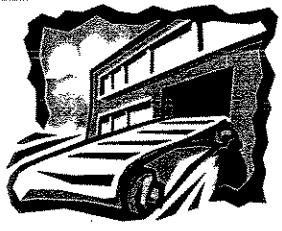
OKLAHOMA TAX COMMISSION
AD VALOREM DIVISION

FIVE YEAR EXEMPT MANUFACTURING REIMBURSEMENT HISTORY OVERVIEW 1985-2011



Prepared By
Oklahoma Tax Commission
Jeff Spelman, CAE, Director
November 1, 2011

PREFACE

The ad valorem tax exemption for qualifying manufacturing concerns was created by State Question No. 588 and adopted by a vote of the people on April 10, 1985. Oklahoma Constitution, Article X, Section 6B

The five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set for the by the Oklahoma Constitution and Statutes.

PURPOSE OF THE REPORT

This report has been prepared for the Oklahoma Tax Commission as an annual accounting for claims received pursuant to title 62 O.S., Section 193 for loss of revenue due to exemption of new or expanded manufacturing facilities.

The county commissioners of each county seeking reimbursement for lost revenue have made claim for reimbursement to the Oklahoma Tax Commission. Disbursement from the fund shall be made on warrants issued by the state treasurer against claims filed by the Commission with the Office of State Finance for payment.

Brief Reimbursement History
1985 to 2011

The exemption was created by State question 588 and approved by a vote of the people in April 1985. The amendment was codified into the Oklahoma Constitution Article 10 Section 6B.

The program exempts all qualifying real and personal property used directly and exclusively in the manufacturing or research and development process. Qualification is based on various criteria which may be different for a particular industry. All taxing jurisdictions authorized to levy an Ad Valorem Tax are reimbursed for any lost revenue due to the exemption by the Ad Valorem Reimbursement Fund.

The Ad Valorem Reimbursement Fund 62 O.S. § 193, is funded from one percent of all income tax collections.. In a typical collection year the fund would have about Twenty-Five Million Dollars deposited for reimbursement not withstanding payment of previous claims from current year collections.

Since 2002 the fund has been insufficient to fully reimburse all taxing jurisdictions. The legislature has since made supplemental appropriations each year to reimburse common education first and in full in June of each year. However, all other taxing jurisdictions authorized reimbursements are paid on a monthly basis as monies are deposited into the fund. In 2010 there was no legislative appropriation for common education. The reimbursements for common education were also paid in monthly increments as monies became available. Reimbursements for 2010 for common education were completed on October 12, 2010. All other taxing jurisdictions are expected to be fully reimbursed in April of 2011 for 2010 claims.

Since the Ad Valorem Reimbursement Fund has been used to fund 2010 claims with 2011 deposits, the carry over balance for the 2011 claims is expected to about Five Million Dollars. The 2011claims are expected to be about Thirty-Four Million Dollars with common education's portion being about Twenty-Two Million Dollars. If there is no supplemental legislative appropriation to fund common education, reimbursements would be made monthly. If this were the case common education would not be fully funded until March 2012 to pay 2011 claims.

The Ad Valorem Reimbursement Fund could be Insufficient to pay any claims beginning with the June 2012 claims due to the depletion of any current year collections which were used to pay the previous years claims.

CONDENSED OVERVIEW

Qualifying applicants must meet at least one of the following criteria:

1. *Facilities engaged in the mechanical or chemical transformation of materials or substances into new products.*

2. *Facilities defined or classified under the North American Industry Classification System (NAICS), latest revision.*

3. *Facilities, including repair and replacement parts, primarily engaged in aircraft repair, building and rebuilding whether or not on a factory basis.*

4. *Establishments which are primarily engaged in computer services and data processing as defined under an industrial group number as authorized by statute, and which derive at least 50% of annual gross revenues from the sale of a product or service to an out-of-state consumer as defined under an industrial group number as defined per statute, which derive at least 80% of gross annual revenues from the sale of a product or service to an out-of-state buyer or consumer.*

5 *Establishments engaged in research and development activities directly related to and conducted for the purpose of discovering, enhancing, increasing or improving future or existing products, processes or productivity, purpose of discovering, enhancing, increasing or improving future or existing products, processes or productivity.*

6. *Establishments primarily engaged in distribution as defined under Industrial Group Number or Major Group Number as authorized by statute, latest revision.*

7. *An entity engaged in electric power generation by means of wind, as described and authorized by statute.*

ASSET ELIGIBILITY

Eligible assets may include land, building, structures, improvements, fixtures, machinery, equipment and other personal property used directly and exclusively in the manufacturing process. The phrase "manufacturing process" is of great importance. It was not the intent of the legislature to give an exemption to every business but to attract new business and give an incentive to those businesses that will increase Oklahoma's productivity and provide more jobs. Assets which are not directly involved in the manufacturing process are excluded from the exemption for this reason. Assets such as office equipment break room articles, restroom improvements, and time clocks, etc. are in eligible. Only assets acquired for expansion are eligible. Replacement assets are ineligible.

