

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL 861

By: David and Fields of the  
Senate

6 and

7 Osborn (Leslie) and Wallace  
8 of the House

9 COMMITTEE SUBSTITUTE

10 An Act relating to sales tax; amending 68 O.S. 2011,  
11 Section 1352, as amended by Section 2, Chapter 311,  
12 O.S.L. 2016 and 1359, as amended by Section 2,  
13 Chapter 317, O.S.L. 2016 (68 O.S. Supp. 2016,  
14 Sections 1352 and 1359), which relate to sales tax  
15 exemptions; modifying definition; excluding specified  
16 entities from eligibility for exemption on or after  
17 certain date; providing an effective date; and  
18 declaring an emergency.

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

20 SECTION 1. AMENDATORY 68 O.S. 2011, Section 1352, as  
21 amended by Section 2, Chapter 311, O.S.L. 2016 (68 O.S. Supp. 2016,  
22 Section 1352), is amended to read as follows:

23 Section 1352. As used in the Oklahoma Sales Tax Code:

24 1. "Bundled transaction" means the retail sale of two or more  
products, except real property and services to real property, where  
the products are otherwise distinct and identifiable, and the

1 products are sold for one nonitemized price. A "bundled  
2 transaction" does not include the sale of any products in which the  
3 sales price varies, or is negotiable, based on the selection by the  
4 purchaser of the products included in the transaction. As used in  
5 this paragraph:

6 a. "distinct and identifiable products" does not include:

- 7 (1) packaging such as containers, boxes, sacks, bags,  
8 and bottles, or other materials such as wrapping,  
9 labels, tags, and instruction guides, that  
10 accompany the retail sale of the products and are  
11 incidental or immaterial to the retail sale  
12 thereof, including but not limited to, grocery  
13 sacks, shoeboxes, dry cleaning garment bags and  
14 express delivery envelopes and boxes,
- 15 (2) a product provided free of charge with the  
16 required purchase of another product. A product  
17 is provided free of charge if the sales price of  
18 the product purchased does not vary depending on  
19 the inclusion of the product provided free of  
20 charge, or
- 21 (3) items included in the definition of gross  
22 receipts or sales price, pursuant to this  
23 section,  
24

1           b. "one nonitemized price" does not include a price that  
2           is separately identified by product on binding sales  
3           or other supporting sales-related documentation made  
4           available to the customer in paper or electronic form  
5           including, but not limited to an invoice, bill of  
6           sale, receipt, contract, service agreement, lease  
7           agreement, periodic notice of rates and services, rate  
8           card, or price list,

9           A transaction that otherwise meets the definition of a bundled  
10          transaction shall not be considered a bundled transaction if it is:

11           (1) the retail sale of tangible personal property and  
12           a service where the tangible personal property is  
13           essential to the use of the service, and is  
14           provided exclusively in connection with the  
15           service, and the true object of the transaction  
16           is the service,

17           (2) the retail sale of services where one service is  
18           provided that is essential to the use or receipt  
19           of a second service and the first service is  
20           provided exclusively in connection with the  
21           second service and the true object of the  
22           transaction is the second service,

23           (3) a transaction that includes taxable products and  
24           nontaxable products and the purchase price or

1 sales price of the taxable products is de  
2 minimis. For purposes of this subdivision, "de  
3 minimis" means the seller's purchase price or  
4 sales price of taxable products is ten percent  
5 (10%) or less of the total purchase price or  
6 sales price of the bundled products. Sellers  
7 shall use either the purchase price or the sales  
8 price of the products to determine if the taxable  
9 products are de minimis. Sellers may not use a  
10 combination of the purchase price and sales price  
11 of the products to determine if the taxable  
12 products are de minimis. Sellers shall use the  
13 full term of a service contract to determine if  
14 the taxable products are de minimis, or

15 (4) the retail sale of exempt tangible personal  
16 property and taxable tangible personal property  
17 where:

18 (a) the transaction includes food and food  
19 ingredients, drugs, durable medical  
20 equipment, mobility enhancing equipment,  
21 over-the-counter drugs, prosthetic devices  
22 or medical supplies, and

23 (b) the seller's purchase price or sales price  
24 of the taxable tangible personal property is

