



OKLAHOMA
Tax Commission

OKLAHOMA TAX COMMISSION
**LEGISLATIVE
UPDATE**
2024

PREPARED BY THE TAX POLICY DIVISION
OF THE OKLAHOMA TAX COMMISSION

This informational packet is not intended to be a complete listing of tax related laws or law changes.
This is an abbreviated listing that highlights those changes effecting a large number of taxpayers.

For further tax information including tax rules, visit our website at tax.ok.gov
or contact the Oklahoma Tax Commission at 405.521.3160

SUMMARY OF 2024 TAX LEGISLATION

TAX POLICY AND RESEARCH DIVISION

INCOME TAX

HB 3051 - Effective November 1, 2024

HB 3051 amends 68 O.S. § 2357.22, which relates to the income tax credit for investments in qualified clean burning motor vehicle fuel property. Under current law, there is a tax year cap of \$10 million each for three types of clean energy tax credits:

- Credits for CNG, LNG, or LPG vehicles and fueling equipment.
- Credits for hydrogen fuel cell vehicles and fueling equipment.
- Credits for electric vehicle charging equipment.

If the full \$10 million is not used for one category in a given tax year, the remainder will be reallocated evenly to the other two categories. If two categories don't use their full \$10 million, the remainders will be combined and reallocated to the third category.

HB 3351 - Effective May 16, 2024

HB 3351 creates a new income tax credit for a faculty preceptor who conducts a preceptorship rotation, effective for tax years 2026 – 2035. The credit is nonrefundable and may be carried over to five subsequent tax years. The annual credit amount may vary depending on the trainee and the number of completed rotations (see Table 1).

| Rotation Number | Medical Student or Resident | Physician Assistant Student or Advanced Practice Registered Nursing Student |
|-------------------------|-----------------------------|---|
| 1 | \$ 290.00 | \$ 165.00 |
| 2 | 290.00 | \$ 165.00 |
| 3 | 290.00 | \$ 165.00 |
| 4 | 590.00 | 340.00 |
| 5 | 590.00 | 340.00 |
| 6 | 590.00 | 340.00 |
| 7 | 590.00 | 340.00 |
| 8 | 590.00 | 340.00 |
| 9 | 590.00 | 340.00 |
| 10 | 590.00 | 340.00 |
| Total Allowable Credit: | <u>\$ 5,000.00</u> | <u>\$ 2,875.00</u> |

HB 3388 - Effective May 6, 2024

HB 3388 enacts the following amendments related to the Parental Choice Tax Credit (PCTC) Act (68 O.S. §§ 205.2 and 2358; 70 O.S. § 28-101):

- The definition of “eligible student” is amended to include a student who is expected to enroll in a private school in Oklahoma accredited by the State Board of Education or another accrediting association.
- The definition of “qualified expense” for the private school payment excludes tuition and fees paid with any scholarship or tuition and fees discounted or otherwise reduced by the school.
- The definition of “qualified expense” for the homeschool payment is expanded to include tuition and fees for nonpublic online or in-person learning programs.
- Private school payments are based on the combined adjusted gross income of the parents or legal guardians of the eligible student.
- If an eligible student attends an accredited private school in Oklahoma that exclusively serves students experiencing homelessness, the amount of the private school payment is the lesser of \$7,500 or the cost to educate the eligible student.
- If an eligible student attends an accredited private school in Oklahoma that primarily serves financially disadvantaged students, the amount of the private school payment is the lesser of the maximum authorized credit or the average cost to educate the eligible student at the private school.
- Both private school and homeschool credits are exempted from the offset required by 68 O.S. § 205.2.
- Private school credit caps are realigned from calendar year to fiscal year:
 - January 1, 2025, through June 30, 2025 - \$100 million cap. The Oklahoma Tax Commission (OTC) will not require a taxpayer who received a private school payment in tax year 2024 to reapply for this period. The OTC will base the 2025 spring payment on the 2024 fall payment.
 - FY 26 and subsequent fiscal years – \$250 million cap.
- If an eligible taxpayer provides documentation on the application that they are a recipient of income-based government benefits, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or SoonerCare, the eligible taxpayer will not be required to provide additional income verification.
- For payments issued in the 2025-2026 school year and subsequent school years, the application period will open on February 15 prior to the beginning of each school year.
- Priority applications for the private school payment for students whose parents or legal guardians have a combined AGI not exceeding \$150,000 must be submitted within first 60 days.

