Oklahoma knows that in business, the less it costs, the more you keep. Based upon a combination of lower energy, tax and labor rates, Financial World magazine has listed Oklahoma as the 2nd lowest cost of doing business state. And, there are plenty of rewarding reasons that you will find listed within this tax and incentive guide. Oklahoma’s reduced tax rates and lower overall tax structure mean that businesses like yours will pay a whole lot less and keep a whole lot more. For instance, Oklahoma is ranked 5th lowest in property taxes, 8th lowest in corporate income taxes, 10th lowest in sales and local taxes and 12th lowest in property tax rate. Now more than ever, businesses are taking a closer look at our lower tax structure and Oklahoma currently ranks as America’s 9th lowest state in total taxes.

Oklahoma knows that your business is driven by profit, bottom line results. Within this guide, you’ll find not only low rates, but also a myriad of incentives to help you achieve your best bottom line. At the Office of Business Recruitment, we are here to help you reduce your costs, increase your business and boost your profitability. Make no mistake; we want your business in Oklahoma. And once you’ve examined all the facts, crunched all the numbers and made all your comparisons, we think that you will want your business in Oklahoma, too.

Oklahoma’s Office of Business Recruitment

The Office of Business Recruitment provides comprehensive site location assistance to companies considering new investment in Oklahoma.

This confidential service is designed to provide you with the optimum location solution. And while the location decision is often a difficult and lengthy procedure, our professional staff can streamline this process by tailoring each consulting assignment to your specific needs. We 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** – The office maintains an extensive, up-to-date database of hundreds of available sites and facilities statewide.
- **Labor Analysis** - Comprehensive labor market plus wage data.
- **Training Assistance** – Customized training program provided at no cost to qualifying companies.
- **Tax Incentives and Abatements** – Complete analysis of all available state and local incentives and abatements applicable to your project.
- **Comparative Cost Analysis** – The office 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.
- **Complete Coordination** – 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.
- **Financial Resources** – Identification of potential state and local finance sources.
- **Site Familiarization Tours** – The office can provide you with specific information and escorted transportation to those communities and sites that meet your requirements.

No matter how simple or extensive your site selection needs may be, no one knows more about Oklahoma’s properties, profitability or potential than the Office of Business Recruitment.

No idea is too small or too big for the experts at the Office of Business Recruitment. Contact the office at (800)588-5959 or (405) 815-5213, or email: info@odoc.state.ok.us or visit our website at www.locateok.com.
# Table of Contents

## I. Tax Incentives Pro Forma

## II. Major Tax & Financial Incentives - Comprehensive

### A. Incentive Payments Programs
- 1. The Oklahoma Quality Jobs Program .................................................. 6
- 2. Small Employer Quality Jobs Incentive Act ........................................ 7

### B. Ad Valorem Tax Exemptions
- 1. State Decision .................................................................................. 8
- 2. Exempt Inventory .............................................................................. 8
- 3. Pollution Control Property ................................................................. 8

### C. Sales Tax Exemptions
- 1. Manufacturers ................................................................................ 8
- 2. Computer Services/Data Processing .................................................. 9
- 3. Aircraft Maintenance Facilities .......................................................... 9
- 4. Telecommunications ......................................................................... 9

### D. Sales and Use Tax Refunds
- 1. Computer Services/Data Processing/Telecommunications Equipment .................................................. 10
- 2. Construction Materials ................................................................. 10

### E. Income Tax Credits/Exclusions
- 1. Investment/New Jobs Credit ............................................................ 10
- 2. Technology Transfer Exemption ...................................................... 11
- 3. New Product Development Exemption .............................................. 11
- 4. Agricultural Commodity Processing Facility Exemption .................. 11
- 5. Credit for Investment in Oklahoma Producer-Owned Agricultural Processing ........................................ 11
- 6. Credit for Computer/Data Processing/Research & Development Jobs .................................................. 12
- 7. Insurance Premium Tax Credit ....................................................... 12
- 8. Small Business Capital Formation Tax Credit .................................. 12
- 9. Venture Capital Companies Tax Credit ............................................ 12
- 10. Recycling, Reuse and Source Reduction Tax Credit ......................... 12
- 11. Small Business Administration (SBA) Guarantee Fee Tax Credit .... 12
- 12. Tax Exemption for Interest on Certain Bonds ................................. 12
- 13. Tax Incentives on Former Indian Reservation Lands ....................... 12
- 14. Work Opportunity Tax Credit (WOTC) ............................................ 13
- 15. Welfare-to-Work Tax Credit (WtW) ................................................. 13

### F. Training
- 1. Training for Industry Program (TIP) ................................................ 13
- 2. Advanced Degree Programs .......................................................... 13
- 4. Job Training Partnership Act (JTPA) .................................................. 14

### G. Enterprise Zones
- Designated Enterprise Zones — FY ’98 ................................................. 14
- Enterprise Zones Within City Limits (Entire City) ............................... 15
- Municipal Enterprise Zones Within Counties ..................................... 16
- Enterprise Zones Within City Limits (Portions of City) ....................... 18

### H. Transportation & Distribution
- 1. Industrial Access Roads ................................................................. 19
- 2. Foreign Trade Zones ....................................................................... 19
- 3. Truck Registration Benefits ......................................................... 19
I. Finance

1. Oklahoma Finance Authorities ................................................................. 20
2. Technology Partnerships ........................................................................ 20
3. Small Business Linked Deposit Program ..................................................... 20
4. Public Trust Financing ........................................................................... 21
5. General Obligation Limited Tax Bonds (GOLTBs) ................................... 21
6. Tax Increment Financing (TIF) ................................................................. 21
7. Sales Tax Financing ................................................................................ 21
8. Private Activity Bond Allocation ............................................................. 21
9. Oklahoma Capital Investment Board ....................................................... 21
10. Oklahoma Capital Access Program ......................................................... 22
11. Community Development Block Grants (CDBG) ................................. 22
12. State Infrastructure Bond Bank (MicroLoan Funding) ........................... 22
13. Export Finance ...................................................................................... 22
14. Small Business Loan Guarantee ............................................................ 22

III. Business Costs in Oklahoma

A. General Overview
   Balanced State Budget .............................................................................. 23

B. Business Organizational Costs
   1. Domestic Corporations ........................................................................ 23
   2. Foreign Corporations ........................................................................... 24
   3. Limited Liability Companies (LLCs) ..................................................... 24
   4. Limited Liability Partnerships (LLPs) ................................................... 24
   5. Business License Information Office .................................................... 24

C. Major Business Taxes and Premiums
   1. State Income Tax ................................................................................. 25
   2. General Property (Ad Valorem) Tax ...................................................... 26
   3. Unemployment Compensation Tax ..................................................... 26
   4. Annual Corporate Franchise Tax ......................................................... 27
   5. Workers’ Compensation Insurance ..................................................... 27
   6. Retail Sales and Use Tax ..................................................................... 28

IV. Appendices

A. Corporate Income Tax Overview
   A Brief Overview ..................................................................................... 28
   Three Factor Formula ............................................................................... 29
   Oklahoma Tax Formula ............................................................................ 29
   Corporate Tax Example ........................................................................... 29

B. Corporate Income/Sales Tax Rates
   Sales Tax Rates (State by State) ............................................................... 30

C. Key Business Contacts
   Oklahoma Department of Commerce ....................................................... 31
   New Investments and New Jobs ............................................................... 31
   Other Key Contacts ............................................................................... 31
Major Oklahoma Benefits

This chart is a brief view of incentives available to businesses locating or expanding in Oklahoma. 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 a derivative of it; or, the Investment or New Jobs' creation income tax credit package. Ad valorem exemptions are available for capital investments made by these types of companies as long as the calendar year investment exceeds $250,000.00 and 15 new jobs are created. The package may include refunding of sales taxes paid for construction materials by manufacturers. Incentives are also available for investment in equipment to curtail hazardous waste and in CNG conversion of vehicles. As the chart displays, for most services companies, the cash back program is the primary incentive. Training costs are generally covered for industries adding significantly to the numbers and quality of Oklahoma jobs. Many additional specialized incentives are explained in the following pages.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Manufacturers $2.5 Million New Payroll</td>
<td>X Unless taking #4 or 5</td>
<td>X Unless taking #1</td>
<td>X Unless taking #1</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Size Manufacturers $1 Million New Payroll</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Manufacturers 10 New Employees or More</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft Manufacturing or Maintenance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Services or Data Processing</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and Development</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Service Companies $2.5 Million New Payroll</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Service Companies</td>
<td>no</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
**PROJECT 1 — ELECTRONIC COMPONENTS (SIC 367)**

$30 million investment/650 jobs  
Salary $26K/yr

<table>
<thead>
<tr>
<th>Type of Incentive</th>
<th>Expected Value</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a Quality Jobs</td>
<td>$7,673,777</td>
<td>10 Years</td>
</tr>
<tr>
<td>1b Alternative to Quality Jobs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Investment/Jobs Tax Credit</td>
<td>$1,543,750</td>
<td>Five Years</td>
</tr>
<tr>
<td>• Sales Tax Reimbursement on Construction Materials</td>
<td>$318,250</td>
<td>One-Time</td>
</tr>
<tr>
<td>2 Five-Year Property Tax Exemption</td>
<td>$1,610,233</td>
<td>Five Years</td>
</tr>
<tr>
<td>3 Sales Tax Exemption on Machinery &amp; Equipment</td>
<td>$1,591,250</td>
<td>One-Time</td>
</tr>
<tr>
<td>4 Freeport Tax Exemption</td>
<td>$198,514</td>
<td>Annual</td>
</tr>
<tr>
<td>5 Sales Tax Exemption on Goods Consumed in Manufacturing Process</td>
<td>$3,451,641</td>
<td>Annual</td>
</tr>
<tr>
<td>6 Sales Tax Exemption on Energy Use in Manufacturing Process</td>
<td>$93,288</td>
<td>Annual</td>
</tr>
</tbody>
</table>

Estimated Total Value of Incentives Over 5 Years:

- With 1a, Quality Jobs Cash Incentive: $48,309,679
- With 1b, Investment Tax Credit Package: $42,497,902

**PROJECT 2 — DATA PROCESSING COMPANY (SIC 7374)**

$20 million investment/3000 jobs  
Salary $25K/yr

<table>
<thead>
<tr>
<th>Type of Incentive</th>
<th>Expected Value</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a Quality Jobs</td>
<td>$25,231,448</td>
<td>10 Years</td>
</tr>
<tr>
<td>1b Alternative to Quality Jobs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Investment/Jobs Tax Credit</td>
<td>Not Eligible</td>
<td>Five Years</td>
</tr>
<tr>
<td>• Sales Tax Reimbursement on Construction Materials</td>
<td>Not Eligible</td>
<td>One-Time</td>
</tr>
<tr>
<td>2 Five-Year Property Tax Exemption</td>
<td>$859,361</td>
<td>Five Years</td>
</tr>
<tr>
<td>3 Sales Tax Exemption on Machinery &amp; Equipment</td>
<td>$1,005,000</td>
<td>One-Time</td>
</tr>
<tr>
<td>4 Freeport Tax Exemption</td>
<td>Not Eligible</td>
<td>Annual</td>
</tr>
<tr>
<td>5 Sales Tax Exemption on Goods Consumed in Manufacturing Process</td>
<td>Not Eligible</td>
<td>Annual</td>
</tr>
<tr>
<td>6 Sales Tax Exemption on Energy Use in Manufacturing Process</td>
<td>Not Eligible</td>
<td>Annual</td>
</tr>
</tbody>
</table>