1 fifty percent (50%) or less of the total  
2 purchase price or sales price of the bundled  
3 tangible personal property. Sellers may not  
4 use a combination of the purchase price and  
5 sales price of the tangible personal  
6 property when making the fifty percent (50%)  
7 determination for a transaction;

8 2. "Business" means any activity engaged in or caused to be  
9 engaged in by any person with the object of gain, benefit, or  
10 advantage, either direct or indirect;

11 3. "Commission" or "Tax Commission" means the Oklahoma Tax  
12 Commission;

13 4. "Computer" means an electronic device that accepts  
14 information in digital or similar form and manipulates it for a  
15 result based on a sequence of instructions;

16 5. "Computer software" means a set of coded instructions  
17 designed to cause a "computer" or automatic data processing  
18 equipment to perform a task;

19 6. "Consumer" or "user" means a person to whom a taxable sale  
20 of tangible personal property is made or to whom a taxable service  
21 is furnished. "Consumer" or "user" includes all contractors to whom  
22 a taxable sale of materials, supplies, equipment, or other tangible  
23 personal property is made or to whom a taxable service is furnished  
24 to be used or consumed in the performance of any contract;

1           7. "Contractor" means any person who performs any improvement  
2 upon real property and who, as a necessary and incidental part of  
3 performing such improvement, incorporates tangible personal property  
4 belonging to or purchased by the person into the real property being  
5 improved;

6           8. "Drug" means a compound, substance or preparation, and any  
7 component of a compound, substance or preparation:

8           a. recognized in the official United States

9                   Pharmacopoeia, official Homeopathic Pharmacopoeia of  
10                   the United States, or official National Formulary, and  
11                   supplement to any of them,

12           b. intended for use in the diagnosis, cure, mitigation,  
13                   treatment, or prevention of disease, or

14           c. intended to affect the structure or any function of  
15                   the body;

16           9. "Electronic" means relating to technology having electrical,  
17 digital, magnetic, wireless, optical, electromagnetic, or similar  
18 capabilities;

19           10. "Established place of business" means the location at which  
20 any person regularly engages in, conducts, or operates a business in  
21 a continuous manner for any length of time, that is open to the  
22 public during the hours customary to such business, in which a stock  
23 of merchandise for resale is maintained, and which is not exempted  
24 by law from attachment, execution, or other species of forced sale

1 barring any satisfaction of any delinquent tax liability accrued  
2 under the Oklahoma Sales Tax Code;

3 11. "Fair authority" means:

4 a. any county, municipality, school district, public  
5 trust or any other political subdivision of this  
6 state, or

7 b. any not-for-profit corporation acting pursuant to an  
8 agency, operating or management agreement which has  
9 been approved or authorized by the governing body of  
10 any of the entities specified in subparagraph a of  
11 this paragraph which conduct, operate or produce a  
12 fair commonly understood to be a county, district or  
13 state fair;

14 12. a. "Gross receipts", "gross proceeds" or "sales price"

15 means the total amount of consideration, including  
16 cash, credit, property and services, for which

17 personal property or services are sold, leased or

18 rented, valued in money, whether received in money or

19 otherwise, without any deduction for the following:

20 (1) the seller's cost of the property sold,

21 (2) the cost of materials used, labor or service  
22 cost,

23

24

- 1 (3) interest, losses, all costs of transportation to
- 2 the seller, all taxes imposed on the seller, and
- 3 any other expense of the seller,
- 4 (4) charges by the seller for any services necessary
- 5 to complete the sale, other than delivery and
- 6 installation charges,
- 7 (5) delivery charges and installation charges, unless
- 8 separately stated on the invoice, billing or
- 9 similar document given to the purchaser, and
- 10 (6) credit for any trade-in.

11 b. Such term shall not include:

- 12 (1) discounts, including cash, term, or coupons that
- 13 are not reimbursed by a third party that are
- 14 allowed by a seller and taken by a purchaser on a
- 15 sale,
- 16 (2) interest, financing, and carrying charges from
- 17 credit extended on the sale of personal property
- 18 or services, if the amount is separately stated
- 19 on the invoice, bill of sale or similar document
- 20 given to the purchaser, and
- 21 (3) any taxes legally imposed directly on the
- 22 consumer that are separately stated on the
- 23 invoice, bill of sale or similar document given
- 24 to the purchaser.