- Private school payments will be made in two installments, one per semester, to be paid no later than August 30 and January 15, each of which will be half the total expected tuition/fees based on the enrollment verification form (limited to authorized amount).
- If private school payments claimed exceed the statutory caps, the OTC must give first preference to eligible students whose parents or legal guardians have a combined AGI not exceeding \$150,000 and have received the payment in the prior year.
- Taxpayers claiming the PCTC must notify the OTC not later than 30 days after the date on which the eligible student:
 - Enrolls in a public school, including an open-enrollment charter school;
 - Enrolls in a non-accredited private school;
 - Graduates from high school; or
 - Is no longer utilizing private school payments for any reason.
- The OTC is authorized to reallocate credits to the next eligible taxpayer in line on behalf of an eligible student in the program, chooses not to participate, is no longer eligible to participate, or chooses to forgo participation in the program for any reason.
- The OTC must provide approval notification to applicants within 30 days of the closure of the application window or no later than 30 days after the last day of the priority consideration period for applicants who do not qualify for priority consideration (combined AGI greater than \$150,000).
- The OTC must publish on its website monthly updates for:
 - The total amount of payments claimed each year.
 - The amount of private school payments claimed and number of students awarded each fiscal year disaggregated by income categories.
 - The total amount of payments claimed and number of students awarded who attended a public school in the semester immediately preceding the school year for which the application is made each year.
 - The total number of applications denied and the related total amount for each fiscal year.
- PCTC payments will not constitute Oklahoma taxable income to a taxpayer who received the payment on behalf of an eligible student.

HB 3559 - Effective August 29, 2024

HB 3559 amends 68 O.S. § 2355.1P-4, which relates to the pass-through entity tax election. Under current law, partnership and subchapter S corporations can elect to be taxed at the entity level by filing an election to that effect anytime during the tax year or 2 months and 15 days after the end of the tax year. This measure allows the election to be made by filing a timely income tax return (including extensions), beginning in tax year 2024.

HB 4018 - Effective November 1, 2024

HB 4018 amends the Affordable Housing Act under 68 O.S. § 2357.403, providing that reallocated and rolled over credits will count against the \$4 million limit of their original allocation year and not count against the limit of the year in which they are allocated.

HB 4062 - Effective November 1, 2024

HB 4062 amends 68 O.S. § 2370.1 to extend the income tax credit for the guaranty fee paid by a banking association or credit union to the U.S. Small Business Administration indefinitely. To qualify for the credit, the main office of a banking association or credit union must be located in Oklahoma.

HB 4072 - Effective November 1, 2024

HB 4072 amends 68 O.S. §§ 2357.301 and 2357.304, relating to the credit for qualified aerospace employees. The bill amends 68 O.S. § 2357.301, clarifying that “aerospace sector” means a private or public organization located in Oklahoma, and provides that for tax year 2024 and subsequent tax years, “qualified employee” will not exclude any person who previously qualified and established the credit and becomes employed by a different qualified employer, or who establishes the credit for the first time and becomes employed by a different qualified employer in subsequent years, provided a person in either case has not claimed the credit for more than five years. The bill further amends 68 O.S. § 2357.304 to allow a qualified employee to claim the credit for five nonconsecutive tax years.

SB 1401 - Effective January 1, 2025

SB 1401 amends 68 O.S. § 2357.105, relating to the Strategic Industrial Development Enhancement (SIDE) income tax credit. The following definitions are amended:

- “Eligible entity” has been amended to remove superfluous language.
- “Project sponsor” removed the requirement that a local economic development organization or authority must be organized under Section 501(c)(3) of the Internal Revenue Code.
- “Qualified initial infrastructure expenditures” added expenditures for rehabilitation of existing inactive track to reinstate operation.

Additionally, the existing limitation (1/3 rule) for claiming or assigning tax credits has been eliminated.

SB 1452 – Effective November 1, 2024

SB 1452 amends 68 O.S. § 2358 to allow an employer exemption for \$100 for each day of paid leave provided in the tax year to an employee volunteering as a poll worker with an Oklahoma county election board, effective for tax year 2025 and subsequent tax years.

AD VALOREM

SB 1438 – Effective November 1, 2024

SB 1438 enacts a new law that allows companies primarily in the business of renting heavy equipment property to charge their customers a recovery fee of 1.25% on the rental charge of heavy equipment. The fee must be retained by the business for the purpose of paying personal property taxes against the heavy equipment property. Businesses who collect the fee must submit a report to the OTC showing the aggregate personal property taxes paid and aggregate recovery fee collections. Any excess recovery fee collections over the amount of taxes paid must be paid to county treasurers. SB 1438 also amends 68 O.S. § 1357 to specify the fee is exempt from sales tax.

