

1 **SENATE FLOOR VERSION**

2 February 24, 2015

3 **AS AMENDED**

4 SENATE BILL NO. 501

5 By: Mazzei, **Brecheen, Allen,**
6 **Shortey, Quinn, and**
7 **Halligan of the Senate**

8 and

9 **Sears of the House**

10 [income tax credits - credits for certain activities
11 - exception - credit allowed - effective date]

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

13 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2357.32A, as
14 amended by Section 2, Chapter 371, O.S.L. 2013 (68 O.S. Supp. 2014,
15 Section 2357.32A), is amended to read as follows:

16 Section 2357.32A. A. Except as otherwise provided in
17 ~~subsection~~ subsections H and I of this section, for tax years
18 beginning on or after January 1, 2003, there shall be allowed a
19 credit against the tax imposed by Section 2355 of this title to a
20 taxpayer for the taxpayer's production and sale to an unrelated
21 person of electricity generated by zero-emission facilities located
22 in this state. As used in this section:

23 1. "Electricity generated by zero-emission facilities" means
24 electricity that is exclusively produced by any facility located in

1 this state with a rated production capacity of one megawatt (1 mw)
2 or greater, constructed for the generation of electricity and placed
3 in operation after June 4, 2001, which utilizes eligible renewable
4 resources as its fuel source. The construction and operation of
5 such facilities shall result in no pollution or emissions that are
6 or may be harmful to the environment, pursuant to a determination by
7 the Department of Environmental Quality; and

8 2. "Eligible renewable resources" means resources derived from:

- 9 a. wind,
- 10 b. moving water,
- 11 c. sun, or
- 12 d. geothermal energy.

13 B. 1. For facilities placed in operation on or after January
14 1, 2003, and before January 1, 2007, the amount of the credit for
15 the electricity generated on or after January 1, 2003, but prior to
16 January 1, 2004, shall be seventy-five one-hundredths of one cent
17 (\$0.0075) for each kilowatt-hour of electricity generated by zero-
18 emission facilities. For electricity generated on or after January
19 1, 2004, but prior to January 1, 2007, the amount of the credit
20 shall be fifty one-hundredths of one cent (\$0.0050) per kilowatt-
21 hour for electricity generated by zero-emission facilities. For
22 electricity generated on or after January 1, 2007, but prior to
23 January 1, 2012, the amount of the credit shall be twenty-five one-

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1 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity
2 generated by zero-emission facilities.

3 2. For facilities placed in operation on or after January 1,
4 2007, and before ~~January 1, 2021~~ January 1, 2016, the amount of the
5 credit for the electricity generated on or after January 1, 2007,
6 shall be fifty one-hundredths of one cent (\$0.0050) for each
7 kilowatt-hour of electricity generated by zero-emission facilities.

8 3. For facilities placed in operation on or after January 1,
9 2016, and before January 1, 2021, unless reauthorized by the
10 Oklahoma Legislature after review of the report required pursuant to
11 Section 1 of Senate Bill No. 72 of the 1st Session of the 55th
12 Oklahoma Legislature, the amount of the credit for each kilowatt-
13 hour of electricity generated shall be as follows:

- 14 a. for the first 12 months of operation, fifty one-
15 hundredths of one cent (\$0.0050),
16 b. for the second 12 months of operation, forty one-
17 hundredths of one cent (\$0.0040),
18 c. for the third 12 months of operation, thirty one-
19 hundredths of one cent (\$0.0030),
20 d. for the fourth 12 months of operation, twenty one-
21 hundredths of one cent (\$0.0020), and
22 e. for all months of operation after the first forty-
23 eight (48), ten one-hundredths of one cent (\$0.0010).
24

1 C. Credits may be claimed with respect to electricity generated
2 on or after January 1, 2003, during a ten-year period following the
3 date that the facility is placed in operation on or after June 4,
4 2001.

5 D. 1. For credits generated prior to January 1, 2014, if the
6 credit allowed pursuant to this section exceeds the amount of income
7 taxes due or if there are no state income taxes due on the income of
8 the taxpayer, the amount of the credit allowed but not used in any
9 tax year may be carried forward as a credit against subsequent
10 income tax liability for a period not exceeding ten (10) years.