Estimated Total Value of Incentives Over 10 Years: $27,095,809

**PROJECT 3 — FABRICATED METAL PRODUCTS (SIC 3442)**

$1.5 million investment/75 jobs  
Salary $24K/yr

<table>
<thead>
<tr>
<th>Type of Incentive</th>
<th>Expected Value</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Investment/Jobs Tax Credit (Location in Enterprise Zones)</td>
<td>$356,250</td>
<td>Five Years</td>
</tr>
<tr>
<td>2 Five-Year Property Tax Exemption</td>
<td>$59,888</td>
<td>Five Years</td>
</tr>
<tr>
<td>3 Sales Tax Exemption on Machinery &amp; Equipment</td>
<td>$87,400</td>
<td>One-Time</td>
</tr>
<tr>
<td>4 Freeport Tax Exemption</td>
<td>$7,823</td>
<td>Annual</td>
</tr>
<tr>
<td>5 Sales Tax Exemption on Goods Consumed in Manufacturing Process</td>
<td>$396,000</td>
<td>Annual</td>
</tr>
<tr>
<td>6 Sales Tax Exemption on Energy Use in Manufacturing Process</td>
<td>$72,000</td>
<td>Annual</td>
</tr>
</tbody>
</table>

Estimated Total Value of Incentives Over 5 Years: $2,558,654

**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.
A. Incentive Payments Programs
Contact the Oklahoma Department of Commerce
(800)588-5959, (405) 815-5213, email: info@odoc.state.ok.us for information and forms, or website: www.locateok.com

1. The Oklahoma Quality Jobs Program
This program provides quarterly cash payments to a qualifying company of a percentage, not to exceed 5%, of new taxable payroll. A fully executed contract must be in place before any new direct jobs salaries are included in the new taxable payroll. Payments are made quarterly for three years and if thresholds are achieved, they may extend to 10 years of payments.

A qualified business must be a central administrative office, manufacturer, research and development company or a listed service company, which has 75% of total sales to out-of-state customers. A company must achieve a $2.5 million taxable annual 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.

All businesses must offer basic health insurance coverage to all employees whose pay is included in the payroll figures for qualification. Initially a company has 180 days to institute a qualified basic health insurance coverage policy. Employees must be allowed access to the coverage within 180 days of employment. Eighty percent (80%) of employees whose pay is included in the new payroll must work at least 25 hours per week.

Municipalities may receive a portion of the cash payments to complete necessary infrastructure improvements for the business location. Prior to application a business may agree that if payments are due to it under the terms of the Quality Jobs Program a municipality of less than 100,000 population may claim and receive a portion of its anticipated payments. The agreement may not exceed 25% of all anticipated payments and may not exceed the actual cost of infrastructure improvements for water and sewer service to benefit the business. The agreement must be sent to the Department of Commerce and the Oklahoma Tax Commission. Municipalities may claim payments directly from the Tax Commission.*

Procedure: Companies contact an Oklahoma Quality Jobs Representative. A preliminary cost-benefit analysis estimating dollars a project may be eligible to obtain will be prepared immediately. Then, the company may submit a Quality Jobs Program Project Profile and Application form.

Payments for most businesses will be in the range of 4% of payroll. The percentage is most strongly affected by average weighted salary of new jobs by the third year and in-migration of new workers to Oklahoma.

A lower annual payroll threshold of $1.5 million is available for those applicants within SIC Code Major Group 20 of the Standard Industrial Code Manual - Food Processors whose total sales reflect that 75% of sales are out-of-state or to purchasers who resell the product for ultimate use or consumption out-of-state or to the federal government.

SIC Codes of 8731, 8732, 8733 and 8734 of the Standard Industrial Code Manual Research, Development and Testing Services whose total sales reflect that 75% of sales are out-of-state or to purchasers who resell the product for ultimate use or consumption out-of-state or to the federal government.

This lower threshold also applies to Auxiliary Research and Development Labs of large enterprises.

Additionally, it applies to industries that locate on certain former military bases. The amount of incentive payments that will be made to all industries qualifying in this category is capped annually.

A lower threshold of $1 million annual 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 located. These High Impact Projects can be effectively located in over a third of Oklahoma counties. The fund for incentive payments to these industries is capped annually. The payments, which are set at 2.5% of new qualified payroll, may extend for up to six years, not ten as in the original program.

No payroll threshold applies to those locating on at least ten acres that are on Superfund sites or 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 have been remediated pursuant to a clean-up plan approved by the Department of Environmental Quality.* The Department of Environmental Quality notifies the Department of Commerce of the qualifying areas.

Metropolitan counties with 3.5% or less unemployment rates after January 1, 1999, businesses locating or expanding in metropolitan areas must also meet an average annual wage minimum threshold of $18,720.

*New 1998 Legislation
for those employees whose salaries are included in the new payroll. Employers have three years to achieve this average. Opportunity Zones within metropolitan areas are excepted from this annual wage requirement.*

**Qualifying Basic Industries for the Quality Jobs Cash Payments Programs**

Manufacturing: Industries classified under Division D (Major Groups 20-39), Standard Industrial Classification Manual (SIC), latest version.

Research and Development and Testing laboratories.

Central Administrative Offices and Research and Development and Testing divisions of other establishments or enterprises.

Certain Warehouse/Distribution Operations (where 75% inventory is shipped out-of-state).

Transportation by Air (SIC Code Major Group 45) if corporate headquarters and some reservations activities are within the state or 75% of air transport sales are to out-of-state consumers.*

Services: The program covers the following service companies, if 75% of the sales are out-of-state:

- **SIC Code Major Group 42**
  Motor Freight Transportation and Warehousing

- **SIC Code Industry Group 472**
  Arrangement of Passenger Transportation

- **SIC Code Industry Group 473**
  Transportation of Freight or Cargo

- **SIC Code Industrial Number 4899**
  Certain Communications Services

- **SIC Code Industrial Number 4953**
  Certain Refuse Systems that distribute methane gas

- **SIC Code Major Group 63**
  Insurance Carriers

- **SIC Code Industrial Number 7322**
  Adjustment and Collection Services

- **SIC Code Industry Group 733**
  Mailing, Reproduction, Commercial Art, Photography and Stenographic Services

- **SIC Code Industry Group 734**
  Services to Dwellings and Other Buildings

- **SIC Code Industry Group 735**
  Miscellaneous Equipment Rental

- **SIC Code Industry Group 736**
  Personnel Supply Services

- **SIC Code Industry Group 737**
  Computer Programming, Data Processing and Other Computer Related Services

- **SIC Code Industry Group 738**
  Miscellaneous Business Services

- **SIC Code Industry Group 807**
  Medical and Dental Laboratories

- **SIC Code Major Group 87**
  Engineering, Management and Related Services

The program also applies to electric services companies within SIC Code Industry Number 4911 - exempt Electric Wholesale Generators if 90% of energy input is consumed from in-state sources and 90% of sales are out-of-state.

At your request to the Oklahoma Department of Commerce, a preliminary Quality Jobs Project Analysis will be provided based on your specific project parameters. This confidential report, outlining a projected ten-year payout, can be prepared and sent to you on a same-day basis. An application may be returned to the Department of Commerce that results in a contract with the Department and the State of Oklahoma for successful applicants.

2. **Small Employer Quality Jobs Incentive Act**

This program provides annual cash payments to a qualifying company. The payments are for 5% new taxable payroll, for up to 5 years, if 80% of payroll is attributable to annual salaries that are at least 150% of the per capita personal income of the county in which the jobs are located. Health insurance must be offered to new employees and at least 50% of the cost must be paid by employer. At least ten new employees must be added in the first 12 months after application approval and maintained thereafter for four years in order to receive full benefits. Quarterly reports through the year must reflect ten new jobs.

Companies must be a basic industry as listed in the Quality Jobs Program.

A qualified business must make at least 75% of its annual sales to out-of-state customers; to in-state customers if resold to an out-of-state consumer; or to the federal government. Manufacturers as well as service industries must export 75% of goods produced.

Qualified companies may not have more than 90 existing employees at the time of application.

Companies that have received incentive payments under any other state Quality Jobs Program may not participate in 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 Oklahoma Department of Commerce determines eligibility.

*New 1998 Legislation*
B. Ad Valorem Tax Exemptions

Call the Tax Commission (405) 521-3178, email: helpmaster@oktax.state.ok.us, or call Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, website: www.locateok.com

1. State Decision

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

NOTE: Computer services and data processing companies must meet certain conditions SIC Code 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%.

Firms that wish to include their building, or part of it, in the exemption must locate in a new building, expand an existing one, or locate in one that has been unoccupied for any purpose for the previous twelve months. An investment of at least $250,000 and addition of 15 new employees that receive basic health benefits as defined in the law, are the general threshold requirements.

Eligible exempt property may include: Land, buildings, improvements, machinery, fixtures and equipment, used exclusively in the primary activity or process of the qualified company, as well as fork lifts, fork lifts support equipment, conveyor systems, pallet jacks, storage or order filling racks, inventory control computers, non-tagged motorized vehicles for moving trailers; all other tangible property used in handling for distribution of processed or manufactured items.

Firms make application each year. Upon approval of 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 at the local level to the county assessor, Oklahoma Tax Commission personnel are involved in the final decision as to whether the exemption is allowed and the amount of the exemption each year. It is the responsibility of the manufacturer to apply for the exemption each year. Contact the local county assessor for forms and to discuss exactly what property is subject to the exemption. The ad valorem division of the Tax Commission will also supply information.

2. Exempt Inventory

Call the local assessor or the Oklahoma Tax Commission at (405) 521-3178, email: helpmaster@oktax.state.ok.us, or call the Department of Commerce (800)588-5959, or email: info@odoc.state.ok.us.

Oklahoma’s Freeport Law exempts goods, wares, and merchandise from taxation which come into Oklahoma from outside the state and leave the state within nine (9) months where such goods, wares, and merchandise are held for assembly, storage, manufacturing, processing or fabricating purposes within the state.

Intangibles: The State constitution and statutes (68 O.S. § 2805) also exempt intangible personal property from ad valorem taxation: cash, receivables, bonds, stocks, annuities, etc.