Eligible assets are grouped according to the year in which they were acquired or placed in service. There is only one asset group per application. The exception to this asset group rule is if a manufacturing concern transfers assets from out-of-state. These assets may have been acquired in various years but, for taxing purposes, will be treated as one asset group. Each application is treated separately throughout the lifetime of the exemption. It is the responsibility or the applicant to file the application properly. It is recommended that the application list eligible assets in the Oklahoma Tax Commission form or follow a similar format.

Ad Valorem Reimbursement Fund (1985 - 2011)

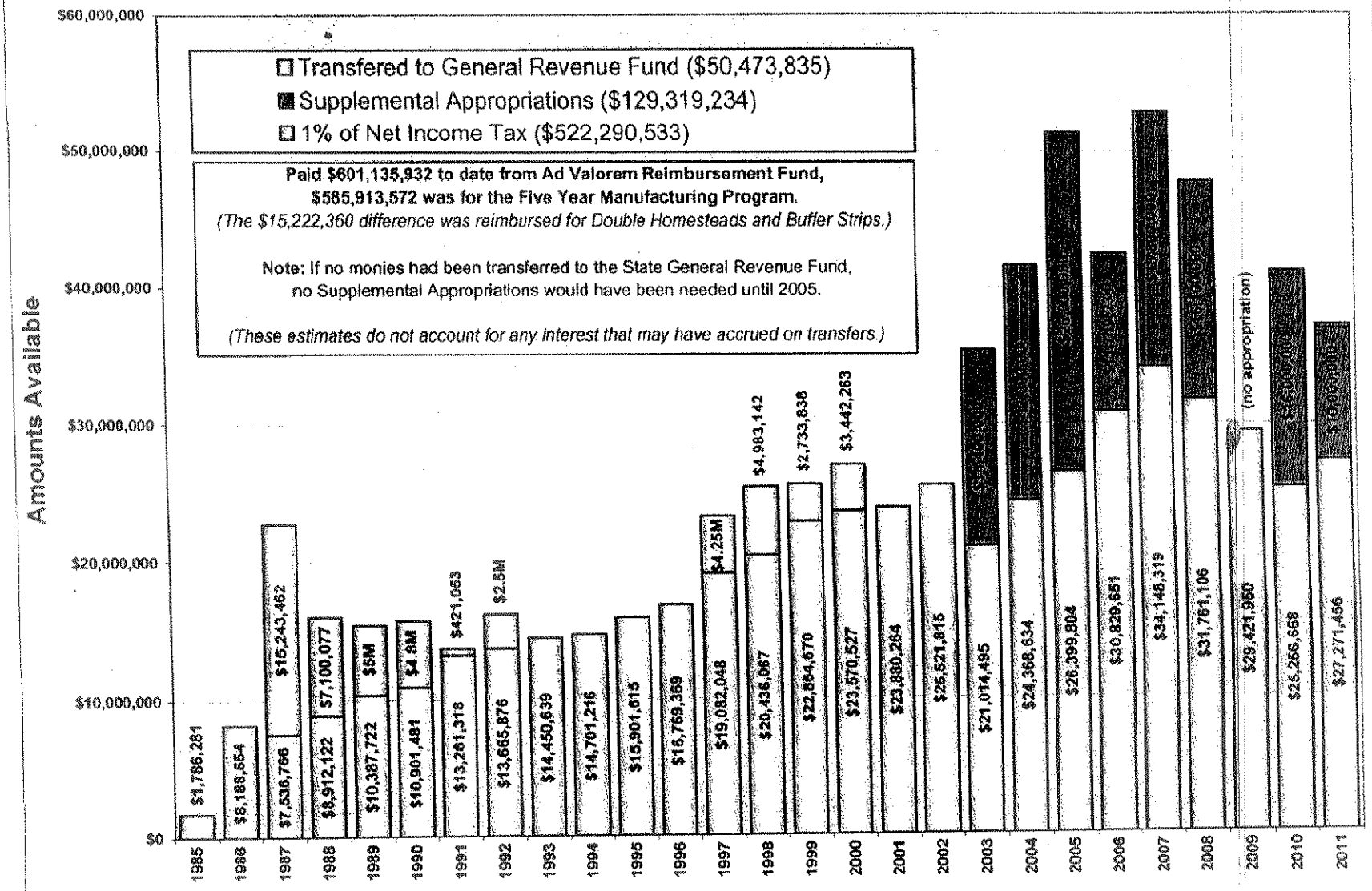
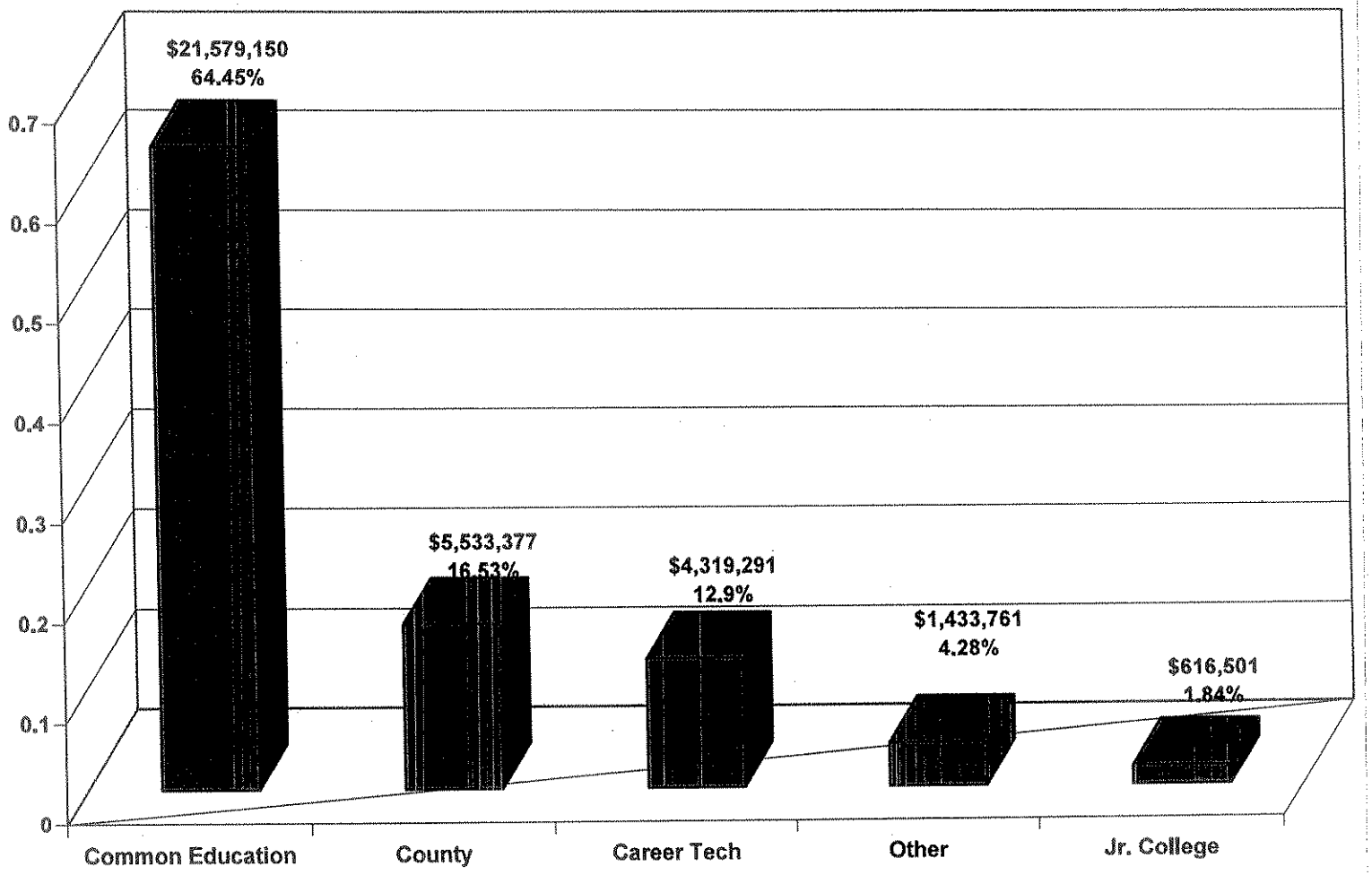


