment	\$890,625	One-Time
4 Freeport Tax Exemption	Not Eligible	Annual
5 Sales Tax Exemption on Goods Consumed in Mfg. Process	Not Eligible	Annual
6 Sales Tax Exemption on Energy Use in Mfg. Process	Not Eligible	Annual
Estimated Total Value of Incentives Over 10 Years	\$27,095,809	

Example C - Fabricated Metal Products: (Sic 3442) (NAICS 33232) • \$1.5 million investment/75 jobs • Salary \$24k/year

	Expected	Length
1. Investments/Jobs Tax Credit (Location in Enterprise Zones)	\$356,250	20 years
2 Five-Year Property Tax Exemption	\$61,445	5 years
3 Sales Tax Exemption on Machinery and Equipment	\$69,400	One-Time
4 Freeport Tax Exemption	\$7,823	Annual
5 Sales Tax Exemption on Goods Consumed in Mfg. Process	\$396,00	Annual
6 Sales Tax Exemption on Energy Use in Mfg. Process	\$72,000	Annual
Estimated Total Value of Incentives Over 5 Years	\$2,558,634	

Local Economic Development Participation

- Financed equipment purchase through industrial authority.
- Provided a reduced rate on building lease.
- City provided free water/sewer hookups.
- Assisted with the coordination of Training for Industry program, tax exemption processes, etc.

3. CORPORATE INCOME/SALES TAX RATES (STATE BY STATE)

Oklahoma's overall business and personal tax burden is relatively low when compared to the rest of the country. The corporate income tax is 6% of federal taxable income; the State sales tax rate is 4.5%. When comparing the maximum corporate tax and sales tax rates of all 50 states, Oklahoma ranks in the bottom third.

The following shows a comparison of U.S. state corporate income and sales tax rates.

4. CORPORATE INCOME TAX OVERVIEW

The following discussion of taxes and tax rates is a general outlining of the primary taxes applicable to corporate businesses conducted in Oklahoma at the time of this publication. It should not be relied upon as a complete guide to all taxes, exemptions and rates applicable to individual corporations or business operations. It is generally advisable to review corporate operations with a tax specialist to determine the rate and application of taxes to be paid by a specific corporation or business.

Federal Taxes: All taxes imposed by the federal government are applicable throughout the U.S. All employers are subject to three major taxes:

- Corporate Income Tax - on net income.
- Social Security Tax - payable on each employee's earnings.
- Unemployment Tax - on wages paid to each employee.

Currently the maximum federal corporate tax on net incomes is 34%. The maximum Oklahoma corporate tax on net income is 6% of the portion of corporate income earned in Oklahoma.

State	Corporate Tax Rate	Sales Tax Rate
Alabama	6.50%	4.00%
Alaska	1.00-9.40%	(Local Only)
Arizona	6.98%	5.60%
Arkansas	1.00-6.50%	5.125%
California	8.84%	7.25%
Colorado	4.63%	2.90%
Connecticut	7.50%	6.00%
Delaware	8.70%	None
District of Columbia	9.975%	5.75%
Florida	5.50%	6.00%
Georgia	6.00%	4.00%
Hawaii	4.40%-6.40%	4.00%
Idaho	7.60%	5.00%
Illinois	7.30%	6.25%
Indiana	7.90%	5.00%
Iowa	6.00-12.00%	5.00%
Kansas	4.00%*	5.30%
Kentucky	4.00-8.25%	6.00%
Louisiana	4.00-8.00%	4.00%
Maine	3.50%-8.93%	5.00%
Maryland	7.00%	5.00%
Massachusetts	9.50%	5.00%
Michigan	2.10%	6.00%
Minnesota	9.80%	6.50%
Mississippi	3.00-5.00%	7.00%
Missouri	6.25%	4.225%
Montana	6.75%	None
Nebraska	5.58%-7.81%	5.00%
Nevada	None	6.50%
New Hampshire	8.50%	None
New Jersey	9.00%	6.00%
New Mexico	4.80%-7.60%	5.00%
New York	7.50%	4.00%
North Carolina	6.90%	4.50%
North Dakota	3.00-10.50%	5.00%
Ohio	5.10-8.50%	5.00%
Oklahoma	6.00%	4.50%
Oregon	6.60%	None
Pennsylvania	9.99%	6.00%
Rhode Island	9.00%	7.00%
South Carolina	5.00%	5.00%
South Dakota	None	4.00%
Tennessee	6.00%	6.00%
Texas	4.50%**	6.25%
Utah	5.00%	5.75%
Vermont	7.00-9.75%	5.00%
Virginia	6.00%	4.50%
Washington	None	6.50%
West Virginia	9.00%	6.00%
Wisconsin	7.90%	5.00%
Wyoming	None	4.00%