11 2. For credits generated, but not used, on or after January 1,
12 2014, the Oklahoma Tax Commission shall refund, at the taxpayer's
13 election, directly to the taxpayer eighty-five percent (85%) of the
14 face amount of such credits. The direct refund of the credits
15 pursuant to this paragraph shall be available to all taxpayers,
16 including, without limitation, pass-through entities and taxpayers
17 subject to Section 2355 of this title, but shall not be available to
18 any entities falling within the provisions of subsection E of this
19 section. The amount of any direct refund of credits actually
20 received at the eighty-five percent (85%) level by the taxpayer
21 pursuant to this paragraph shall not be subject to the tax imposed
22 by Section 2355 of this title. If the pass-through entity does not
23 file a claim for a direct refund, the pass-through entity shall
24 allocate the credit to one or more of the shareholders, partners or

1 members of the pass-through entity; provided, the total of all
2 credits refunded or allocated shall not exceed the amount of the
3 credit or refund to which the pass-through entity is entitled. For
4 the purposes of this paragraph, "pass-through entity" means a
5 corporation that for the applicable tax year is treated as an S
6 corporation under the Internal Revenue Code of 1986, as amended,
7 general partnership, limited partnership, limited liability
8 partnership, trust or limited liability company that for the
9 applicable tax year is not taxed as a corporation for federal income
10 tax purposes.

11 E. Any nontaxable entities, including agencies of the State of
12 Oklahoma or political subdivisions thereof, shall be eligible to
13 establish a transferable tax credit in the amount provided in
14 subsection B of this section. Such tax credit shall be a property
15 right available to a state agency or political subdivision of this
16 state to transfer or sell to a taxable entity, whether individual or
17 corporate, who shall have an actual or anticipated income tax
18 liability under Section 2355 of this title. These tax credit
19 provisions are authorized as an incentive to the State of Oklahoma,
20 its agencies and political subdivisions to encourage the expenditure
21 of funds in the development, construction and utilization of
22 electricity from zero-emission facilities as defined in subsection A
23 of this section.

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1 F. For credits generated prior to January 1, 2014, the amount
2 of the credit allowed, but not used, shall be freely transferable at
3 any time during the ten (10) years following the year of
4 qualification. Any person to whom or to which a tax credit is
5 transferred shall have only such rights to claim and use the credit
6 under the terms that would have applied to the entity by whom or by
7 which the tax credit was transferred. The provisions of this
8 subsection shall not limit the ability of a tax credit transferee to
9 reduce the tax liability of the transferee, regardless of the actual
10 tax liability of the tax credit transferor, for the relevant taxable
11 period. The transferor initially allowed the credit and any
12 subsequent transferees shall jointly file a copy of any written
13 transfer agreement with the Oklahoma Tax Commission within thirty
14 (30) days of the transfer. The written agreement shall contain the
15 name, address and taxpayer identification number or social security
16 number of the parties to the transfer, the amount of the credit
17 being transferred, the year the credit was originally allowed to the
18 transferor, and the tax year or years for which the credit may be
19 claimed. The Tax Commission may promulgate rules to permit
20 verification of the validity and timeliness of the tax credit
21 claimed upon a tax return pursuant to this subsection but shall not
22 promulgate any rules that unduly restrict or hinder the transfers of
23 such tax credit. The tax credit allowed by this section, upon the
24 election of the taxpayer, may be claimed as a payment of tax, a

1 prepayment of tax or a payment of estimated tax for purposes of
2 Section 1803 or Section 2355 of this title.

3 G. For electricity generation produced and sold in a calendar
4 year, the tax credit allowed by the provisions of this section, upon
5 election of the taxpayer, shall be treated and may be claimed as a
6 payment of tax, a prepayment of tax or a payment of estimated tax
7 for purposes of Section 2355 of this title on or after July 1 of the
8 following calendar year.

9 H. No credit otherwise authorized by the provisions of this
10 section may be claimed for any event, transaction, investment,
11 expenditure or other act occurring on or after July 1, 2010, for
12 which the credit would otherwise be allowable until the provisions
13 of this subsection shall cease to be operative on July 1, 2011.
14 Beginning July 1, 2011, the credit authorized by this section may be
15 claimed for any event, transaction, investment, expenditure or other
16 act occurring on or after July 1, 2010, according to the provisions
17 of this section. Any tax credits which accrue during the period of
18 July 1, 2010, through June 30, 2011, may not be claimed for any
19 period prior to the taxable year beginning January 1, 2012. No
20 credits which accrue during the period of July 1, 2010, through June
21 30, 2011, may be used to file an amended tax return for any taxable
22 year prior to the taxable year beginning January 1, 2012.

23 I. For facilities placed in service on or after January 1,
24 2016, total credits allowed pursuant to this section for all

1 taxpayers shall not exceed Six Million Dollars (\$6,000,000.00)
2 annually. Such credits shall be allocated by the Tax Commission on
3 a first-come, first-served basis.

4 SECTION 2. This act shall become effective November 1, 2015.

5 COMMITTEE REPORT BY: COMMITTEE ON FINANCE
6 February 24, 2015 - DO PASS AS AMENDED
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