Chart created by the Ad Valorem Division - OTC, October 31, 2011
Jeff Spelman, CAE, Director - Phone (405) 319-8200

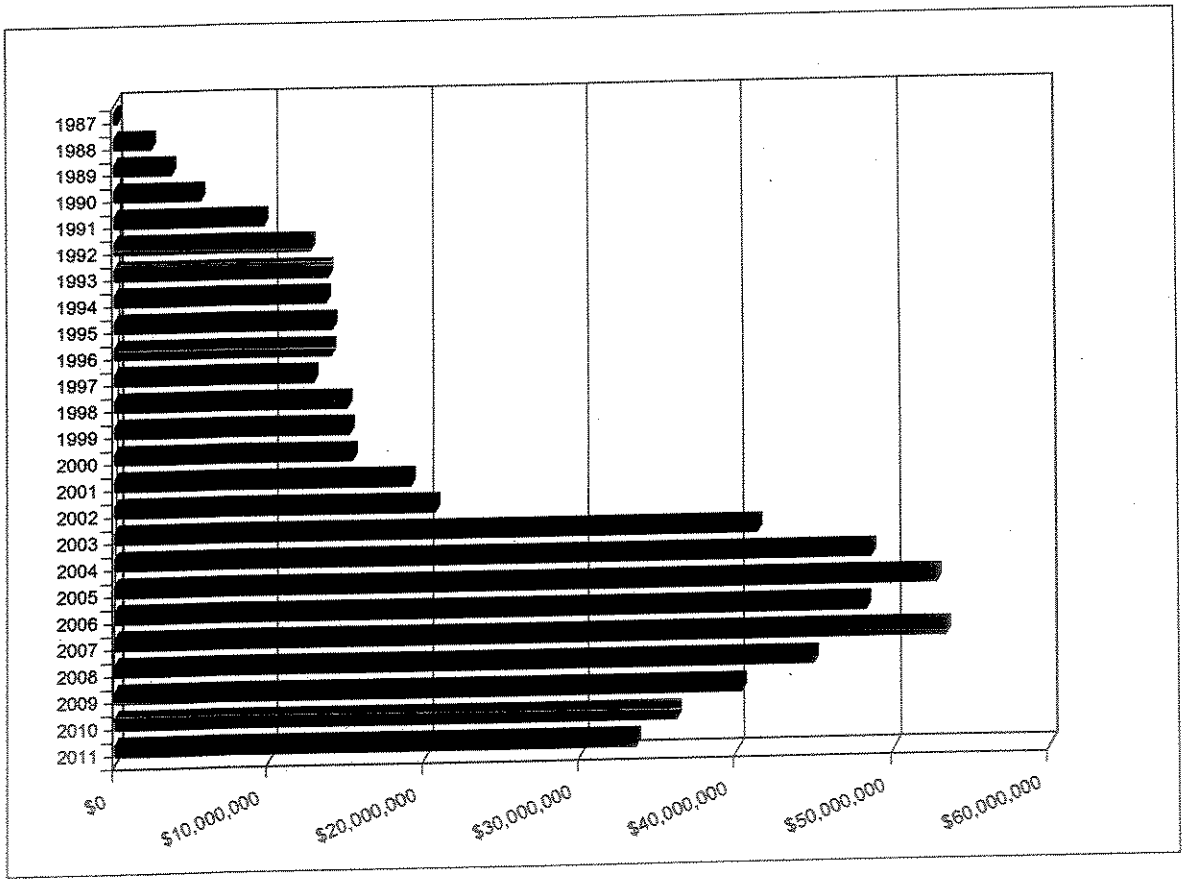
2011 Actual Disbursement Breakdown
Ad Valorem Reimbursement Fund



Created by Ad Valorem Tax Division, Oklahoma Tax Commission,
November 2011
Jeff Spelman, CAE, Director
(405)319-8200

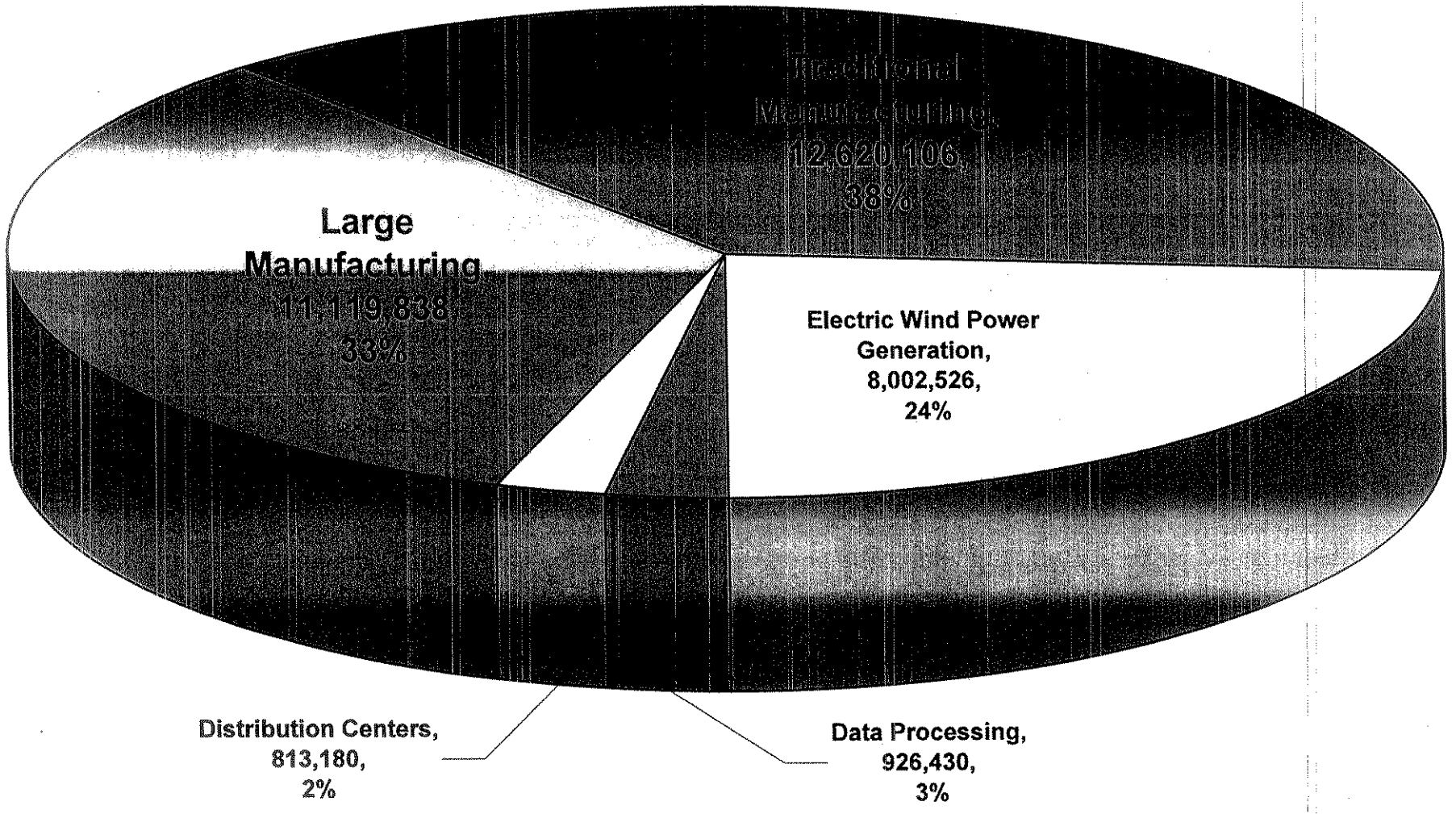
HISTORICAL REIMBURSEMENTS AND GROWTH
FIVE-YEAR EXEMPT MANUFACTURING REIMBURSEMENTS