MISCELLANEOUS

Apportionment

HB 3517 – Effective November 1, 2024

HB 3517 adds several special license plates to the state list and modifies certain existing plates.

SB 1209 – Effective April 30, 2024

SB 1209 removes provisions authorizing an Honorary Consul Motor Vehicle License Plate.

SB 1399¹ – Effective July 1, 2024

Section 1 of SB 1399 creates the Oklahoma Long-Range Capital Planning Legacy Fund. Section 2 creates the State Asset Legacy Fund. The fund will be a continuing fund, not subject to fiscal year limitations, and will consist of monies designated for deposit from the Oklahoma Long-Range Capital Planning Legacy Fund. Section 4 amends 68 O.S. § 1353 by apportioning \$50 million in sales tax revenues to the Oklahoma Long-Range Capital Planning Legacy Fund before any other apportionment otherwise required is made to the General Revenue Fund for FY 2029 and subsequent fiscal years.

SB 1403 – Effective July 1, 2024

SB 1403 amends 47 O.S. § 1104 by removing the apportionment caps for county road funds in subsections 1104-(E)(1)(e), (F)(1)(e), and (G)(1)(e) for FY 2025. For FY 2026 and beyond, the measure caps these funds at the amount apportioned in FY 2025.

SB 1456 – Effective July 1, 2024

SB 1456 amends the Administrative Workers' Compensation Act by making changes to the Workers' Compensation Administrative Fund and the Multiple Injury Trust Fund. SB 1456 renames the Workers Compensation Administrative Fund to the Workers' Compensation Court of Existing Claims Administrative Fund and removes the requirement that any unencumbered funds remaining in the Workers' Compensation Court of Existing Claims Administrative Fund on July 1, 2027, be transferred back to the Multiple Injury Trust Fund.

SB 1909 – Effective November 1, 2024

SB 1909 creates the Broken Arrow Public Schools License Plate and redirects proceeds from the Monarch Butterfly License to the Oklahoma Monarch Society.

Motor Fuel Tax

HB 3031 – Effective November 1, 2024

HB 3031 amends 68 O.S. § 500.10(7) by providing an exemption for motor fuel tax when used solely as a fuel to propel motor vehicles operated for the sole benefit of ambulance districts established under Article X, Section 9C of the Oklahoma Constitution.

¹ The Governor vetoed Section 3 of SB 1399, which created the Oklahoma Capital Assets Management and Protection Board and required the Board to develop plans and adopt authorizations directing the Oklahoma Capitol Improvement Authority on the utilization of the Capital Assets Maintenance and Protection Fund monies.

Alcoholic Beverages

HB 3352 – Effective November 1, 2024

HB 3352 removes the bonding requirements of the OTC for any entity that has been issued a license from the ABLE Commission and remained in compliance for 10 years or more. The OTC is allowed to reinstate the bonding requirements if an entity becomes noncompliant or delinquent after the 10-year period.

SB 809 – Effective November 1, 2024

SB 809 amends the definition of “Mixed Beverages” by stating that beer, cider, or wine mixed with non-alcoholic ingredients, including, but not limited to, water, juice, sugar, fruits, or vegetables, and sold by a small brewer, brewpub, small winery, or winemaker, will not be considered a mixed beverage. The measure adds that this provision applies so long as the small brewer, brewpub, small farm winery, or winemaker, does not also hold an on-premises beer and wine, mixed beverage, caterer, public event, or special event license, if permitted by law.

SB 2001 – Effective April 22, 2024

SB 2001 defines “straw testing” under 37A O.S. § 1-103 and amends 37A O.S. §§ 6-105 and 6-109 by providing an exception to the current rule that mixed beverage permit-holders who sell or serve alcoholic beverages are prohibited from allowing any alcoholic beverages on their premises that they are not licensed to sell or serve. The measure allows alcoholic beverages provided by a wine and spirits wholesaler, beer distributor, brewer, small brewer, distiller, winemaker, small farm winery, rectifier, manufacturer, or nonresident seller licensee to be kept, bought, or consumed on the licensed premises for educational training testing purposes, provided the rules in 37A O.S. § 6-109 are followed. In addition, beverages are exempt from taxation for withdrawal from inventory purposes.

