

1 STATE OF OKLAHOMA

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

3 SENATE BILL 521

By: Shortey

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5
6 AS INTRODUCED

7 An Act relating to income tax credits; amending 68
8 O.S. 2011, Section 2357.32A, as amended by Section 2,
9 Chapter 371, O.S.L. 2013 (68 O.S. Supp. 2016, Section
10 2357.32A), which relates to credits for electricity
11 produced by a zero emission facility; modifying time
12 period during which credits may be claimed; and
13 declaring an emergency.

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

15 SECTION 1. AMENDATORY 68 O.S. 2011, Section 2357.32A, as
16 amended by Section 2, Chapter 371, O.S.L. 2013 (68 O.S. Supp. 2016,
17 Section 2357.32A), is amended to read as follows:

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

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

- 10 2. "Eligible renewable resources" means resources derived from:
- 11 a. wind,
 - 12 b. moving water,
 - 13 c. sun, or
 - 14 d. geothermal energy.

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

1 January 1, 2012, the amount of the credit shall be twenty-five one-
2 hundredths of one cent (\$0.0025) per kilowatt-hour of electricity
3 generated by zero-emission facilities. For facilities placed in
4 operation on or after January 1, 2007, and before ~~January 1, 2021~~
5 January 1, 2018, the amount of the credit for the electricity
6 generated on or after January 1, 2007, shall be fifty one-hundredths
7 of one cent (\$0.0050) for each kilowatt-hour of electricity
8 generated by zero-emission facilities.

9 C. Credits may be claimed with respect to electricity generated
10 on or after January 1, 2003, during a ten-year period following the
11 date that the facility is placed in operation if placed in operation
12 on or after June 4, 2001, and before the effective date of this act.
13 If a facility is placed in operation on or after the effective date
14 of this act, credits may be claimed during a three-year period
15 following the date the facility is placed in operation.

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

22 2. For credits generated, but not used, on or after January 1,
23 2014, the Oklahoma Tax Commission shall refund, at the taxpayer's
24 election, directly to the taxpayer eighty-five percent (85%) of the

1 face amount of such credits. The direct refund of the credits
2 pursuant to this paragraph shall be available to all taxpayers,
3 including, without limitation, pass-through entities and taxpayers
4 subject to Section 2355 of this title, but shall not be available to
5 any entities falling within the provisions of subsection E of this
6 section. The amount of any direct refund of credits actually
7 received at the eighty-five percent (85%) level by the taxpayer
8 pursuant to this paragraph shall not be subject to the tax imposed
9 by Section 2355 of this title. If the pass-through entity does not
10 file a claim for a direct refund, the pass-through entity shall
11 allocate the credit to one or more of the shareholders, partners or
12 members of the pass-through entity; provided, the total of all
13 credits refunded or allocated shall not exceed the amount of the
14 credit or refund to which the pass-through entity is entitled. For
15 the purposes of this paragraph, "pass-through entity" means a
16 corporation that for the applicable tax year is treated as an S
17 corporation under the Internal Revenue Code of 1986, as amended,
18 general partnership, limited partnership, limited liability
19 partnership, trust or limited liability company that for the
20 applicable tax year is not taxed as a corporation for federal income
21 tax purposes.

22 E. Any nontaxable entities, including agencies of the State of
23 Oklahoma or political subdivisions thereof, shall be eligible to
24 establish a transferable tax credit in the amount provided in

1 subsection B of this section. Such tax credit shall be a property
2 right available to a state agency or political subdivision of this
3 state to transfer or sell to a taxable entity, whether individual or
4 corporate, who shall have an actual or anticipated income tax
5 liability under Section 2355 of this title. These tax credit
6 provisions are authorized as an incentive to the State of Oklahoma,
7 its agencies and political subdivisions to encourage the expenditure
8 of funds in the development, construction and utilization of
9 electricity from zero-emission facilities as defined in subsection A
10 of this section.

11 F. For credits generated prior to January 1, 2014, the amount
12 of the credit allowed, but not used, shall be freely transferable at
13 any time during the ten (10) years following the year of
14 qualification. Any person to whom or to which a tax credit is
15 transferred shall have only such rights to claim and use the credit
16 under the terms that would have applied to the entity by whom or by
17 which the tax credit was transferred. The provisions of this
18 subsection shall not limit the ability of a tax credit transferee to
19 reduce the tax liability of the transferee, regardless of the actual
20 tax liability of the tax credit transferor, for the relevant taxable
21 period. The transferor initially allowed the credit and any
22 subsequent transferees shall jointly file a copy of any written
23 transfer agreement with the Oklahoma Tax Commission within thirty
24 (30) days of the transfer. The written agreement shall contain the

1 name, address and taxpayer identification number or social security
2 number of the parties to the transfer, the amount of the credit
3 being transferred, the year the credit was originally allowed to the
4 transferor, and the tax year or years for which the credit may be
5 claimed. The Tax Commission may promulgate rules to permit
6 verification of the validity and timeliness of the tax credit
7 claimed upon a tax return pursuant to this subsection but shall not
8 promulgate any rules that unduly restrict or hinder the transfers of
9 such tax credit. The tax credit allowed by this section, upon the
10 election of the taxpayer, may be claimed as a payment of tax, a
11 prepayment of tax or a payment of estimated tax for purposes of
12 Section 1803 or Section 2355 of this title.

13 G. For electricity generation produced and sold in a calendar
14 year, the tax credit allowed by the provisions of this section, upon
15 election of the taxpayer, shall be treated and may be claimed as a
16 payment of tax, a prepayment of tax or a payment of estimated tax
17 for purposes of Section 2355 of this title on or after July 1 of the
18 following calendar year.

19 H. No credit otherwise authorized by the provisions of this
20 section may be claimed for any event, transaction, investment,
21 expenditure or other act occurring on or after July 1, 2010, for
22 which the credit would otherwise be allowable until the provisions
23 of this subsection shall cease to be operative on July 1, 2011.
24 Beginning July 1, 2011, the credit authorized by this section may be

1 claimed for any event, transaction, investment, expenditure or other
2 act occurring on or after July 1, 2010, according to the provisions
3 of this section. Any tax credits which accrue during the period of
4 July 1, 2010, through June 30, 2011, may not be claimed for any
5 period prior to the taxable year beginning January 1, 2012. No
6 credits which accrue during the period of July 1, 2010, through June
7 30, 2011, may be used to file an amended tax return for any taxable
8 year prior to the taxable year beginning January 1, 2012.

9 SECTION 2. It being immediately necessary for the preservation
10 of the public peace, health or safety, an emergency is hereby
11 declared to exist, by reason whereof this act shall take effect and
12 be in full force from and after its passage and approval.

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