Reimbursement Year	Tax Year	Amount Reimbursed	% Increase
1987	1986	$143,257	
1988	1987	$2,346,018	1538%
1989	1988	$3,671,120	56%
1990	1989	$5,564,981	52%
1991	1990	$9,573,063	72%
1992	1991	$12,583,691	31%
1993	1992	$13,725,074	9%
1994	1993	$13,555,765	-1%
1995	1994	$13,974,501	3%
1996	1995	$13,874,217	-1%
1997	1996	$12,764,587	-8%
1998	1997	$14,936,129	17%
1999	1998	$15,065,099	1%
2000	1999	$15,265,381	1%
2001	2000	$18,978,365	24%
2002	2001	$20,572,439	8%
2003	2002	$41,306,390	101%
2004	2003	$48,530,995	17%
2005	2004	$52,724,671	9%
2006	2005	$48,192,459	-9%
2007	2006	$53,294,176	11%
2008	2007	$44,825,245	-16%
2009	2008	$40,306,068	-10%
2010	2009	$36,145,243	-10%
2011	*2010	$33,482,080	-7%



Totals do not include pending protests
November 1, 2011

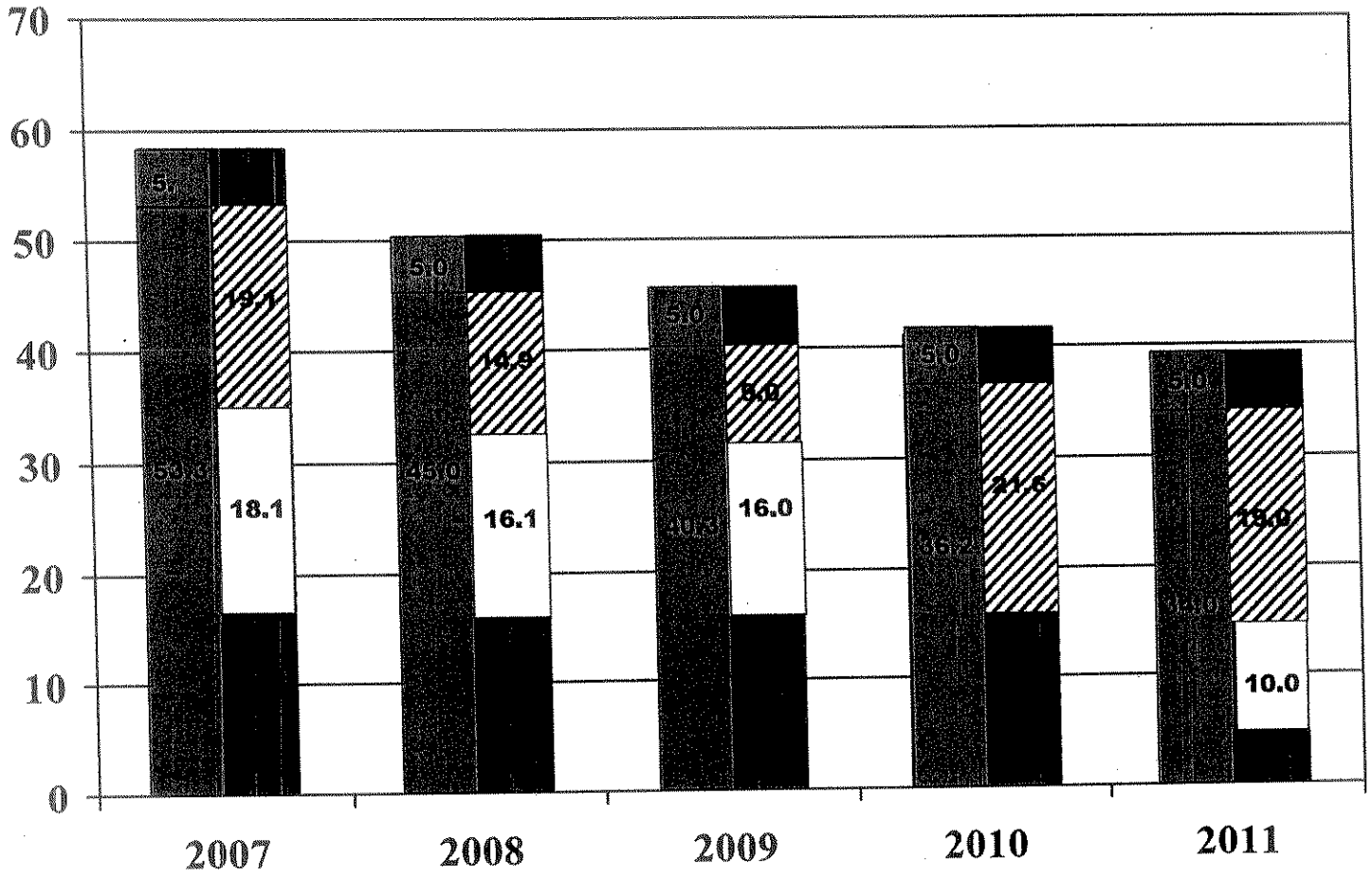
2011 Actual Reimbursement by Type of Property
Ad Valorem Reimbursement Fund*