Quality Jobs

HB 3959 – Effective November 1, 2024

HB 3959 enacts the Oklahoma Five Major Sports Leagues Rebate Program Act. This measure creates a rebate similar to the Oklahoma Quality Jobs Program Act. The amount of the quarterly rebate payments is equal to the net benefit rate determined by Oklahoma Department of Commerce multiplied by the actual gross payroll of new sports league jobs as verified by the Oklahoma Employment Security Commission. The maximum annual rebate may not exceed \$10 million in a year.

ADMINISTRATIVE

HB 3285 – Effective November 1, 2024

HB 3285 requires state agencies, boards, commissions, departments, or other governmental entities with more than 500 employees to develop and implement an automatic telephone call-back system. The measure applies to any entity that uses a toll-free number to allow contact with the agency.

HB 3346 – Effective July 1, 2024

HB 3346 amends 68 O.S. § 1364 to allow the OTC to suspend or revoke a sales tax permit after 12 consecutive months of no business activity. Permit-holders are provided notice to show cause why the permit should not be revoked.

SB 1505 / SB 1125 – Effective July 1, 2024

SB 1505 amends multiple sections of the Oklahoma Emission Reduction Technology Incentive Act (68 O.S. §§ 55007-55010). Amendments add to and clarify the allowable activities for the incentive; rename and refine the purpose of the existing fund to be for midstream and upstream projects (Midstream and Upstream Fund) and remove the fiscal year cap on the fund; and create an additional fund for downstream projects (Downstream Fund). Additional amendments provide that DEQ may establish an option for applicants to receive approval for rebates prior to expenditures being made, and subject to final approval. SB 1505 clarifies that if approved claims exceed the balance of the funds during a fiscal year, payments shall be made proportionally. OTC is to issue rebate payments. SB 1125 appropriated \$50 million to the Midstream and Upstream Fund.

SB 2023 – Effective July 1, 2024

SB 2023 amends 68 O.S. § 265 to allow for monies in the Joint Computer Enhancement Fund to be used to make payments for Information Technology acquisitions to support the responsibilities of the OTC.

SB 2025 – Effective November 1, 2024

SB 2025 amends 68 O.S. § 1009 to allow oil producers to report and remit gross production taxes when oil is not sold at the time of production and require these producers to follow up with a report when the oil is ultimately sold to reconcile production data with sales data.

SB 2029 – Effective November 1, 2024

SB 2029 amends 68 O.S. § 105.1 to require the OTC employee designated as a peace officer to be certified by the Council on Law Enforcement Education and Training. The measure allows the designated employee to assist with security and clarifies that the employee is not authorized to conduct investigations related to the violations of tax laws.

SALES AND USE TAX

HB 1955/SB 1283 – Effective August 29, 2024

HB 1955 and SB 1283 amend 68 O.S. §§ 1352 and 1354 by enacting a 0% state tax rate on sales of food and food ingredients, beginning August 29, 2024. The measures further define terms such as “food and food ingredients,” “candy,” “alcoholic beverages,” “dietary supplements,” “prepared food,” “soft drinks,” “bottled water” and “food sold with eating utensils provided by a seller.”

HB 1967 – Effective November 1, 2024

HB 1967 allows any Oklahoma county to levy a sales tax, not to exceed 1%, upon the gross proceeds or gross receipts derived from all sales or services in the county upon which a consumer’s state sales tax is levied, and designates the funds collected for emergency medical services.

HB 1600 – Effective November 1, 2024

HB 1600 amends 68 O.S. § 1359, which defines relevant terms and proposes a sales tax exemption for the sale of machinery and equipment, including, but not limited to, servers and computers, racks, power distribution units, cabling, switchgear, transformers, substations, software, network equipment, and electricity, used for commercial mining of digital assets in a colocation facility, effective November 1, 2024, through December 31, 2029.

SB 1215 – Effective March 5, 2024

SB 1215 amends the sales tax exemptions afforded 100% disabled veterans pursuant to 68 O.S. § 1357(34) by removing the requirement that veterans receiving the referenced sales tax exemption prior to November 1, 2020, must register with the veterans’ registry prior to July 1, 2023, to remain qualified.

SB 1259 – Effective August 29, 2024

SB 1259 extends the rebate for the sales tax exemption for qualified broadband equipment indefinitely and removes the requirement that all claims for rebates must be processed by the OTC by a certain date.

SB 1445 – Effective July 1, 2024

SB 1445 amends 68 O.S. § 1356(10) to exempt sales of tangible personal property or services to persons or subcontractors who have entered into a public construction contract with the Oklahoma State University (OSU) Medical Authority and Trust or the OSU Veterinary Medicine Authority and Trust.