Procedure: All tangible personal property is reported to the county assessor no later than March 15 of each year. A freeport application must accompany the report to avoid payment of property tax.

3. Pollution Control

Contact the Department of Environmental Quality (DEQ) at (405)702-6100 or (800)869-1400 for an application or information.

Pollution control equipment that has been certified by the DEQ as pollution control property, to the Tax Commission or county assessor will be exempt from ad valorem taxation after January 1, 1999. NOTE: This exemption is subject to a vote of the people in November 1998.*

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

C. Sales Tax Exemptions

Contact the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, website: www.locateok.com or the Tax Commission at (405) 521-3133, e-mail helpmaster@oktax.state.ok.us for application forms.

1. Manufacturers

Oklahoma has an innovative sales tax exemption program, for which a manufacturer must have a manufacturer’s exemption permit and a sales tax permit from the Oklahoma Tax Commission (68 O.S. §§ 1354 and 1364). The permit must be renewed every three (3) years.* This permit must be presented to the vendor and placed on the invoice at the time of purchase to avoid payment of sales tax. Major exemptions are available in the following areas:

- Machinery and equipment used in manufacturing operations, including replacement parts. (68 O.S. § 1359).

*New 1998 Legislation
• Tangible personal property used in manufacturing operations, including fuel, electric power and many other materials. (68 O.S. § 1359 and rules of the Tax Commission).

• Tangible personal property which becomes part of the finished product. (68 O.S. § 1359).

• Packaging materials used to pack, ship, or deliver tangible personal property. (Does not apply to returnable containers or reusable packaging.) (68 O.S. § 1359).

• Items sold by the manufacturer and immediately transported out of state for exclusive use in another state. (68 O.S. § 1359).

• Machinery, equipment, fuels and chemicals used directly or in treating hazardous industrial waste. (Permit by the State Department of Environmental Quality is required.) (68 O.S. § 1359).

• Tangible personal property used in design and warehousing and located on the manufacturing site. (68 O.S. § 1354 (10) (11)).*

2. Computer Services and Data Processing

Contact the Oklahoma Tax Commission (405) 521-3133 to obtain a letter of exemption.

Oklahoma recognizes the importance of certain service companies by increasing favorable tax treatment for companies engaged in computer services or data processing activities by offering exemptions from sales tax on certain items:

Machinery and equipment used by persons primarily engaged in activities described in SIC Code Industrial Group numbers 7372 and 7373 that derive at least 50% of revenues from out-of-state purchasers; or, primarily engaged in activities described in SIC Code Industrial Group Number 7374 and that derive at least 80% of revenues from out-of-state purchasers. (68 O.S. § 1357(19)).

Procedure: Contact the Oklahoma Tax Commission to obtain a letter of exemption. Presentation of the letter to vendors avoids payment of sales tax at time of purchase.

3. Aircraft Maintenance Facilities

Oklahoma has several special benefits for sales to aircraft maintenance facilities owned by an air common carrier and that employ at least 2,000 workers. The primary sales tax exemption is on aircraft and aircraft parts. (68 O.S. § 1357(18)).

4. Telecommunications

Exemptions apply to: Interstate 1-800, WATS and private-line business telecommunication services (68 O.S. § 1357 (16)), and, cell phones to a vendor who transfer the equipment as part of an inducement to contract for wireless telecommunications services (68 O.S. § 1357 (24)).*

D. Sales and Use Tax Refunds

Oklahoma offers sales tax refunds for qualified companies. A company must submit an Application/Intent to Qualify. The Tax Commission will immediately set up an account for sales taxes paid in on possible sales tax exempt items. A qualified company should complete the Application/Intent to Qualify form as soon as possible to establish the account so more interest will be accumulated in the account established for the company. There are refunds of sales/use tax available for purchase of data processing equipment, related peripherals and telephone or telecommunications service or equipment and for construction materials. Contact the Oklahoma Tax Commission at (405) 521-3133 to set up an account. E-mail: helpmaster@oktax.state.ok.us.

Refund Application Overview:

Interest at the rate of a 3-month Treasury bill is accrued.

Sales taxes paid on construction materials incorporated in a new manufacturing facility by the manufacturer or, by a contractor or subcontractor on behalf of a qualified manufacturer. Construction materials qualify as purchases for which sales taxes are refundable if all pertain to the manufacturing process.

Sales taxes paid by certain service businesses are refundable.

Invoices of each vendor that distinguish the state and local sales taxes paid must be submitted with claims.

Affidavits from vendors that the sales taxes were charged and have not been refunded by vendor must be submitted with claims.

Eligible applicants must file for refund within 36 months of date of purchase.

Certification from OESC regarding jobs is required.

Note: Participation in the Quality Jobs Program or other incentive payment programs prohibits these refunds. Contact the Tax Commission at (405) 521-3133, email: helpmaster@oktax.state.ok.us; or call the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us for application forms, website: www.locateok.com

*New 1998 Legislation
1. Computer Services/Data Processing/Telecommunications Equipment

Oklahoma offers a sales tax refund on 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) (68 O.S. § 54003) when:

- New or expanding business.
- Addition of 10 new full-time employees (FTEs) that have an average salary of $35,000.
- These new FTEs have employment for at least 36 months.
- 50% of annual gross revenues results from sales to out-of-state buyers (includes federal government).
- 75% of annual gross income results from computer services or data processing activities or from research and development activities.
- Special requirement if in SIC Code Industrial Group Number 7374: Must purchase $100,000 worth exempt items.

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

2. Construction Materials

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 jobs maintained for a minimum of 36 months. The refund is targeted to the building and construction costs including engineering and architectural fees.
  - Facilities with construction costs exceeding $10 million, and with combined total costs of material, construction and machinery exceeding $50 million, that add 75 new employees retained for 36 months. (68 O. S. § 1359 (8)).
- Warehousing/Distribution for Manufacturers: Any structure or land used for packaging, re-packaging, labeling or assembling for distributing products that are at least 70 percent made in Oklahoma, but at an off-site, in-state manufacturing facility or facilities is also deemed manufacturing facilities.

Qualified new or expanding aircraft maintenance and manufacturing 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 because they also 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.

This information should be used for planning purposes only. The Oklahoma Tax Commission is the determinant of when a tax credit or exemption may be approved.

E. Income Tax Credits/Exclusions

Oklahoma offers a variety of income tax credits/exclusions. Most of the credits or exemptions are taken on the annual income tax return report. Some may require pre-qualification or additional forms filed with the return. Call the Tax Commission at (405) 521-3133, email: helpmaster@oktax.state.ok.us, or contact the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us for forms and information, website: www.locateok.com

1. The Investment/New Jobs Income Tax Credit

Manufacturers who hold a manufacturer's exemptions 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. Such a choice prohibits a manufacturer from participating in the Quality Jobs Program.

The taxpayer that invests in qualifying property and also hires new employees may compute the tax credit either by calculating one percent (1%) of the qualifying investment or by multiplying $500.00 per new employee and then choosing the credit in the larger amount. Any credit allowed but not used in the initial five (5) year period may be carried over for an additional five (5) years.
To qualify for the credit based on investment in depreciable property requires an investment of at least $50,000.00 placed in service and numbers 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. Effective January 1, 1998, the credits are doubled for businesses having a $40 million investment placed in service within three (3) years.* After the year of initial investment, the credit may be taken for four (4) additional years. Eligibility is determined each year.

If a qualified employer wishes to take the credit based on an increase on 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 $7,000.00 in wages or salary per year. After the year of initial employee increase, the credit may be taken for four (4) additional years. Eligibility is determined each year.

The credit is computed on a year-by-year basis. Therefore, a company that had qualified in one year for the credit based on hiring new employees, but experiences a reduction in employment the next year, would still qualify for a partial credit the year in which there was a reduction, unless qualified employment had been reduced to or below the employment level for the year prior to the first year the credit was allowable. If, in later years, additional qualifying employees are 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.

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

The credit is doubled for companies that locate in state Enterprise Zones.

2. Technology Transfer Income Tax Exemption

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

3. New Products Development Income Tax Exemption

Contact (405) 524-1357 for registration information.

Royalties earned by an inventor on products developed and manufactured in Oklahoma are exempt from state income tax for seven (7) years when registered with the Oklahoma Center for the Advancement of Science and Technology (OCAST).* OCAST 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 — 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 $500,000.00. If the credit is not used in the year the depreciable property is placed in service, it may be carried forward four (4) years.

4. Agricultural Commodity Processing Facility Income Tax Exclusion

Owners of agricultural commodity processing facilities which 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, may exclude a portion from Oklahoma taxable income based on investment. The exemption amounts to 15% of the total investment in the facilities beginning in 1997. Individual investors or the entity owned by such investors may take the exclusion.

After 1999, 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 (6) years. The exclusion is taken on the income tax return at the end of the tax year and for the five (5) years following if not fully depleted.

5. Income Tax Credit for Investment in Oklahoma Producer-Owned Agriculture Processing

An income tax credit of 30% of investment is available to Oklahoma agricultural producer investors in Oklahoma producer-owned agricultural processing ventures, cooperatives, or marketing associations. The investor must be an owner who owns a qualified facility. Qualified facilities may be processing plants, marketing associations, investment firms, etc. The facility must do more than merely store, clean or transport agricultural commodities.

*New 1998 Legislation
Beginning in 1999, the credit percentage is adjusted annually 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 form and may be used up over a six (6) year period.


A state income tax credit is available for up to five (5) 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 $500.00 per employee, up to fifty employees.

The credit may not exceed twenty-five thousand dollars ($25,000) annually. This credit is not available to participants in the Quality Jobs Program.

7. Insurance Premium Tax Credit

Insurance companies which 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 numbers of full-time, year-round employees. This credit is not available to participants in the Quality Jobs Program.

8. Small Business Capital Formation Tax Credit

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

9. Qualified Venture Capital Company Tax Credit

Oklahoma has freely transferable tax credits for investors in qualified venture capital companies.

A qualified venture capital company must have been organized prior to July 1, 1992. Its principal place of business must be in Oklahoma. Fifty-five percent (55%) of capital must be invested in Oklahoma business ventures. After 1998, 75% of the funds must be in Oklahoma business ventures.* The credit is 20% of investment in the venture capital company, and may be carried forward three (3) years or may be transferred to another taxpayer within three (3) years.

10. Recycling, Reuse and Source Reduction Incentive Act

Contact the Department of Environmental Quality (DEQ) at (800)869-1400 or (405)702-6100, or the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us or web site: www.locateok.com for forms and information.

Manufacturing and service industries may receive an income tax credit of up to 20% of investment cost for equipment and installation of processes used to recycle, reuse or reduce the source of hazardous waste. Credits are limited to $50,000. Companies must apply to the 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 (3) years of actual use of the equipment.