*3.35% Surtax on over \$50M
**4.5% Franchise or Gross Receipts Tax

Source: January 2001 Federation of Tax Administrators

Oklahoma State Income Taxes:

- Corporate Income Tax - on income received for business transacted within the state.

The portion of corporate income earned in Oklahoma and therefore subject to the 6% tax is determined by a Three Factor formula.

$$\begin{aligned}
 & \text{Property in Oklahoma Per Federal Income Tax} \\
 + & \text{ Payroll in Oklahoma Per Federal Income Tax} \\
 + & \text{ Sales in Oklahoma Per Federal Income Tax} \\
 = & \text{ Oklahoma Apportionment \% of Income}
 \end{aligned}$$

Oklahoma corporate tax liability is usually arrived at by giving equal weight to property, payroll and sales within Oklahoma. However, the sales factor for corporations having capital investment in Oklahoma in a project of \$200 million or more is 50% of the apportionment while property and payroll are each 25%.

The Oklahoma apportioned percentage of income is then multiplied by the corporation’s reported net federal taxable income (after Oklahoma adjustments) to determine the Oklahoma taxable income. This figure is then multiplied by the 6% Oklahoma corporate income tax rate to determine the Oklahoma tax.

Oklahoma Tax Formula

- (1) Oklahoma net income apportioned percentage from the Three-Factor Formula
↓
- (2) Oklahoma taxable reported after Oklahoma adjustments
↓
- (3) 6% income
↓
- (4) Oklahoma corporate income tax rate
↓
- (5) Oklahoma income tax

The Oklahoma Legislature passed SB 1415 requiring a portion of the bonus depreciation permitted pursuant to the federal Job Creation and Worker Assistance Act to be added back and then re-claimed in a later year for Oklahoma income tax purposes.

80% of the bonus depreciation taken on the federal return must be added to Oklahoma taxable income in Oklahoma’s return. However, the bonus may be fully recovered in Oklahoma over the next four years. (68 O.S. § 2358.6)

The following is a corporate tax example assuming the facts as set out:

- Manufacturing company “A” in Oklahoma with a sales office in another state.
- The company has an income of \$1 million.
- After adjustments the company reports a federal taxable income of \$500,000.
- Three-Factor Formula:
 - A. Property in Oklahoma is 95% of Total USA Property
 - B. Payroll in Oklahoma is 85% of Total USA Payroll
 - C. Sales in Oklahoma are 10% of Total USA Sales

$$\frac{A+B+C}{3} = \frac{95\% + 85\% + 10\%}{3} = \frac{190}{3} = 63\frac{1}{3}$$

Three-Factor Formula:	63⅓%
x Reported Federal Income:	x \$500,000
= Oklahoma Taxable Income:	= \$316,650
	<i>(Less Oklahoma Adjustments)</i>

Oklahoma Taxable Income:	\$316,650
x Oklahoma Income Tax Rate:	x 6%
= Oklahoma Income Tax:	= \$18,999

5. RIGHT-TO-WORK CONSTITUTIONAL PROVISION

This constitutional amendment was voted into Oklahoma's Constitution in 2001.

Article 13, Section 1A reads as follows:

A. As used in this section, "labor organization" means any organization of any kind, or agency or employee representation committee or union, that exists for the purpose, in whole or in part, of dealing with employers concerning wages, rates of pay, hours of work, other conditions of employment, or other forms of compensation.