*Totals do not include pending protests
November 1, 2011

Historical Income And Reimbursements Of The Ad Valorem Reimbursement Fund

November 2011



Available reimbursement funds are allocated from one percent (1%) of individual and corporate income tax collections. Reimbursement for manufacturing exemption is first priority payment.

Approximately 65% of Total Estimated Reimbursement Is Allocated To Common Education.

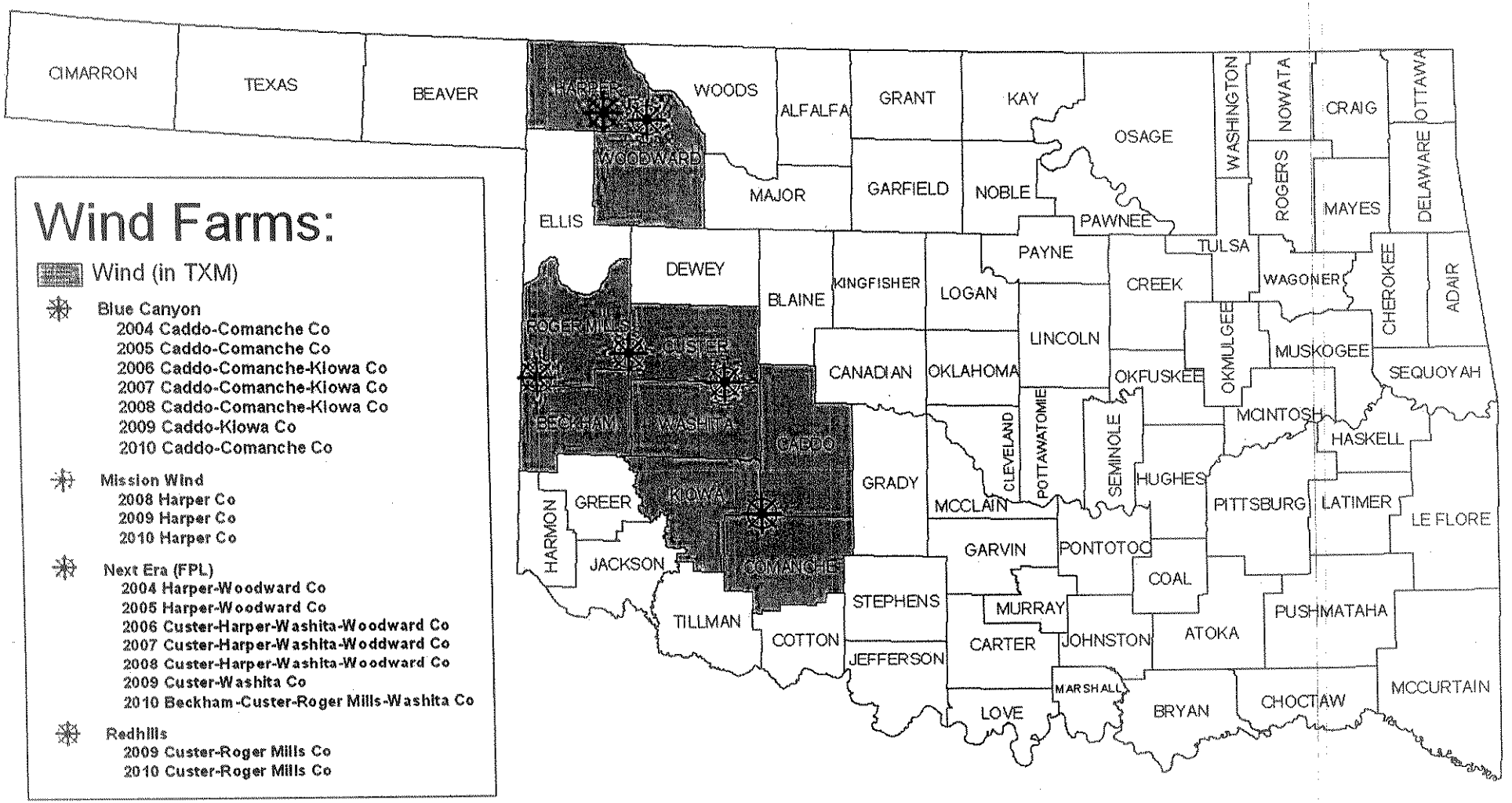
Graph Legend

- Additional Homestead Exemption
- 5 Year Manufacturer's Exemption
- Projected Funds Available
- Special Appropriation
- From Next/Future Year's Collections
- Unfunded Homestead