11. Small Business Administration (SBA) Guarantee Fee Tax Credit

Beginning in 1999, 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 SBA. The credit may be carried forward five (5) years.*

12. Income Tax Exemption for Interest Paid on Bonds Issued by or on Behalf of Public Agencies

Beginning in 1999, interest payments received as a result of bonds issued by 501 (C) (3) corporations on behalf of towns, cities or counties for housing purposes in Oklahoma are not subject to Oklahoma income tax if such payments are exempt from federal income tax.* Interest payments on bonds issued by the Oklahoma Finance Authorities are also state tax exempt.

13. Tax Incentives on Former Indian Reservation Lands

Contact the IRS for forms at (800)TAX-FORM or (405)297-4017, also web site address: http://www.irs.ustreas.gov. Also, contact the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, web site: www.locateok.com for information.

The Internal Revenue Code was clarified by Congress in 1997 to verify that former Indian Reservation lands comprise over two-thirds (2/3) of Oklahoma. Businesses locating or expanding in these

*New 1998 Legislation
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.

The depreciation schedule of the investment is for a shorter recovery period of approximately 40% for non-residential property. Use of the accelerated depreciation schedule also requires that the depreciable property was placed in service during years 1994 through 2003. 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 include wages of up to $20,000 for years 1994 through 2003.

To compute and claim the credit use IRS Form 8845 when filing the federal income tax return. To recapture accelerated depreciation for prior years, use IRS Form 3115.

14. The Work Opportunity Tax Credit Program
Contact (405) 557-5371 for employee certification; IRS forms (800)TAX-Form, web site address: www.irs.ustreas.gov; or contact the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, web site: www.locateok.com.

The Work Opportunity Tax Credit Program (WOTC) was designed to promote the hiring of target group individuals. The tax credit may not be taken if the Welfare-to-Work credit is taken.

The tax credit is up to $2,400 for each new hire: Forty percent (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. To qualify employers for the WOTC, new hires must begin work before July 1, 1998. (Legislation is pending to extend program several more years.)

15. The Welfare-to-Work Tax Credit
Contact (405) 557-5371 for employee certification; IRS forms (800)TAX-FORM; web site address: http://www.doleta.gov/wotc.htm; or contact the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, web site address: www.locateok.com.

The Welfare-to-Work (WtW) Tax Credit is available to employers who hire individuals certified as Long-Term Assistance Recipients. The credit is effective for individuals who begin work after December 31, 1997, and before May 1, 1999. The hires must work at least 400 hours or 180 days.

The tax credit is as much as $8,500 per new hire: 35% of qualified wages for the first 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. The credit is part of the general business credit.

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

F. Employee Training

1. Training for Industry (TIP)
Contact the Department of Vo-Tech at (405) 815-5110 or (800)588-5959 for a negotiated contract.

The Oklahoma Department of Vocational and Technical Education (Vo-Tech) assists qualifying businesses by paying for training for new employees. In some areas retraining or upgrading courses are offered. Training can be done on-site or at one of 54 centers across the state. Training agreements identify instructors of company choice, as well as audiovisuals and printed materials. Other items covered may include identification of facilities and equipment needed.

Eligibility is determined based on numbers of new jobs and new payroll created in Oklahoma.

2. Advanced Degree Programs
Contact: Director of Economic Development, Higher Regents office (405) 524-9114.

Oklahoma's Higher Education system includes 41 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.

3. Job Match and Labor Surveys
Contact (405) 815-5178 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 local economies and the Oklahoma Department of
Commerce. Local economies are communities and unincorporated areas within a commute district to specific communities. Unemployed as well as underemployed persons are included in the surveys. 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. Job Training Partnerships (JTPA)
Contact (405) 557-7294 for additional information.

The Oklahoma Employment Security Commission (OESC) and local private industry councils (PICs) join together in most communities to stay responsive to changing needs. These groups determine cash payments for on-the-job training of up to 50% for qualified low-income workers. Such individuals may also be sent to fully-paid classroom training, developed to accommodate local needs, at no cost to the employer.

G. Enterprise Zones
Contact the Department of Commerce (800) 588-5959 or (405) 815-5184, email: info@odoc.state.ok.us, web site: www.locateok.com for updates and specific zone information.

Enterprise Zones can be designated in either disadvantaged counties, cities or portions of cities. These 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 (6) years (instead of 5) for qualifying businesses (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 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.

DESIGNATED ENTERPRISE ZONES — FY ’98

STATE OF OKLAHOMA — COUNTIES

As of October 1st, 1997 thru September 30, 1998 the following counties have been designated Enterprise Zones based on Labor Surplus Area Classification:

<table>
<thead>
<tr>
<th>Choctaw County</th>
<th>LeFlore County</th>
<th>LeFlore County</th>
<th>LeFlore County</th>
<th>LeFlore County</th>
<th>LeFlore County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal County</td>
<td>McCurtain County</td>
<td>McCurtain County</td>
<td>McCurtain County</td>
<td>McCurtain County</td>
<td>McCurtain County</td>
</tr>
<tr>
<td>Haskell County</td>
<td>McIntosh County</td>
<td>McIntosh County</td>
<td>McIntosh County</td>
<td>McIntosh County</td>
<td>McIntosh County</td>
</tr>
<tr>
<td>Hughes County</td>
<td>Murray County</td>
<td>Murray County</td>
<td>Murray County</td>
<td>Murray County</td>
<td>Murray County</td>
</tr>
<tr>
<td>Balance of Kay County</td>
<td>Balance of Muskogee County</td>
<td>Balance of Muskogee County</td>
<td>Balance of Muskogee County</td>
<td>Balance of Muskogee County</td>
<td>Balance of Muskogee County</td>
</tr>
<tr>
<td>less Ponca City</td>
<td>less City of Muskogee</td>
<td>less City of Muskogee</td>
<td>less City of Muskogee</td>
<td>less City of Muskogee</td>
<td>less City of Muskogee</td>
</tr>
<tr>
<td>Latimer County</td>
<td>Okmulgee County</td>
<td>Okmulgee County</td>
<td>Okmulgee County</td>
<td>Okmulgee County</td>
<td>Okmulgee County</td>
</tr>
<tr>
<td>Pawnee County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pittsburg County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pushmataha County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seminole County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sequoyah County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Counties with unemployment rate more than 1½ times the average state rate for the previous year:

<table>
<thead>
<tr>
<th>Choctaw</th>
<th>Johnston</th>
<th>McCurtain</th>
<th>Okmulgee</th>
<th>Pittsburg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>Kay</td>
<td>McIntosh</td>
<td>Ottawa</td>
<td>Seminole</td>
</tr>
<tr>
<td>Haskell</td>
<td>Latimer</td>
<td>Murray</td>
<td>Pawnee</td>
<td>Stephens</td>
</tr>
<tr>
<td>Hughes</td>
<td>LeFlore</td>
<td>Nowata</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Counties with more than 4% out-migration 1980-88, and an unemployment rate that exceeds the state average for the previous year:

<table>
<thead>
<tr>
<th>Jackson</th>
<th>Nowata</th>
<th>Tillman</th>
<th>Washita</th>
</tr>
</thead>
</table>

Effective September 1, 1991, counties with 10% or greater population loss between 1980 and 1990:

<table>
<thead>
<tr>
<th>Beaver</th>
<th>Ellis</th>
<th>Harper</th>
<th>Nowata</th>
<th>Washita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blaine</td>
<td>Grant</td>
<td>Jefferson</td>
<td>Roger Mills</td>
<td>Woods</td>
</tr>
<tr>
<td>Choctaw</td>
<td>Harmon</td>
<td>Kiowa</td>
<td>Tillman</td>
<td>Woodward</td>
</tr>
</tbody>
</table>

14 OKLAHOMA BUSINESS INCENTIVES AND TAX INFORMATION GUIDE
<table>
<thead>
<tr>
<th>Enterprise Zones Within City Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Entire City is Enterprise Zone)</td>
</tr>
</tbody>
</table>

- Anadarko (Caddo County)  
- Antlers (Pushmataha County)  
- Atoka (Atoka County)  
- Carmen (Alfalfa County)  
- Checotah (Washita County)  
- Chelsea (Rogers County)  
- Cherokee (Alfalfa County)  
- Cheyenne (Roger Mills County)  
- Chickasha (Grady County)  
- Cleveland (Pawnee County)  
- Coalgate (Coal County)  
- Cushing (Payne County)  
- Cyril (Caddo County)  
- Davis (Murray County)  
- Drumright (Creek County)  
- Durant (Bryan County)  
- Erick (Beckham County)  
- Eufaula (McIntosh County)  
- Fairland (Ottawa County)  
- Foss (Washita County)  
- Hallett (Pawnee County)  
- Heavener (LeFlore County)  
- Henryetta (Okmulgee County)  
- Holdenville (Hughes County)  
- Lone Wolf (Kiowa County)  
- Mangum (Greer County)  
- Mannsville (Johnston County)  
- Marietta (Love County)  
- Miami (Ottawa County)  
- Nowata (Nowata County)  
- Okemah (Okfuskee County)  
- Okmulgee (Okmulgee County)  
- Pauls Valley (Garvin County)  
- Pawhuska (Osage County)  
- Poteau (LeFlore County)  
- Rush Springs (Grady County)  
- Sallisaw (Sequoyah County)  
- Sayre (Beckham County)  
- Seminole (Seminole County)  
- Sentinel (Washita County)  
- Stigler (Haskell County)  
- Stillwater (Payne County)  
- Stilwell (Adair County)  
- Stroud (Lincoln County)  
- Tahlequah (Cherokee County)  
- Tecumseh (Pottawatomie County)  
- Temple (Cotton County)  
- Terlton (Pawnee County)  
- Tishomingo (Johnston County)  
- Waynoka (Woods County)  
- Welch (Craig County)  

**MAJOR TAX AND FINANCIAL INCENTIVES — COMPREHENSIVE**
<table>
<thead>
<tr>
<th>City</th>
<th>Designation</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wewoka</td>
<td>entire city</td>
<td>Seminole County</td>
</tr>
<tr>
<td>Westville</td>
<td>entire city</td>
<td>Adair County</td>
</tr>
<tr>
<td>Wilburton</td>
<td>entire city</td>
<td>Latimer County</td>
</tr>
<tr>
<td>Yale</td>
<td>entire city</td>
<td>Payne County</td>
</tr>
</tbody>
</table>

**Municipal Enterprise Zones within Counties**

(Entire County Designated Enterprise Zone)