1 c. Such term shall include consideration received by the  
2 seller from third parties if:

3 (1) the seller actually receives consideration from a  
4 party other than the purchaser and the  
5 consideration is directly related to a price  
6 reduction or discount on the sale,

7 (2) the seller has an obligation to pass the price  
8 reduction or discount through to the purchaser,

9 (3) the amount of the consideration attributable to  
10 the sale is fixed and determinable by the seller  
11 at the time of the sale of the item to the  
12 purchaser, and

13 (4) one of the following criteria is met:

14 (a) the purchaser presents a coupon, certificate  
15 or other documentation to the seller to  
16 claim a price reduction or discount where  
17 the coupon, certificate or documentation is  
18 authorized, distributed or granted by a  
19 third party with the understanding that the  
20 third party will reimburse any seller to  
21 whom the coupon, certificate or  
22 documentation is presented,

23 (b) the purchaser identifies himself or herself  
24 to the seller as a member of a group or

1 organization entitled to a price reduction  
2 or discount; provided, a "preferred  
3 customer" card that is available to any  
4 patron does not constitute membership in  
5 such a group, or

6 (c) the price reduction or discount is  
7 identified as a third-party price reduction  
8 or discount on the invoice received by the  
9 purchaser or on a coupon, certificate or  
10 other documentation presented by the  
11 purchaser;

12 13. a. "Maintaining a place of business in this state" means  
13 and shall be presumed to include:

14 (1) (a) utilizing or maintaining in this state,  
15 directly or by subsidiary, an office,  
16 distribution house, sales house, warehouse,  
17 or other physical place of business, whether  
18 owned or operated by the vendor or any other  
19 person, other than a common carrier acting  
20 in its capacity as such, or

21 (b) having agents operating in this state,  
22 whether the place of business or agent  
23 is within this state temporarily or  
24 permanently or whether the person or

1 agent is authorized to do business  
2 within this state, and

3 (2) the presence of any person, other than a common  
4 carrier acting in its capacity as such, that has  
5 substantial nexus in this state and that:

6 (a) sells a similar line of products as the  
7 vendor and does so under the same or a  
8 similar business name,

9 (b) uses trademarks, service marks or trade  
10 names in this state that are the same  
11 or substantially similar to those used  
12 by the vendor,

13 (c) delivers, installs, assembles or  
14 performs maintenance services for the  
15 vendor,

16 (d) facilitates the vendor's delivery of  
17 property to customers in the state by  
18 allowing the vendor's customers to pick  
19 up property sold by the vendor at an  
20 office, distribution facility,  
21 warehouse, storage place or similar  
22 place of business maintained by the  
23 person in this state, or  
24

1 (e) conducts any other activities in this state  
2 that are significantly associated with the  
3 vendor's ability to establish and maintain a  
4 market in this state for the vendor's sale.

5 b. The presumptions in divisions (1) and (2) of  
6 subparagraph a of this paragraph may be rebutted by  
7 demonstrating that the person's activities in this  
8 state are not significantly associated with the  
9 vendor's ability to establish and maintain a market in  
10 this state for the vendor's sales.

11 c. Any ruling, agreement or contract, whether written or  
12 oral, express or implied, between a person and  
13 executive branch of this state, or any other state  
14 agency or department, stating, agreeing or ruling that  
15 the person is not "maintaining a place of business in  
16 this state" or is not required to collect sales and  
17 use tax in this state despite the presence of a  
18 warehouse, distribution center or fulfillment center  
19 in this state that is owned or operated by the vendor  
20 or an affiliated person of the vendor shall be null  
21 and void unless it is specifically approved by a  
22 majority vote of each house of the Oklahoma  
23 Legislature;

1        14. "Manufacturing" means and includes the activity of  
2 converting or conditioning tangible personal property by changing  
3 the form, composition, or quality of character of some existing  
4 material or materials, including natural resources, by procedures  
5 commonly regarded by the average person as manufacturing,  
6 compounding, processing or assembling, into a material or materials  
7 with a different form or use. "Manufacturing" does not include  
8 extractive industrial activities such as mining, quarrying, logging,  
9 and drilling for oil, gas and water, nor oil and gas field  
10 processes, such as natural pressure reduction, mechanical  
11 separation, heating, cooling, dehydration and compression and on or  
12 after the effective date of this act, does not include electric  
13 power generation by means of wind;