These estimates are based on the latest projected available revenue and historical data under current statutory qualifications. The 2011 estimates are believed to be within ± 5%. Any future legislative changes or the application of other large facilities may substantially affect these projections.

Created By The Ad Valorem Tax Division, OTC
November 1, 2011
Jeff Spelman, CAE, Director
(405) 319-8200

Wind Electric Generation (2004 to 2010)



Wind Farms:

Wind (in TXM)

Blue Canyon
- 2004 Caddo-Comanche Co
- 2005 Caddo-Comanche Co
- 2006 Caddo-Comanche-Kiowa Co
- 2007 Caddo-Comanche-Kiowa Co
- 2008 Caddo-Comanche-Kiowa Co
- 2009 Caddo-Kiowa Co
- 2010 Caddo-Comanche Co

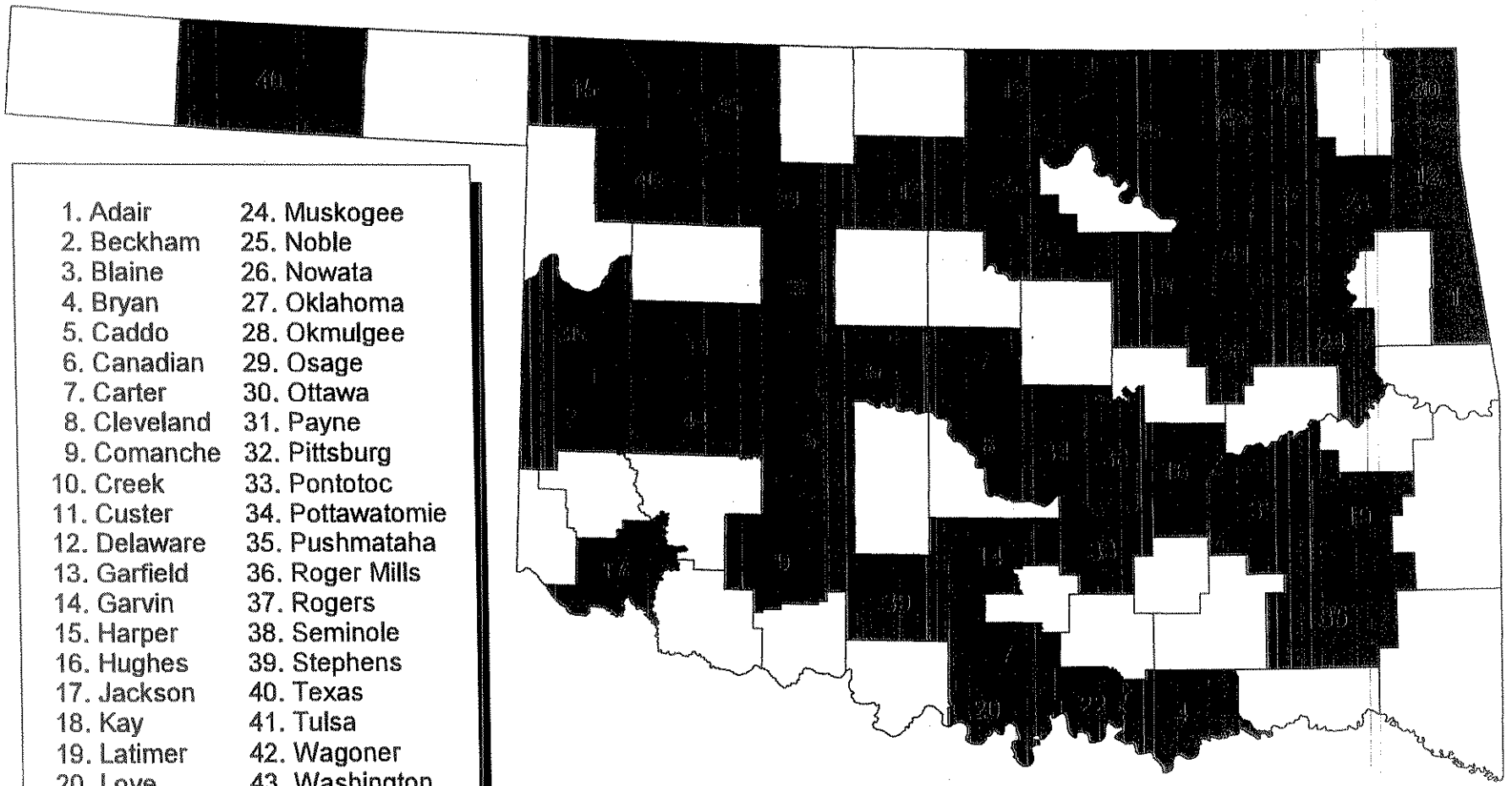
Mission Wind
- 2008 Harper Co
- 2009 Harper Co
- 2010 Harper Co