- Addington: entire city/town, Jefferson County
- Alva: entire city/town, Woods County
- Arnett: entire city/town, Ellis County
- Avard: entire city/town, Woods County
- Beaver: entire city/town, Beaver County
- Bessie: entire city/town, Washita County
- Boswell: entire city/town, Choctaw County
- Buffalo: entire city/town, Harper County
- Burns Flat: entire city/town, Washita County
- Canton: entire city/town, Blaine County
- Canute: entire city/town, Washita County
- Capron: entire city/town, Woods County
- Chattanooga: portion of city, Tillman County
- Cheyenne: entire city/town, Roger Mills County
- Clinton: portion of city, Washita County
- Colony: entire city/town, Washita County
- Cooperton: entire city/town, Kiowa County
- Cordell: entire city/town, Washita County
- Corn: entire city/town, Washita County
- Cornish: entire city/town, Jefferson County
- Dacoma: entire city/town, Woods County
- Davidson: entire city/town, Tillman County
- Deer Creek: entire city/town, Grant County
- Delaware: entire city/town, Nowata County
- Dill City: entire city/town, Washita County
- Fargo: entire city/town, Ellis County
- Forgan: entire city/town, Beaver County
- Fort Supply: entire city/town, Woodward County
- Fort Towson: entire city/town, Choctaw County
- Foss: entire city/town, Washita County
- Frederick: entire city/town, Tillman County
- Freedom: entire city/town, Woods County
- Gage: entire city/town, Ellis County
- Gate: entire city/town, Beaver County
- Geary: portion of city, Blaine County
- Gotebo: entire city/town, Kiowa County
- Gould: entire city/town, Harmon County
- Grandfield: entire city/town, Tillman County
- Greenfield: entire city/town, Blaine County
- Hammon: portion of city, Roger Mills County
- Hastings: entire city/town, Jefferson County
- Hitchcock: entire city/town, Blaine County
- Hobart: entire city/town, Kiowa County
- Hollis: entire city/town, Harmon County
- Hollister: entire city/town, Tillman County
- Hugo: entire city/town, Choctaw County
Hydro ..........................................................portion of city ..................................Blaine County
Jefferson ....................................................entire city/town ............................Grant County
Knowles ....................................................entire city/town ................................Beaver County
Lamont ....................................................entire city/town ................................Grant County
Laverne ....................................................entire city/town ................................Harper County
Lenapah ....................................................entire city/town ................................Nowata County
Lone Wolf ..................................................entire city/town ................................Blaine County
Longdale ..................................................entire city/town ................................Tillman County
Loveland ..................................................entire city/town ................................Tillman County
Manchester ................................................entire city/town ................................Grant County
Manitou ....................................................entire city/town ................................Tillman County
May ..........................................................entire city/town ..................................Grant County
Medford ....................................................entire city/town ...................................Grant County
Moreland ....................................................entire city/town ................................Woodward County
Mountain Park ...........................................entire city/town ................................Kiowa County
Mountain View ..........................................entire city/town ................................Kiowa County
Mutual .....................................................entire city/town ................................Woodward County
Nash ........................................................entire city/town ..................................Grant County
New Alluwe ...............................................entire city/town ................................Nowata County
Nowata ....................................................entire city/town ................................Nowata County
Okeene ....................................................entire city/town ...................................Blaine County
Pond Creek ...............................................entire city/town ......................................Grant County
Quinian ....................................................entire city/town ................................Woodward County
Renfrow ....................................................entire city/town ................................Grant County
Reydon .....................................................entire city/town ................................Roger Mills County
Ringling ....................................................entire city/town ................................Jefferson County
Rocky .......................................................entire city/town ................................Washita County
Roosevelt ..................................................entire city/town ................................Kiowa County
Rosston ....................................................entire city/town ................................Harper County
Ryan .......................................................entire city/town ..................................Jefferson County
Sentinel ....................................................entire city/town ................................Washita County
Sharon .......................................................entire city/town ................................Woodward County
Shattuck ....................................................entire city/town ................................Ellis County
Snyder .......................................................entire city/town ................................Kiowa County
Soper .......................................................entire city/town ................................Choctaw County
South Coffeyville ......................................entire city/town ................................Nowata County
Strong City .............................................entire city/town ................................Roger Mills County
Sugden ....................................................entire city/town ................................Jefferson County
Terral .......................................................entire city/town ...................................Jefferson County
Tipton .......................................................entire city/town ................................Tillman County
Wakita .....................................................entire city/town ................................Grant County
Wann .......................................................entire city/town ................................Nowata County
Watonga ....................................................entire city/town ................................Blaine County
Waurika ....................................................entire city/town ................................Jefferson County
Waynoka ....................................................entire city/town ................................Woods County
Woodward ..................................................entire city/town ................................Woodward County
ENTERPRISE ZONES WITHIN CITY LIMITS
(PORTIONS OF CITY ENTERPRISE ZONE)

<table>
<thead>
<tr>
<th>City</th>
<th>Zones</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ada</td>
<td>3</td>
<td>Pontotoc County</td>
</tr>
<tr>
<td>Altus</td>
<td>2</td>
<td>Jackson County</td>
</tr>
<tr>
<td>Alva</td>
<td></td>
<td>Woods County</td>
</tr>
<tr>
<td>Ardmore</td>
<td>3</td>
<td>Carter County</td>
</tr>
<tr>
<td>Atoka</td>
<td></td>
<td>Atoka County</td>
</tr>
<tr>
<td>Bartlesville</td>
<td>2</td>
<td>Washington County</td>
</tr>
<tr>
<td>Billings</td>
<td></td>
<td>Noble County</td>
</tr>
<tr>
<td>Blackwell</td>
<td></td>
<td>Kay County</td>
</tr>
<tr>
<td>Catoosa</td>
<td></td>
<td>Rogers County</td>
</tr>
<tr>
<td>Clinton</td>
<td></td>
<td>Custer County</td>
</tr>
<tr>
<td>Davis</td>
<td></td>
<td>Murray County</td>
</tr>
<tr>
<td>Duncan</td>
<td></td>
<td>Stephens County</td>
</tr>
<tr>
<td>Durant</td>
<td></td>
<td>Bryan County</td>
</tr>
<tr>
<td>Elk City</td>
<td>2</td>
<td>Beckham County</td>
</tr>
<tr>
<td>Enid</td>
<td></td>
<td>Garfield County</td>
</tr>
<tr>
<td>Fairview</td>
<td></td>
<td>Major County</td>
</tr>
<tr>
<td>Frederick</td>
<td></td>
<td>Tillman County</td>
</tr>
<tr>
<td>Guthrie</td>
<td>2</td>
<td>Logan County</td>
</tr>
<tr>
<td>Guymon</td>
<td></td>
<td>Texas County</td>
</tr>
<tr>
<td>Haskell</td>
<td>3</td>
<td>Muskogee County</td>
</tr>
<tr>
<td>Idabel</td>
<td></td>
<td>McCurtain County</td>
</tr>
<tr>
<td>Lawton</td>
<td>3</td>
<td>Comanche County</td>
</tr>
<tr>
<td>Madill</td>
<td></td>
<td>Marshall County</td>
</tr>
<tr>
<td>McAlester</td>
<td></td>
<td>Pittsburg County</td>
</tr>
<tr>
<td>Miami</td>
<td></td>
<td>Ottawa County</td>
</tr>
<tr>
<td>Muskogee</td>
<td></td>
<td>Muskogee County</td>
</tr>
<tr>
<td>Newkirk</td>
<td></td>
<td>Kay County</td>
</tr>
<tr>
<td>Oklahoma City</td>
<td>3</td>
<td>Oklahoma County</td>
</tr>
<tr>
<td>Owasso</td>
<td></td>
<td>Tulsa County</td>
</tr>
<tr>
<td>Ponca City</td>
<td>2</td>
<td>Kay County</td>
</tr>
<tr>
<td>Pryor Creek</td>
<td></td>
<td>Mayes County</td>
</tr>
<tr>
<td>Sand Springs</td>
<td></td>
<td>Tulsa County</td>
</tr>
<tr>
<td>Sapulpa and Creek Co.</td>
<td></td>
<td>Creek County</td>
</tr>
<tr>
<td>Shawnee</td>
<td>2</td>
<td>Pottawatomie County</td>
</tr>
<tr>
<td>Sulphur</td>
<td></td>
<td>Murray County</td>
</tr>
<tr>
<td>Tonkawa</td>
<td>3</td>
<td>Kay County</td>
</tr>
<tr>
<td>Tulsa</td>
<td>4</td>
<td>Tulsa County</td>
</tr>
<tr>
<td>Wagoner</td>
<td></td>
<td>Wagoner County</td>
</tr>
</tbody>
</table>

The Department designates zones within cities and publishes a list of eligible counties and cities in accordance with federal lists. To designate a portion within city limits or contiguous to them, an area must be designated as an economically distressed area by resolution by the City Council. Areas qualify by having a median household income of less than 80% of the median household income of this state in accordance with Census Data. Household income may be determined by Census or by survey. A map of the area with legal description must accompany applications.

County enterprise zones are designated in accordance with information sent to the Department of Commerce from the Oklahoma Employment Security Commission, the U.S. Department of Labor or the Census Bureau. These designations may change annually.

A business which locates in an enterprise zone is entitled to double the income tax credit for investment or new jobs as long as it qualifies in accordance with Section 2357.4 of Title 68 for five (5) years, even if the area loses its designation as an enterprise zone before the full five (5) years of credit.
H. Transportation & Distribution

1. Industrial Access Roads
Contact the local communities’ economic development offices or the Department of Commerce (800)588-5959, email: info@odoc.state.ok.us, also web site address www.locateok.com for information.

Industrial access roads from the facility to the nearest public highway may be built by the Oklahoma Department of Transportation (DOT). Application is through local governing bodies that in turn contact the DOT.

2. Foreign Trade Zones
Businesses engaged in international trade within these zones benefit from special customs procedures when exporting and when warehousing, manufacturing or assembling goods within the designated areas. Sub-zones may be established within a company’s facility that is currently outside of existing trade zone limits. There are presently four zones in Oklahoma: Port of Muskogee and the Tulsa Port of Catoosa which are both on the McClellan-Kerr Inland Waterway which provide water transport from Oklahoma to the oceans of the world; the Oklahoma City Airport Port Authority; and, the International Business Park in Durant.

The Tulsa Port of Catoosa – Zone 53 – has additional locations for general purpose use on four sites: Stillwater Industrial Park; Bartlesville Industrial Park; Mid-America Industrial Park at Pryor Creek; and Tulsa International Airport. The Tulsa Port of Catoosa Zone has sponsored two sub-zones: the Mercruiser plant in Stillwater and the Arco facility in Cushing. Contact: Tulsa Port of Catoosa, Bob Portiss at (918)266-2291.

The Oklahoma City Port Authority - Zone 106 - is located at Will Rogers International Airport. It has sponsored two sub-zones: General Motors Plant in Midwest City and Ted Davis Manufacturing in Oklahoma City.
Contact: South Oklahoma City Chamber of Commerce, Alba Weaver (405)634-1436.

The Port of Muskogee is Zone 164. Contact: Muskogee City/County Industrial Port Authority, Scott Robinson (918)682-7886.