B. No person shall be required, as a condition of employment or continuation of employment, to:

1. Resign or refrain from voluntary membership in, voluntary affiliation with, or voluntary financial support of a labor organization;
2. Become or remain a member of a labor organization;
3. Pay any dues, fees, assessments, or other charges of any kind or amount to a labor organization;
4. Pay to any charity or other third party, in lieu of such payments, any amount equivalent to or pro rata portion of dues, fees, assessments, or other charges regularly required of members of a labor organization; or
5. Be recommended, approved, referred, or cleared by or through a labor organization.

C. It shall be unlawful to deduct from the wages, earnings, or compensation of an employee any union dues, fees, assessments, or other charges to be held for, transferred to, or

paid over to a labor organization unless the employee has first authorized such deduction.

D. The provisions of this section shall apply to all employment contracts entered into after the effective date of this section and shall apply to any renewal or extension of any existing contract.

E. Any person who directly or indirectly violates any provision of this section shall be guilty of a misdemeanor.

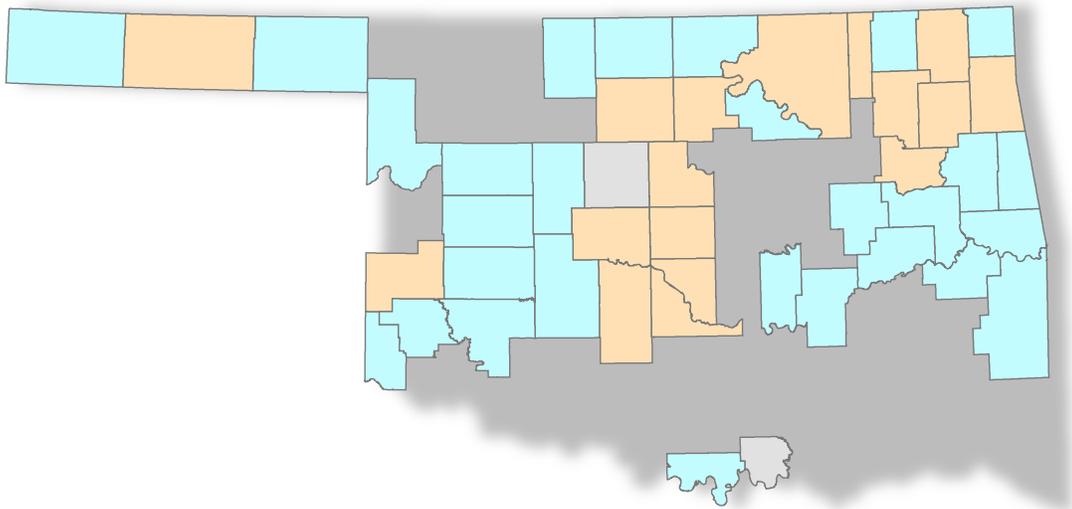
6. ENTERPRISE ZONES

(62 O. S. § 690.1 et seq.)

For more information contact the Oklahoma Department of Commerce by phone at (800) 588-5959 or (405) 815-5184; or by email at info@odoc.state.ok.us. Visit www.locateok.com for updates.

Enterprise Zones can be designated in disadvantaged counties, cities or portions of cities. These Enterprise Zones provide extra incentives for business. Double the Investment / New Jobs Tax Credit is allowed, and low interest loans may be made available through enterprise district loan funds. Local communities may exempt local taxes for six years (instead of five) for qualifying businesses that are also in Incentive Districts (62 O.S. § 860). Small Linked Deposit Loans may be for longer terms (62 O.S. §§ 88. 1A et seq). The enterprise district management authorities created in some enterprise districts are empowered to establish venture capital loan programs and to solicit proposals from enterprises seeking to establish or expand facilities in the Enterprise Zones. By statute, funds for these programs would come from the issuance of general obligation bonds by the district involved. These loans can be for up to 100% of the estimated cost of the building and equipment.

The Oklahoma Department of Commerce designates enterprise zones and publishes lists of eligible counties, cities and census tracts.



A. The Oklahoma Local Development and Enterprise Zone Incentive Leverage Act

(62 O.S. § 840 et seq.)

Enterprises locating within an Enterprise Zone and an incentive district may qualify for State matches of local sales tax exemptions and ad valorem tax exemptions. The State match on local sales tax exemptions is in the form of a state sales tax reimbursement, and income tax credits are provided as a match on qualifying ad valorem exemptions. These local and state incentives are available for up to six years, however, an enterprise cannot receive more than \$200,000 aggregate value in state payments and credits in any one year.