14        15. "Manufacturing operation" means the designing,  
15 manufacturing, compounding, processing, assembling, warehousing, or  
16 preparing of articles for sale as tangible personal property. A  
17 manufacturing operation begins at the point where the materials  
18 enter the manufacturing site and ends at the point where a finished  
19 product leaves the manufacturing site. "Manufacturing operation"  
20 does not include administration, sales, distribution,  
21 transportation, site construction, or site maintenance and on or  
22 after the effective date of this act, does not include electric  
23 power generation by means of wind. Extractive activities and field  
24 processes shall not be deemed to be a part of a manufacturing

1 operation even when performed by a person otherwise engaged in  
2 manufacturing;

3 16. "Manufacturing site" means a location where a manufacturing  
4 operation is conducted, including a location consisting of one or  
5 more buildings or structures in an area owned, leased, or controlled  
6 by a manufacturer;

7 17. "Over-the-counter drug" means a drug that contains a label  
8 that identifies the product as a drug as required by 21 C.F.R.,  
9 Section 201.66. The over-the-counter-drug label includes:

- 10 a. a "Drug Facts" panel, or  
11 b. a statement of the "active ingredient(s)" with a list  
12 of those ingredients contained in the compound,  
13 substance or preparation;

14 18. "Person" means any individual, company, partnership, joint  
15 venture, joint agreement, association, mutual or otherwise, limited  
16 liability company, corporation, estate, trust, business trust,  
17 receiver or trustee appointed by any state or federal court or  
18 otherwise, syndicate, this state, any county, city, municipality,  
19 school district, any other political subdivision of the state, or  
20 any group or combination acting as a unit, in the plural or singular  
21 number;

22 19. "Prescription" means an order, formula or recipe issued in  
23 any form of oral, written, electronic, or other means of  
24

1 transmission by a duly licensed "practitioner" as defined in Section  
2 1357.6 of this title;

3 20. "Prewritten computer software" means "computer software",  
4 including prewritten upgrades, which is not designed and developed  
5 by the author or other creator to the specifications of a specific  
6 purchaser. The combining of two or more prewritten computer  
7 software programs or prewritten portions thereof does not cause the  
8 combination to be other than prewritten computer software.

9 Prewritten software includes software designed and developed by the  
10 author or other creator to the specifications of a specific  
11 purchaser when it is sold to a person other than the purchaser.

12 Where a person modifies or enhances computer software of which the  
13 person is not the author or creator, the person shall be deemed to  
14 be the author or creator only of such person's modifications or  
15 enhancements. Prewritten software or a prewritten portion thereof  
16 that is modified or enhanced to any degree, where such modification  
17 or enhancement is designed and developed to the specifications of a  
18 specific purchaser, remains prewritten software; provided, however,  
19 that where there is a reasonable, separately stated charge or an  
20 invoice or other statement of the price given to the purchaser for  
21 such modification or enhancement, such modification or enhancement  
22 shall not constitute prewritten computer software;

23 21. "Repairman" means any person who performs any repair  
24 service upon tangible personal property of the consumer, whether or

1 not the repairman, as a necessary and incidental part of performing  
2 the service, incorporates tangible personal property belonging to or  
3 purchased by the repairman into the tangible personal property being  
4 repaired;

5 22. "Sale" means the transfer of either title or possession of  
6 tangible personal property for a valuable consideration regardless  
7 of the manner, method, instrumentality, or device by which the  
8 transfer is accomplished in this state, or other transactions as  
9 provided by this paragraph, including but not limited to:

- 10 a. the exchange, barter, lease, or rental of tangible  
11 personal property resulting in the transfer of the  
12 title to or possession of the property,
- 13 b. the disposition for consumption or use in any business  
14 or by any person of all goods, wares, merchandise, or  
15 property which has been purchased for resale,  
16 manufacturing, or further processing,
- 17 c. the sale, gift, exchange, or other disposition of  
18 admission, dues, or fees to clubs, places of  
19 amusement, or recreational or athletic events or for  
20 the privilege of having access to or the use of  
21 amusement, recreational, athletic or entertainment  
22 facilities,
- 23 d. the furnishing or rendering of services taxable under  
24 the Oklahoma Sales Tax Code, and