The International Business Park in Durant – Zone 227 – uses DFW Airport between Dallas and Fort Worth as its port. Contact: Rural Enterprises, Inc., Phil Scoggins (580)924-5094.

There are two primary benefits to businesses locating in Foreign Trade Zones:
• Businesses may defer payment of duties on in-bond merchandise. If the merchandise is exported, no duty is applied.
• An inverted tariff may be paid which is lower than the full duty rate on items. The item must be assembled into a larger product before leaving the zone.

3. Truck Registration Benefits
Contact the Oklahoma Tax Commission, Motor Vehicle Division; IFTA call (405) 521-3246; IRP (405) 521-3036 for updates and additional information.

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
• Permanent Trailer Registration - Your permanent registration plate remains with your 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 (IRP).
• Transfer of Plates - To vehicles in the same fleet is permitted upon approval of application to the 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 ten dollars ($10). The same applies to any cargo-carrying trailer.
• Reciprocity Miles - The miles traveled in states that are not members of any pro-rate 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 your fleet registration program through its new, no-paperwork computerized Electronic Registration Data Transfer (ERDT) system. ERDT saves time, saves 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. Temporary fuel permit is valid for five (5) 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 licensed-based carrier for all other IFTA and IRP jurisdictions.

Deregulation - The Corporation Commission no longer regulates rates, routes and services of most motor carriers.

Members - Oklahoma is a member as are all other states and most Canadian Provinces in the International Registration Plan (IRP).

Members - North American Free Trade Agreement (NAFTA); all states are members except Alaska and Hawaii. I-35, which dissectes Oklahoma, is a NAFTA Corridor.

1. Financing Assistance

Several state and local sponsored financing programs are available to firms wishing to locate or expand.

1. Oklahoma Finance Authorities

Contact the Oklahoma Finance Authorities (OFA) at (405) 842-1145.

The OFA provides permanent financing for real estate and equipment. OFA have 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 are: construction of a new plant expansion, of an existing plant or replacement of all or part of the plant.

The Oklahoma Industrial Finance Authority (OIFA) funds bonds issued by local economic development authorities. The maximum funding is $2 million on fixed collateral assets for up to 15 years. Loans are fixed rate and are below market for tax-exempt qualified projects.

The Oklahoma Development Finance Authority (ODFA) has established a credit enhancement program to bolster the credit of industrial 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 issue tax-exempt bonds to support business for manufacturers as well as for certain exempt facilities such as transportation, infrastructure or environmental facilities. An allocation from the Private Activity Bond Allocation pool through the State Bond Advisor's Office is necessary. Contact State Bond Advisor at (405) 521-6178.

2. Technology Partnerships

Contact the Office of Higher Regents, Oklahoma Experimental Program to Stimulate Competitive Research (405) 744-9990.

Extensive research in laser technology, robotics, biotechnology, food production, materials modification, energy, medicine, meteorology and aerospace at Oklahoma's universities, help Oklahoma businesses bring innovative products and services to the world marketplace. New legislation in 1997 and 1998 enables transfer of technologies more readily from universities to the private sector. Testing of technologies developed by private business may be performed in partnership with research universities. Such institutions may devote resources such as laboratory usage and faculty time to a particular business's need in return for a portion of business's profits.*

[Note: some arrangements may not be made until an affirmative vote of the people in November 1998.*]

The Oklahoma Center for the Advancement of Science and Technology (OCAST) established the Oklahoma Technology Commercialization Center to offer new products and processes to Oklahoma businesses. OCAST also helps pay for research and testing on new products and is establishing a seed capital fund at the center.

3. Small Business Linked Deposit Program

Contact the State Treasurer's Office at (405) 521-3191 for forms and further information.

*New 1998 Legislation
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 also eligible for up to $6 million. Loans are for a two (2) year term and may be renewed for three (3) additional terms in accordance with guidelines of the State Treasurer’s office. In Enterprise Zones, loans may be for three (3) years with a three (3) year renewal and a two (2) year renewal.* In Priority Enterprise Zones, loans may be for five (5) years with a three (3) year renewal.

4. Public Trust Financing
Contact the State Bond Advisor’s Office (405) 521-6198 or local communities’ economic development offices.

Oklahoma authorizes public trust financing for economic development purposes at the county and city level. 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 tax exemption of interest earned is allowed.

5. General Obligation Limited Tax Bonds (GOLTBs)
Contact the State Bond Advisor’s Office (405) 521-6198 or local communities’ economic development offices.

Many Oklahoma counties and cities have approved General Obligation Limited Tax Bonds for industrial development. Generally, revenue bonds are issued in association with a particular project. Lease income is the primary revenue source to retire the bonds. The funding from the tax levy is secondary and is accessed when lease income is inadequate to meet interest and principal payments on the bonds. This credit enhancement through GOLTBs enables a community to finance 100% of fixed assets.

6. Tax Increment Financing (TIF)
Contact the State Bond Advisor’s Office (405) 521-6198 or local communities’ economic development offices.

Cities and counties in Oklahoma may create tax increment districts to provide economic development in distressed areas for up to 25 years. 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 January 1 after the district has been declared, and continuously until the increment district ceases, less the amount attributable to general reassessment levy of real and personal property in the county. Proceeds from TIF bonds may be used in accordance with approved plans to finance projects in the designated district such as facilities, infrastructure, parks, sidewalks and other public improvements.

7. Sales Tax Financing
Contact the State Bond Advisor’s Office (405) 521-6198 or local communities’ economic development office.

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 standing economic development funds from this method.

8. Private Activity Bond Allocation
Contact the State Bond Advisor’s Office (405) 521-6198 for application.

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 $166 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; State Issuer Single Family Pool; the Local Issue 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-served basis, with some size limitation. Bonds receiving an allocation from the pools for housing purposes render interest payments exempt not only from federal income taxation, but also state taxation.* Bonds receiving an allocation issued by the State’s largest industrial development bonds issuer, the Oklahoma Development Finance Authority, also pay interest that is exempt from state and federal taxation.

9. Oklahoma Capital Investment Board
Contact the Oklahoma Capital Investment Board (405) 848-9456 for further information.

Through its venture capital program the Oklahoma Capital Investment Board (OCIB) facilitates investment in venture capital companies that focus on investing in...

*New 1998 Legislation
quality Oklahoma companies. To date $22.9 million in OCIB funds have been invested in seven (7) 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, TuttleVenture 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; and, Pacesetter Growth Fund, a $41 million later stage fund investor focused on businesses that are owned/lead by minorities. The Board has extended $7.5 million in preliminary commitments to two additional firms and plans to make other commitments over the coming months.

10. The Oklahoma Capital Access Program

Contact the Oklahoma Capital Investment Board (405) 848-9456 for further information.

The Oklahoma Capital Investment Board manages an 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. Community Development Block Grants (CDBG)

Contact the Oklahoma Department of Commerce, Community Affairs and Development Division (405) 815-5359 for information.

Unincorporated areas with populations of less than 200,000 and cities with populations of less than 50,000 may apply for grants toward the creation of jobs for targeted income groups. Local communities apply to the Department of Commerce on behalf of a business or developer. Publicly owned infrastructure expansion or improvement projects to facilitate business locations or expansion financed through CDBG must create one new job for $10,000 of investment.

12. State Infrastructure Bond Bank for Cities, Counties, Indian Tribes

Contact the Department of Transportation (405) 522-0290 for information and forms.

Effective November 1, 1998, communities have an alternate source of funding for debt issued to build or improve streets, highways, bridges, roads, rail crossings or rights-of-ways. Application is made to the Department of Transportation. A final application is developed and must be approved by the Transportation Commission.*

13. Oklahoma Export Finance Program

Contact the Oklahoma Department of Commerce (405) 815-5143 for further information.

The 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.

14. Small Business Loan Guarantee

Contact the Small Business Administration (405) 231-5521 for information.

The Small Business Administration’s loan guarantee program is for manufacturers of 500 employees or less; wholesalers of 100 employees or less; or retailers with international sales ranging from $3.5 million to $14.5 million. The State of Oklahoma, through its Oklahoma Development Finance Authority and in partnership with Rural Enterprises, Inc., enlarges loans available through additional state funding.

Businesses applying to the program must receive funding from a private lender.

*New 1998 Legislation
III. BUSINESS COSTS IN OKLAHOMA

A. General Overview

Contact the Oklahoma Department of Commerce at (405) 815-5210 or the Oklahoma Tax Commission at (405) 521-4325 for information.

Business corporations are subject to the following taxes, fees or required premiums in Oklahoma:

1. Organizational fees.
2. State income tax.
3. County property (ad valorem) tax on real and personal property.
4. Unemployment compensation tax.
5. Annual corporate franchise (capital stock) tax.
6. Sales tax (state and local).
7. Workers Compensation Insurance.

These are the usual costs applicable to business corporations which in one form or another are to be found in most of the 50 states. Pertinent provisions, with special reference to firms in Oklahoma, are presented here.

Such consumer excise taxes as those on cigarettes and tobacco, the tax on alcoholic beverages, and various minor special taxes applicable to a single line of business (e.g., coin operated devices, motor carriers, etc.) have been omitted; but the retail sales tax and use tax are included, primarily because of the exemptions granted. Not included are production tax on textile mill products, gross receipts taxes on petroleum production, insurance premiums, privately owned freight cars, rural electric coops, privately owned airports and motor fuel tax.

Balanced State Budget

Oklahoma’s revenue system has been stabilized upon broadly based taxes, levied at moderate rates. Not only have state revenues been stabilized, with consistent increases in collections representing sound state growth, but also the tax system has been stabilized in the sense of relieving the necessity of frequent legislative action. State revenues automatically increase with economic growth or the advance of inflationary conditions nationally; business and industry are free from the fear of being singled out for special taxes, imposed at punitive rates, which they alone would have to pay.

1. In 1941 Oklahoma adopted a constitutional amendment which 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.

2. In 1990 the corporate income tax was raised from 5% to 6%, primarily to provide increased funding for education. (See State Comparison in Appendix. This was only the second increase since 1947.)

3. Unemployment compensation tax rates have been reduced four (4) times. In 1959 a trust fund safeguard provision was enacted in the form of a rate escalator clause; but in 1981, again to keep employers rates from going too high in any one year, the law was amended to provide that no employers rate increase may exceed 2% per year. In 1997, new employer rates were 1.1%, the current statewide two (2) year average. In 1998, new employer rates are 1%. Seventy-five percent (75%) of existing employers no longer have an unemployment tax liability.

4. State business and tax incentives are available to both new and established (expanding) Oklahoma companies.

5. Article 5, § 33 of the Oklahoma constitution, amended in 1992, requires that either a 75% majority of the Legislature or a vote of the people is necessary to raise State taxes.

6. Local Property taxes have been stabilized by constitutional amendment in 1996, in Article 10, §§ 8 and 8B, by limiting assessment valuations and percentages of change from year to year.