There are also aggregate eligibility limitations based on county population. Counties with less than 100,000 population can qualify for up to \$20 million of aggregate investment for state matches. In no county can more than \$40 million of investment be eligible for the state incentive match. Investment must be made prior to 2004 for existing zones/ districts. Investment must be made before 2005 for districts created between July 1, 2000 and July 1, 2003. Tax credits may be carried forward 10 years.

DESIGNATED ENTERPRISE ZONES

Partial County

Beckham	Garvin	Osage
Bryan	Grad	Payne
Canadian	Kingfisher – Non	Pontotoc
Carter	Logan	Pottawatomie
Cleveland	McClain	Rogers
Craig	Marshall – Non	Texas
Creek	Mayer	Tulsa
Delaware	Noble	Wagoner
Garfield	Oklahoma	Washington

Entire County

Adair	Harmon	Muskogee
Alfalfa	Harper	Nowata
Atoka	Haskell	Okfuskee
Beaver	Hughes	Okmulgee
Blaine	Jackson	Ottawa
Caddo	Jefferson	Pawnee
Cherokee	Johnston	Pittsburg
Choctaw	Kay	Pushmataha
Cimarron	Kiowa	Roger Mills
Coal	Latimer	Seminole
Comanche	Le Flore	Sequoyah
Cotton	Lincoln	Stephens
Custer	Love	Tillman
Dewey	McCurain	Washita
Ellis	McIntosh	Woods
Grant	Major	Woodward
Greer	Murray	

Partial City

Altus	Fairview	Owasso
Ardmore	Guthrie	Pryor
Bartlesville	Guymon	Sand Springs
Billings	Lawton	Sapulpa
Blackwell	Madill	Shawnee
Catoosa	McAlester	Sulphur
Clinton	Midwest City	Tonkawa
Duncan	Muskogee	Tulsa
Elk City	Newkirk	Wagoner
Enid	Norman	
	Oklahoma City	

Contact the Oklahoma State Data Center at (405) 815-5184 for determination of eligibility in partial areas.

Entire City

Ada	Freedom	Pawhuska
Addington	Gage	Ponca City
Alva	Gate	Pond Creek
Anadarko	Geary	Poteau
Antlers	Gotebo	Quinlan
Arnett	Gould	Renfrow
Atoka	Grandfield	Reydon
Avard	Greenfield	Ringling
Beaver	Hallett	Rocky
Bessie	Hammon	Roosevelt
Boswell	Hartshorne	Rosston
Bristow	Haskell	Rush Springs
Buffalo	Hastings	Ryan
Burns Flat	Healdton	Sallisaw
Canton	Heavener	Sayre
Canute	Henryetta	Seminole
Capron	Hitchcock	Sentinel
Carmen	Hobart	Sharon
Chattanooga	Holdenville	Shattuck
Checotah	Hollis	Snyder
Chelsea	Hollister	Soper
Cherokee	Hugo	South Coffeyville
Cheyenne	Hydro	Stigler
Chickasha	Idabel	Stillwater
Cleveland	Jefferson	Stilwell
Coalgate	Knowles	Strong City
Colony	Lamont	Stroud
Cooperton	Laverne	Sugden
Cordell	Lenapah	Tahlequah
Corn	Lone Wolf	Tecumseh
Cornish	Longdale	Temple
Cushing	Loveland	Terlton
Cyril	Manchester	Terral
Dacoma	Mangum	Tipton
Davidson	Manitou	Tishomingo
Davis	Mannsville	Wakita
Deer Creek	Marietta	Wann
Delaware	May	Watonga
Depew	Medford	Waurika
Dill City	Miami	Waynoka
Drumright	Mooreland	Welch
Durant	Mountain Park	Westville
Erick	Mountain View	Wewoka
Eufaula	Mutual	Wilburton
Fairland	Nash	Woodward
Fargo	New Alluwe	Wynnewood
Forgan	Nowata	Yale
Fort Supply	Okeene	
Fort Towson	Okemah	
Foss	Okmulgee	
Frederick	Pauls Valley	