1 e. any use of motor fuel or diesel fuel by a supplier, as  
2 defined in Section 500.3 of this title, upon which  
3 sales tax has not previously been paid, for purposes  
4 other than to propel motor vehicles over the public  
5 highways of this state. Motor fuel or diesel fuel  
6 purchased outside the state and used for purposes  
7 other than to propel motor vehicles over the public  
8 highways of this state shall not constitute a sale  
9 within the meaning of this paragraph;

10 23. "Sale for resale" means:

- 11 a. a sale of tangible personal property to any purchaser  
12 who is purchasing tangible personal property for the  
13 purpose of reselling it within the geographical limits  
14 of the United States of America or its territories or  
15 possessions, in the normal course of business either  
16 in the form or condition in which it is purchased or  
17 as an attachment to or integral part of other tangible  
18 personal property,
- 19 b. a sale of tangible personal property to a purchaser  
20 for the sole purpose of the renting or leasing, within  
21 the geographical limits of the United States of  
22 America or its territories or possessions, of the  
23 tangible personal property to another person by the  
24

1 purchaser, but not if incidental to the renting or  
2 leasing of real estate,

- 3 c. a sale of tangible goods and products within this  
4 state if, simultaneously with the sale, the vendor  
5 issues an export bill of lading, or other  
6 documentation that the point of delivery of such goods  
7 for use and consumption is in a foreign country and  
8 not within the territorial confines of the United  
9 States. If the vendor is not in the business of  
10 shipping the tangible goods and products that are  
11 purchased from the vendor, the buyer or purchaser of  
12 the tangible goods and products is responsible for  
13 providing an export bill of lading or other  
14 documentation to the vendor from whom the tangible  
15 goods and products were purchased showing that the  
16 point of delivery of such goods for use and  
17 consumption is a foreign country and not within the  
18 territorial confines of the United States, or
- 19 d. a sales of any carrier access services, right of  
20 access services, telecommunications services to be  
21 resold, or telecommunications used in the subsequent  
22 provision of, use as a component part of, or  
23 integrated into, end-to-end telecommunications  
24 service;

1       24. "Tangible personal property" means personal property that  
2 can be seen, weighed, measured, felt, or touched or that is in any  
3 other manner perceptible to the senses. "Tangible personal  
4 property" includes electricity, water, gas, steam and prewritten  
5 computer software. This definition shall be applicable only for  
6 purposes of the Oklahoma Sales Tax Code;

7       25. "Taxpayer" means any person liable to pay a tax imposed by  
8 the Oklahoma Sales Tax Code;

9       26. "Tax period" or "taxable period" means the calendar period  
10 or the taxpayer's fiscal period for which a taxpayer has obtained a  
11 permit from the Tax Commission to use a fiscal period in lieu of a  
12 calendar period;

13       27. "Tax remitter" means any person required to collect,  
14 report, or remit the tax imposed by the Oklahoma Sales Tax Code. A  
15 tax remitter who fails, for any reason, to collect, report, or remit  
16 the tax shall be considered a taxpayer for purposes of assessment,  
17 collection, and enforcement of the tax imposed by the Oklahoma Sales  
18 Tax Code; and

19       28. "Vendor" means:  
20           a. any person making sales of tangible personal property  
21               or services in this state, the gross receipts or gross  
22               proceeds from which are taxed by the Oklahoma Sales  
23               Tax Code,  
24

- 1           b. any person maintaining a place of business in this  
2           state and making sales of tangible personal property  
3           or services, whether at the place of business or  
4           elsewhere, to persons within this state, the gross  
5           receipts or gross proceeds from which are taxed by the  
6           Oklahoma Sales Tax Code,
- 7           c. any person who solicits business by employees,  
8           independent contractors, agents, or other  
9           representatives in this state, and thereby makes sales  
10          to persons within this state of tangible personal  
11          property or services, the gross receipts or gross  
12          proceeds from which are taxed by the Oklahoma Sales  
13          Tax Code, or
- 14          d. any person, pursuant to an agreement with the person  
15          with an ownership interest in or title to tangible  
16          personal property, who has been entrusted with the  
17          possession of any such property and has the power to  
18          designate who is to obtain title, to physically  
19          transfer possession of, or otherwise make sales of the  
20          property.