B. Oklahoma Organizational Costs

1. Domestic Corporations

Contact the Secretary of State (405) 522-3799 for information.

Corporations organized in Oklahoma must file their Certificates of Incorporation with the Secretary of State. A filing fee of one-tenth (1/10) of one percent (1%) per total authorized capital stock is required. The minimum filing fee is $50.00.

Corporations may check on the availability of a name by contacting the Secretary of States 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 $10.00.

Corporations must maintain a registered office and registered agent whose address is identical to the regis-
tered 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 is an additional agent. A fee of $100.00 must be paid with the annual franchise tax return.

2. Foreign Corporations
Contact the Secretary of State (405) 522-3799 for information.

Foreign corporations must file a Certificate of Qualification with the Secretary of State before doing business in the State of Oklahoma. Certain types of corporations are excluded from this requirement.

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 corporation authorized to transact business in Oklahoma. A service agent fee of $100.00 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)
Contact the Secretary of State at (405) 522-3799 for forms and further information.

LLCs may conduct any lawful business in Oklahoma except banking or domestic insurance. One or more persons file Certificates 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 upon approved application and paying of a filing fee of $300.

4. Limited Liability Partnerships (LLPs)
Contact the Secretary of State at (405) 522-3799 for forms and further information.

Oklahoma has provisions for general partnerships and for Limited Partnerships. Filing may be accomplished with the Secretary of State. Filing fees vary but do not exceed $100 for domestic partnership. Foreign Limited Partnerships must pay a filing fee of $200.

5. Business License Information Office
Contact the Oklahoma Department of Commerce (405) 815-6552 or (800)879-6552 for information.

The Business License Information Office in the Oklahoma Department of Commerce assists businesses in identifying state licenses and permits needed for establishing or engaging in business in Oklahoma. Where feasible, the office will respond to questions about local and federal requirements. The office will publish a directory containing all identified Oklahoma state business licenses, permits and forms. The services are optional. Any person may deal directly with the agency issuing the permits.*

*New 1998 Legislation
C. Major Business Taxes and Premiums

Overview of Oklahoma Tax System

The Oklahoma tax system is composed of a range of taxes that are administered and collected by various state and local agencies. Each tax has a different base, and rate. The following outlines the most significant taxes.

<table>
<thead>
<tr>
<th>Type</th>
<th>Base or Measure</th>
<th>Rate</th>
<th>Administering Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income Tax</td>
<td>Net Income</td>
<td>6%</td>
<td>Oklahoma Tax Commission</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>Capital Employed to produce state income</td>
<td>$10,000-$20,000; $1.25 per $1,000</td>
<td>Oklahoma Tax Commission</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>Receipts from sales/use of taxable items</td>
<td>Varies, see County/City</td>
<td>Oklahoma Tax Commission</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>State</td>
<td>4.25%</td>
<td>Oklahoma Tax Commission</td>
</tr>
<tr>
<td>Unemployment Insurance Tax</td>
<td>Wages to $11,400</td>
<td>0 - 5.4%, 1% new companies</td>
<td>Oklahoma Employment Security Commission</td>
</tr>
<tr>
<td>Workers’ Compensation Insurance</td>
<td>Payroll and Occupation</td>
<td>Variable</td>
<td>Workers’ Compensation Court</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>Taxable Income</td>
<td>½ - 10%</td>
<td>Oklahoma Tax Commission</td>
</tr>
<tr>
<td>Local Property Tax</td>
<td>Valuation of Property</td>
<td>1% of Taxable Value Generally</td>
<td>County Assessor</td>
</tr>
</tbody>
</table>

1. State Income Tax

Individuals

Rate: 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 one-half percent (½%) on the first $1,000 of taxable income to ten percent (10%) on that income in excess of $6,000. A personal exemption of $1,000 is allowed. The standard deduction is 15% with a minimum of $1,000 and maximum of $2,000. A deduction for Federal Income Tax or on tax paid to other states may be allowed. Senior citizens (over 65) may qualify for additional exemptions ($1,000 single/$2,000 joint return if both spouses are over 65). All individuals’ personal income tax returns are due by April 15, or by the 15th day of the fourth (4th) month after the end of the fiscal year.

Corporations

Rate: The portion of corporate income earned in Oklahoma and therefore subject to the 6% tax is based on a 3-factor formula.

1. Corporate Sales Factor: Total sales attributed to Oklahoma divided by sales everywhere.
2. Property Factor: Taxpayer’s average value of property (real and tangible personal property) owned or rented and used in Oklahoma divided by the average value of property (real and tangible personal property) used every where during the tax period. Property is valued at its original cost. Rented property is valued at eight (8) times the net annual rate.
3. Payroll Factor: Compensation for services rendered (less officer’s compensation) in Oklahoma divided by compensation for services rendered (less officer’s compensation) everywhere.

Double emphasis is placed on the sales factor for capital intensive firms of $200,000,000 investment or more that are new to Oklahoma.

Oklahoma wishes to tax only the income attributable to the Oklahoma operation. If the apportionment of business income of the enterprise by the three-factor formula does not give a fair reflection of the taxpayers activity in the state, with the Oklahoma Tax Commission approval, alternate methods may be used. Net operating losses may be carried forward 15 years.

Corporate Income Tax returns are due by March 15, or by the 15th day of the third (3rd) month after the end of their taxable year.

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 (1) 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 either monthly (large companies) or quarterly (small companies). Effective January 1, 1999, every employer owing an average of $100,000 or more per month shall begin making deposits semi-weekly in accordance with federal schedules. Employers owing an average of $10,000 but less than $500 must pay monthly.*

2. General Property (Ad Valorem) Tax

Low Tax Rates: Property tax rates in Oklahoma are among the lowest in the United States. The tax is collected by county governments. There is no state ad valorem tax. The average effective tax rate for locally assessed property is about one percent (1%) of the value of the property. The 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 five percent (5%). Transfers or improvements, however, are separately taken into account.

About two-thirds (2/3) of the property tax is used for the support of local schools, with lesser portions going to county government, cities, vocational and technical schools, junior colleges, health departments, libraries and emergency medical service districts, etc.

Inventories: 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.

Uniform Assessment Practices:
The assessment procedure involves:
1. a determination of the fair cash value;
2. the application of a uniform assessment percentage to determine the assessed value; and,
3. 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 Millage 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 (4) 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 boats motors exempts dealers’ inventories and certain farm equipment from the personal property ad valorem tax.

Ad valorem 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. Recent legislation requires that mortgagors paying taxes on behalf of mortgagees 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.

3. Unemployment Compensation Tax

Call a tax enforcement officer at the Oklahoma Employment Security Commission (405) 557-0200 if more detail is required.

Oklahoma statutes set out the methods for figuring amounts of contributions to be paid to the Unemployment Compensation Fund by employers.

1. Each employer is notified of contribution rate for the year by March 31 of each year by the Oklahoma Employment Security Commission (OESC). The employer can file a written request for review within 20 days of mailing of the notification. A Commission review order may be appealed to District Court.

2. A new employer shall pay contributions at a rate of one 1% of an employee’s taxable wages, up to $11,400 paid by the employer which is the average of the last two (2) years tax rate statewide.

3. Generally, employers with two or more years of experience pay a modified rate. That modified rate is based on the employer’s experience by calculating a benefit wage ratio, and on the state experience as to

*New 1998 Legislation
the average duration of benefits paid. Effective July 1, 1998 employers receive a 50% reduction in rates except those with a 0.1% rating pay zero and those with a 5.5% rating pay 5.4%.

4. The employer's benefit wage charges are utilized to create a benefit wage ratio. That ratio is a percentage developed by dividing the total of benefit wage charges against an employer's account in the last three calendar years by the total taxable payroll for the same three years.

5. The state experience is expressed in terms of a state experience factor. The factor is found by: (1) adding the total benefits paid from the Fund for the last three years; (2) then subtract from that sum all amounts credited to the Fund except employers' contributions, interest, penalties, fees and interest earned on the Fund for the same three years; (3) then divide that difference by the statewide total of benefit wage charges of all employers for the same three years.

6. There are also conditional factors that affect the employer's contribution rate, depending on the total amount in the State Unemployment Trust Fund.

7. Once the benefit wage ratio, state experience factor and conditional factors are determined for the year (by the OESC), there are tables found at 40 O.S. § 3-109 and on the quarterly tax report form that list a wide range of state experience factors next to a wide range of possible employer's benefit wage ratios. Reference to the tables with the particular and applicable factor and ratio results in finding a figure at the bottom of the applicable column that sets out the employer's contribution rate.

Effective July 1, 1998 rates range from 0% to 5.4%.*

8. Successor or acquiring employer is one that meets the terms of 40 O.S. § 3-111 and regulations of the OESC. The successor must substantially acquire one of all of the trade, organization, business, or assets of any employer and continue the operations of the predecessor as an ongoing business.

The successor shall also acquire the rating account of the predecessor employer, including the predecessor's actual contribution and benefit experience, annual payrolls and contribution rate.

The successor also becomes liable for all current or delinquent contributions, interest, penalties and fees owed to the Commission by the predecessor employer.

4. Annual Corporate Franchise Tax

Contact the Oklahoma Tax Commission Taxpayers Resource Center (405) 521-3279 or email: helpmaster@oktax.state.ok.us. for more information.

Base: Capital employed within the state. Capital includes the outstanding capital stock, surplus and undivided profits, plus any evidence of indebtedness maturing more than 3 years after issuance. Borrowed capital, evidenced by notes maturing within 3 years from date of issuance, is therefore 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 corporate certificate or a certificate of domestication is issued. Title 18 O.S. § 1022 requires all foreign or domesticated corporations to retain Secretary of State as their Oklahoma registered agent. The annual fee for this service is $100 and is to be remitted to the Oklahoma Tax Commission with the franchise tax return.

The Franchise Tax return for all corporations becomes 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.

5. Workers' Compensation Insurance

Contact the Worker's Compensation Court (405) 557-8762 for forms and further information.

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.

Administration: 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.

Coverage: Generally, coverage is mandatory for all employers with a few exceptions. Coverage for workers' compensation can be obtained by securing coverage from a private carrier, the State Insurance Fund, or by obtaining approval from the Court to self-insure if they:

1. Have a $1 million annual payroll for the preceding three (3) years,
2. Have at least 100 workers,

*New 1998 Legislation
3. Have continuously engaged in business for at least five (5) years.

4. 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 a 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.

6. Retail Sales and Use Tax

   **Base:** Sales Tax - gross proceeds or gross receipts from sales of tangible personal property and 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, includes cost of transportation unless that cost was paid by the purchaser directly to the carrier.

   **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%. The governing body of a municipality levying a municipal sales tax may also levy use tax at a rate that does not exceed the municipal sales tax rate of such municipality on tangible personal property purchased or brought into the municipality. Counties may not levy a use tax.

   Sales Tax reports are due the 15th day of the month following the month of sales and are delinquent if not received on that date.

   Use Tax reports are due the 15th day of the month following the month the transaction occurred. (OAC 710:65-3-1)

IV. APPENDICES

A. Corporate Income Tax Overview

A Brief Overview

The following discussion of taxes and tax rates is a general outlining of the primary taxes which are 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 USA. All employers are subject to three major taxes:

   2. Social Security Tax payable on each employee's earnings.
   3. Unemployment Tax on wages paid to each employee.

   **Oklahoma State and Local Taxes:** In Oklahoma, there are four principal taxes levied on corporations:

   1. Corporate Income Tax on income received for business transacted within the state.
   2. Ad Valorem Tax payable to the county in which a company owns property.
   3. Unemployment Tax varies depending on the company's experience rating.
   4. Franchise Tax ranges from $10 to $20,000 annually depending on state capital employed.

   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.

   The portion of corporate income earned in Oklahoma and therefore subject to the 6% tax is determined by a three factor formula. (See Three Factor Chart.)
THREE FACTOR FORMULA

\[
\frac{\text{Property in Oklahoma} \times \text{Federal Income Tax Return} + \text{Payroll in Oklahoma} \times \text{Per Federal Income Tax Return} + \text{Sales in Oklahoma} \times \text{Per Federal Income Tax Return}}{3} = \text{Oklahoma Apportionment} \% \text{ of Income}
\]

The sales factor for corporations having capital investment in Oklahoma of $200,000,000 or more than 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. (See Oklahoma Tax Formula.)

OKLAHOMA TAX FORMULA

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma Apportioned Percentage from the 3 Factor Formula</td>
<td>Net Income Reported for Federal Tax Purposes after Oklahoma adjustments</td>
<td>Oklahoma taxable income</td>
<td>6% Oklahoma Corporate income tax rate</td>
<td>Oklahoma Income Tax</td>
</tr>
</tbody>
</table>

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

CORPORATE TAX EXAMPLE

• Manufacturing company “A” in Oklahoma with a sales office in another state.
• The company has an income of $1,000,000.
• 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

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

Three Factor Formula x Reported Fed. Income = Oklahoma Taxable Income / 63\% \times $500,000 = $316,650 after Oklahoma Adjustments.

Oklahoma Taxable Income x Oklahoma Income Tax rate = Oklahoma Income Tax \times $316,650 \times 6\% = $18,999.
B. 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.

Oklahoma’s per capita state and local tax burden ranks 42nd in the United States, according to the latest U.S. Census data.

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

<table>
<thead>
<tr>
<th>State</th>
<th>Corporate Tax Rate</th>
<th>Sales Tax Rate</th>
<th>State</th>
<th>Corporate Tax Rate</th>
<th>Sales Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>5.00%</td>
<td>4.00%</td>
<td>Nebraska</td>
<td>5.58-7.81%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Alaska</td>
<td>1.00 9.40%</td>
<td>(Local Only)</td>
<td>Nevada</td>
<td>None</td>
<td>6.50%</td>
</tr>
<tr>
<td>Arizona</td>
<td>9.00%</td>
<td>3.755.50%</td>
<td>New Hampshire</td>
<td>7.00%</td>
<td>None</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1.006.50%</td>
<td>4.625%</td>
<td>New Jersey</td>
<td>9.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>California</td>
<td>9.30%</td>
<td>7.25%</td>
<td>New Mexico</td>
<td>4.80-7.60%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Colorado</td>
<td>5.00%</td>
<td>3.00%</td>
<td>New York</td>
<td>9.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>10.75%</td>
<td>6.00%</td>
<td>North Carolina</td>
<td>7.75%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Delaware</td>
<td>8.70%</td>
<td>None</td>
<td>North Dakota</td>
<td>3.00-10.50%</td>
<td>5.00%</td>
</tr>
<tr>
<td>D.C.</td>
<td>9.50%</td>
<td>5.75%</td>
<td>Ohio</td>
<td>5.10-8.90%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Florida</td>
<td>5.50%</td>
<td>6.00%</td>
<td>Oklahoma</td>
<td>6.00%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Georgia</td>
<td>6.00%</td>
<td>4.00%</td>
<td>Oregon</td>
<td>6.60%</td>
<td>None</td>
</tr>
<tr>
<td>Hawaii</td>
<td>4.40-6.40%</td>
<td>4.00%</td>
<td>Pennsylvania</td>
<td>9.99%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Idaho</td>
<td>8.00%</td>
<td>5.00%</td>
<td>Rhode Island</td>
<td>9.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Illinois</td>
<td>4.80%</td>
<td>6.25%</td>
<td>South Carolina</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Indiana</td>
<td>3.40%</td>
<td>5.00%</td>
<td>South Dakota</td>
<td>None</td>
<td>4.00%</td>
</tr>
<tr>
<td>Iowa</td>
<td>6.00-12.00%</td>
<td>5.00%</td>
<td>Tennessee</td>
<td>6.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Kansas*</td>
<td>4.00%</td>
<td>4.90%</td>
<td>Texas**</td>
<td>None</td>
<td>6.25%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>4.00-8.25%</td>
<td>6.00%</td>
<td>Utah</td>
<td>5.00%</td>
<td>5.875%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>4.00-8.00%</td>
<td>4.00%</td>
<td>Vermont</td>
<td>5.50-8.25%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Maine</td>
<td>3.50-8.93%</td>
<td>6.00%</td>
<td>Virginia</td>
<td>6.00%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Maryland</td>
<td>7.00%</td>
<td>5.00%</td>
<td>Washington</td>
<td>None</td>
<td>6.50%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>9.50%</td>
<td>5.00%</td>
<td>West Virginia</td>
<td>9.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Michigan</td>
<td>2.30%</td>
<td>6.00%</td>
<td>Wisconsin</td>
<td>7.90%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>9.80%</td>
<td>6.50%</td>
<td>Wyoming</td>
<td>None</td>
<td>4.00%</td>
</tr>
<tr>
<td>Mississippi</td>
<td>3.00-5.00%</td>
<td>7.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>6.25%</td>
<td>4.225%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>6.75%</td>
<td>None</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*3.35% Surtax on over $50M
**4.5% Franchise or Gross Receipts Tax
C. Key Business Contacts

Oklahoma Department of Commerce (ODOC)
P. O. Box 26980
Oklahoma City, Oklahoma 73126-0980
(800)879-6552 • (405) 815-5261

New Investments and New Jobs
(800)588-5959
Email: info@odoc.state.ok.us
Web site: www.locateok.com

John Reid (405) 815-5251
Director, Business Recruitment

Sherry Vance (405) 815-5249
Director, Marketing

Brenda Vincent (405) 815-5210
Director, Technology Transfer

Dan Gorin (405) 815-5178
Director, Tax Analysis

Beth Rodriguez (405) 815-5148
Director, Community Growth

Karla Graham (405) 815-5140
Director, Business Development

Kevin Chambers (405) 815-5217
Director, International Trade and Investment

Other Key Contacts:

Office of the Governor
Governor Frank Keating
Jill Hardee
Public Affairs Liaison
Room 212, State Capitol
Oklahoma City, OK 73105-4890
(405) 521-2345

Office of the Lieutenant Governor
Lt. Governor Mary Fallin
Room 211, State Capitol
Oklahoma City, Oklahoma 73105-2890
(405) 521-2161

Oklahoma Secretary of State
Dawn Amundsen, Assistant Secretary of State
Secretary of State Office
101 State Capitol Bldg.
Oklahoma City, OK 73105
(405) 522-3799

Oklahoma Tax Commission
Bill Johnson, Commerce and Industry Administrator
M. C. Conners Building
Oklahoma City, Oklahoma 73194
(405) 521-4325

Oklahoma Department of Vocational and Technical Education
Training for Industry Program
Vikki Dearing (405) 815-5110
Economic Development Liaison
P.O. Box 26980
Oklahoma City, Oklahoma 73126-0980
(800) 879-6552, Ext. 110

Oklahoma Capital Investment Board (OCIB)
Mike Tharp, President
301 N.W. 63rd, Ste. 520
Oklahoma City, Oklahoma 73116
(405) 848-9456

Oklahoma Center for the Advancement of Science and Technology (OCAST)
Dr. Carolyn Sales, President
4545 N. Lincoln Blvd., Ste. 116
Oklahoma City, Oklahoma 73105
(405) 524-1357

Oklahoma Finance Authorities (OFA)
Oklahoma Industrial Finance Authority (OIFA)
Oklahoma Development Finance Authority (ODFA)
Jim Fulmer, President
301 N.W. 63rd, Ste. 225
Oklahoma City, Oklahoma 73116
(405) 842-1145

Employment Security Commission
Jon Brock, Executive Director
Jeff Haddad, Program Chief,
Economic Research and Analysis Division
Robert Reagan, Program Chief,
Contributions Department
2401 N. Lincoln
Oklahoma City, Oklahoma 73105
(405) 557-7121 or (405) 557-7131

Oklahoma Department of Agriculture
Dennis Howard, Commissioner
Rick Maloney, Director, Market Development
2800 N. Lincoln
Oklahoma City, Oklahoma 73105-4298
(405) 521-3864
Department of Environmental Quality  
**Dave Dillon, Assistant Division Director**  
Customer Services Division  
707 N. Robinson  
Oklahoma City, Oklahoma 73102  
(405) 702-6100  
(800) 869-1400

Workers’ Compensation Court  
**Mike Sykes, Counselor, Program Director**  
1915 N. Stiles  
Oklahoma City, Oklahoma 73105  
(405) 522-8600

State Insurance Fund  
(Workers’ Compensation)  
**Robert Sisco, Underwriting Manager**  
Underwriting Division-Price Quotes  
P.O. Box 53505  
Oklahoma City, Oklahoma 73152  
(405) 232-7663

Oklahoma Work Opportunity Act and Welfare to Work Program  
Employment Security Commission  
**Rhonda Chick, Program Supervisor**  
P.O. Box 52003  
Oklahoma City, Oklahoma 73152  
(405) 557-5371

Industrial Access Road Program  
Department of Transportation  
**Mitch Surrett, Special Assistant to the Director**  
Oklahoma Department of Transportation  
2501 N. Lincoln Blvd.  
Oklahoma City, OK 73105  
(405) 522-0290

State Bond Advisor  
**Tim Martin, Senior Bond Analyst**  
State Bond Oversight Commission  
301 NW. 63rd Street • Suite 225  
Oklahoma City, OK 73116  
(405) 521-6198

Oklahoma Alliance for Manufacturing Excellence  
**John Lingfelter, Vice President**  
525 S. Main • Suite 500  
Tulsa, OK 74103  
(918) 592-0722

Oklahoma Technology Commercialization Center  
**Randy Goldsmith, President**  
204 N. Robinson • Suite 1300  
Oklahoma City, OK 73102  
(405) 447-6822