21          SECTION 2.          AMENDATORY          68 O.S. 2011, Section 1359, as  
22          last amended by Section 2, Chapter 317, O.S.L. 2016 (68 O.S. Supp.  
23          2016, Section 1359), is amended to read as follows:

24          Section 1359. Exemptions - Manufacturing.

1        There are hereby specifically exempted from the tax levied by  
2 Section 1350 et seq. of this title:

3        1. Sales of goods, wares, merchandise, tangible personal  
4 property, machinery and equipment to a manufacturer for use in a  
5 manufacturing operation. Goods, wares, merchandise, property,  
6 machinery and equipment used in a nonmanufacturing activity or  
7 process as set forth in paragraph 14 of Section 1352 of this title  
8 shall not be eligible for the exemption provided for in this  
9 subsection by virtue of the activity or process being performed in  
10 conjunction with or integrated into a manufacturing operation. On  
11 or after the effective date of this act, sales for use in electric  
12 power generation by means of wind shall not be eligible for the  
13 exemption provided for in this section.

14        For the purposes of this paragraph, sales made to any person,  
15 firm or entity that has entered into a contractual relationship for  
16 the construction and improvement of manufacturing goods, wares,  
17 merchandise, property, machinery and equipment for use in a  
18 manufacturing operation shall be considered sales made to a  
19 manufacturer which is defined or classified in the North American  
20 Industry Classification System (NAICS) Manual under Industry Group  
21 No. 324110. Such purchase shall be evidenced by a copy of the sales  
22 ticket or invoice to be retained by the vendor indicating that the  
23 purchases are made for and on behalf of such manufacturer and set  
24 out the name of such manufacturer as well as include a copy of the

1 Manufacturing Exemption Permit of the manufacturer. Any person who  
2 wrongfully or erroneously certifies that purchases are being made on  
3 behalf of such manufacturer or who otherwise violates this paragraph  
4 shall be guilty of a misdemeanor and upon conviction thereof shall  
5 be fined an amount equal to double the amount of sales tax involved  
6 or incarcerated for not more than sixty (60) days or both;

7 2. Ethyl alcohol when sold and used for the purpose of blending  
8 same with motor fuel on which motor fuel tax is levied by Section  
9 500.4 of this title;

10 3. Sales of containers when sold to a person regularly engaged  
11 in the business of reselling empty or filled containers or when  
12 purchased for the purpose of packaging raw products of farm, garden,  
13 or orchard for resale to the consumer or processor. This exemption  
14 shall not apply to the sale of any containers used more than once  
15 and which are ordinarily known as returnable containers, except  
16 returnable soft drink bottles and the cartons, crates, pallets, and  
17 containers used to transport returnable soft drink bottles. Each  
18 and every transfer of title or possession of such returnable  
19 containers in this state to any person who is not regularly engaged  
20 in the business of selling, reselling or otherwise transferring  
21 empty or filled containers shall be taxable under this Code.

22 Additionally, this exemption shall not apply to the sale of labels  
23 or other materials delivered along with items sold but which are not  
24

1 necessary or absolutely essential to the sale of the sold  
2 merchandise;

3 4. Sales of or transfers of title to or possession of any  
4 containers, after June 30, 1987, used or to be used more than once  
5 and which are ordinarily known as returnable containers and which do  
6 or will contain beverages defined by paragraphs 4 and 14 of Section  
7 506 of Title 37 of the Oklahoma Statutes, or water for human  
8 consumption and the cartons, crates, pallets, and containers used to  
9 transport such returnable containers;

10 5. Sale of tangible personal property when sold by the  
11 manufacturer to a person who transports it to a state other than  
12 Oklahoma for immediate and exclusive use in a state other than  
13 Oklahoma. Provided, no sales at a retail outlet shall qualify for  
14 the exemption under this paragraph;

15 6. Machinery, equipment, fuels and chemicals or other materials  
16 incorporated into and directly used or consumed in the process of  
17 treatment to substantially reduce the volume or harmful properties  
18 of hazardous waste at treatment facilities specifically permitted  
19 pursuant to the Oklahoma Hazardous Waste Management Act and operated  
20 at the place of waste generation, or facilities approved by the  
21 Department of Environmental Quality for the cleanup of a site of  
22 contamination. The term "hazardous" waste may include low-level  
23 radioactive waste for the purpose of this paragraph;

24

1           7. Except as otherwise provided by subsection I of Section 3658  
2 of this title pursuant to which the exemption authorized by this  
3 paragraph may not be claimed, sales of tangible personal property to  
4 a qualified manufacturer or distributor to be consumed or  
5 incorporated in a new manufacturing or distribution facility or to  
6 expand an existing manufacturing or distribution facility. For  
7 purposes of this paragraph, sales made to a contractor or  
8 subcontractor that has previously entered into a contractual  
9 relationship with a qualified manufacturer or distributor for  
10 construction or expansion of a manufacturing or distribution  
11 facility shall be considered sales made to a qualified manufacturer  
12 or distributor. For the purposes of this paragraph, "qualified  
13 manufacturer or distributor" means:

14           a. any manufacturing enterprise whose total cost of  
15 construction of a new or expanded facility exceeds the  
16 sum of Five Million Dollars (\$5,000,000.00) and in  
17 which at least one hundred (100) new full-time-  
18 equivalent employees, as certified by the Oklahoma  
19 Employment Security Commission, are added and  
20 maintained for a period of at least thirty-six (36)  
21 months as a direct result of the new or expanded  
22 facility,

23           b. any manufacturing enterprise whose total cost of  
24 construction of a new or expanded facility exceeds the



1 sum of Ten Million Dollars (\$10,000,000.00) and the  
2 combined cost of construction material, machinery,  
3 equipment and other tangible personal property exempt  
4 from sales tax under the provisions of this paragraph  
5 exceeds the sum of Fifty Million Dollars  
6 (\$50,000,000.00) and in which at least seventy-five  
7 (75) new full-time-equivalent employees, as certified  
8 by the Oklahoma Employment Security Commission, are  
9 added and maintained for a period of at least thirty-  
10 six (36) months as a direct result of the new or  
11 expanded facility,

12 c. any manufacturing enterprise whose total cost of  
13 construction of an expanded facility exceeds the sum  
14 of Three Hundred Million Dollars (\$300,000,000.00) and  
15 in which the manufacturer has and maintains an average  
16 employment level of at least one thousand seven  
17 hundred fifty (1,750) full-time-equivalent employees,  
18 as certified by the Employment Security Commission, or

19 d. any enterprise primarily engaged in the general  
20 wholesale distribution of groceries defined or  
21 classified in the North American Industry  
22 Classification System (NAICS) Manual under Industry  
23 Groups No. 4244 and 4245 and which has at least  
24 seventy-five percent (75%) of its total sales to in-

1 state customers or buyers and whose total cost of  
2 construction of a new or expanded facility exceeds the  
3 sum of Forty Million Dollars (\$40,000,000.00) with  
4 such construction commencing on or after July 1, 2005,  
5 and before December 31, 2005, and which at least fifty  
6 new full-time-equivalent employees, as certified by  
7 the Oklahoma Employment Security Commission, are added  
8 and maintained for a period of at least thirty-six  
9 (36) months as a direct result of the new or expanded  
10 facility.

11 For purposes of this paragraph, the total cost of construction  
12 shall include building and construction material and engineering and  
13 architectural fees or charges directly associated with the  
14 construction of a new or expanded facility. The total cost of  
15 construction shall not include attorney fees. For purposes of  
16 subparagraph c of this paragraph, the total cost of construction  
17 shall also include the cost of qualified depreciable property as  
18 defined in Section 2357.4 of this title and labor services performed  
19 in the construction of an expanded facility. For the purpose of  
20 subparagraph d of this paragraph, the total cost of construction  
21 shall also include the cost of all parking, security and dock  
22 structures or facilities necessary to manage, process or secure  
23 vehicles used to receive and/or distribute groceries through such a  
24 facility. The employment requirement of this paragraph can be

1 satisfied by the employment of a portion of the required number of  
2 new full-time-equivalent employees at a manufacturing or  
3 distribution facility that is related to or supported by the new or  
4 expanded manufacturing or distribution facility as long as both  
5 facilities are owned by one person or business entity. For purposes  
6 of this section, "manufacturing facility" shall mean building and  
7 land improvements used in manufacturing as defined in Section 1352  
8 of this title and shall also mean building and land improvements  
9 used for the purpose of packing, repackaging, labeling or assembling  
10 for distribution to market, products at least seventy percent (70%)  
11 of which are made in Oklahoma by the same company but at an off-  
12 site, in-state manufacturing or distribution facility or facilities.  
13 It shall not include a retail outlet unless the retail outlet is  
14 operated in conjunction with and on the same site or premises as the  
15 manufacturing facility. Up to ten percent (10%) of the square feet  
16 of a manufacturing or distribution facility building may be devoted  
17 to office space used to provide clerical support for the  
18 manufacturing operation. Such ten percent (10%) may be in a  
19 separate building as long as it is part of the same contiguous tract  
20 of property on which the manufacturing or distribution facility is  
21 located. Only sales of tangible personal property made after June  
22 1, 1988, shall be eligible for the exemption provided by this  
23 paragraph. The exemption authorized pursuant to subparagraph d of  
24 this paragraph shall only become effective when the governing body

1 of the municipality in which the enterprise is located approves a  
2 resolution expressing the municipality's support for the  
3 construction for such new or expanded facility. Upon approval by  
4 the municipality, the municipality shall forward a copy of such  
5 resolution to the Oklahoma Tax Commission;

6 8. Sales of tangible personal property purchased and used by a  
7 licensed radio or television station in broadcasting. This  
8 exemption shall not apply unless such machinery and equipment is  
9 used directly in the manufacturing process, is necessary for the  
10 proper production of a broadcast signal or is such that the failure  
11 of the machinery or equipment to operate would cause broadcasting to  
12 cease. This exemption begins with the equipment used in producing  
13 live programming or the electronic equipment directly behind the  
14 satellite receiving dish or antenna, and ends with the transmission  
15 of the broadcast signal from the broadcast antenna system. For  
16 purposes of this paragraph, "proper production" shall include, but  
17 not be limited to, machinery or equipment required by Federal  
18 Communications Commission rules and regulations;

19 9. Sales of tangible personal property purchased or used by a  
20 licensed cable television operator in cablecasting. This exemption  
21 shall not apply unless such machinery and equipment is used directly  
22 in the manufacturing process, is necessary for the proper production  
23 of a cablecast signal or is such that the failure of the machinery  
24 or equipment to operate would cause cablecasting to cease. This

1 exemption begins with the equipment used in producing local  
2 programming or the electronic equipment behind the satellite  
3 receiving dish, microwave tower or antenna, and ends with the  
4 transmission of the signal from the cablecast head-end system. For  
5 purposes of this paragraph, "proper production" shall include, but  
6 not be limited to, machinery or equipment required by Federal  
7 Communications Commission rules and regulations;

8 10. Sales of packaging materials for use in packing, shipping  
9 or delivering tangible personal property for sale when sold to a  
10 producer of agricultural products. This exemption shall not apply  
11 to the sale of any packaging material which is ordinarily known as a  
12 returnable container;

13 11. Sales of any pattern used in the process of manufacturing  
14 iron, steel or other metal castings. The exemption provided by this  
15 paragraph shall be applicable irrespective of ownership of the  
16 pattern provided that such pattern is used in the commercial  
17 production of metal castings;

18 12. Deposits or other charges made and which are subsequently  
19 refunded for returnable cartons, crates, pallets, and containers  
20 used to transport cement and cement products;

21 13. Beginning January 1, 1998, machinery, electricity, fuels,  
22 explosives and materials, excluding chemicals, used in the mining of  
23 coal in this state;

24

1 14. Deposits, rent or other charges made for returnable  
2 cartons, crates, pallets, and containers used to transport mushrooms  
3 or mushroom products from a farm for resale to the consumer or  
4 processor;

5 15. Sales of tangible personal property and services used or  
6 consumed in all phases of the extraction and manufacturing of  
7 crushed stone and sand, including but not limited to site  
8 preparation, dredging, overburden removal, explosive placement and  
9 detonation, onsite material hauling and/or transfer, material  
10 washing, screening and/or crushing, product weighing and site  
11 reclamation; and

12 16. Sale, use or consumption of paper stock and other raw  
13 materials which are manufactured into commercial printed material in  
14 this state primarily for use and delivery outside this state. For  
15 the purposes of this section, "commercial printed material" shall  
16 include magazines, catalogs, retail inserts and direct mail.

17 SECTION 3. This act shall become effective July 1, 2017.

18 SECTION 4. It being immediately necessary for the preservation  
19 of the public peace, health or safety, an emergency is hereby  
20 declared to exist, by reason whereof this act shall take effect and  
21 be in full force from and after its passage and approval.

22

23 56-1-1880 JCR 5/17/2017 4:40:24 PM

24