Next Era (FPL)
- 2004 Harper-Woodward Co
- 2005 Harper-Woodward Co
- 2006 Custer-Harper-Washita-Woodward Co
- 2007 Custer-Harper-Washita-Woddward Co
- 2008 Custer-Harper-Washita-Woodward Co
- 2009 Custer-Washita Co
- 2010 Beckham-Custer-Roger Mills-Washita Co

Redhills
- 2009 Custer-Roger Mills Co
- 2010 Custer-Roger Mills Co

Map created by the Ad Valorem Division of OTC, February 3, 2011
Jeff Spelman, CAE, Director - Phone (405) 319-8200

COUNTIES PARTICIPATING IN TXM PROGRAM - 2011



1. Adair
2. Beckham
3. Blaine
4. Bryan
5. Caddo
6. Canadian
7. Carter
8. Cleveland
9. Comanche
10. Creek
11. Custer
12. Delaware
13. Garfield
14. Garvin
15. Harper
16. Hughes
17. Jackson
18. Kay
19. Latimer
20. Love
21. Major
22. Marshall
23. Mayes
24. Muskogee
25. Noble
26. Nowata
27. Oklahoma
28. Okmulgee
29. Osage
30. Ottawa
31. Payne
32. Pittsburg
33. Pontotoc
34. Pottawatomie
35. Pushmataha
36. Roger Mills
37. Rogers
38. Seminole
39. Stephens
40. Texas
41. Tulsa
42. Wagoner
43. Washington
44. Washita
45. Woods
46. Woodward

Map created by the Ad Valorem Division, February 7, 2011

FIVE-YEAR EXEMPT MANUFACTURING PROJECTED AMOUNT TO REIMBURSE TO COUNTY FOR LOSS OF REVENUE AS OF APRIL 26 2011

COUNTY CLAIM FOR REIMBURSEMENT FOR LOSS OF REVENUE DUE TO EXEMPTION OF NEW OR EXPANDED MANUFACTURING FACILITIES IN 2010 TAX YEAR.

TOTAL REIMBURSEMENT FOR ADAIR COUNTY	112,342
TOTAL REIMBURSEMENT FOR BECKHAM COUNTY	12,229
TOTAL REIMBURSEMENT FOR BLAINE COUNTY	17,153
TOTAL REIMBURSEMENT FOR BRYAN COUNTY	193,287
TOTAL REIMBURSEMENT FOR CADDO COUNTY	264,809
TOTAL REIMBURSEMENT FOR CANADIAN COUNTY	526,005
TOTAL REIMBURSEMENT FOR CARTER COUNTY	2,170,695
TOTAL REIMBURSEMENT FOR CLEVELAND COUNTY	14,237
TOTAL REIMBURSEMENT FOR COMANCHE COUNTY	1,476,080
TOTAL REIMBURSEMENT FOR CREEK COUNTY	293,967
TOTAL REIMBURSEMENT FOR CUSTER COUNTY	2,544,652
TOTAL REIMBURSEMENT FOR DELAWARE COUNTY	141,730
TOTAL REIMBURSEMENT FOR GARFIELD COUNTY	1,139,376
TOTAL REIMBURSEMENT FOR GARVIN COUNTY	1,563,303
TOTAL REIMBURSEMENT FOR HARPER COUNTY	1,398,788
TOTAL REIMBURSEMENT FOR HUGHES COUNTY	724,626
TOTAL REIMBURSEMENT FOR JACKSON COUNTY	260,251
TOTAL REIMBURSEMENT FOR KAY COUNTY	2,194,212
TOTAL REIMBURSEMENT FOR LATIMER COUNTY	19,425
TOTAL REIMBURSEMENT FOR LOVE COUNTY	2,315
TOTAL REIMBURSEMENT FOR MAJOR COUNTY	27,440
TOTAL REIMBURSEMENT FOR MARSHALL COUNTY	43,764
TOTAL REIMBURSEMENT FOR MAYES COUNTY	680,001
TOTAL REIMBURSEMENT FOR MUSKOGEE COUNTY	1,473,437
TOTAL REIMBURSEMENT FOR NOBLE COUNTY	51,456

*Totals do not include pending protest
November 1, 2011

TOTAL REIMBURSEMENT FOR NOWATA COUNTY	29,764
TOTAL REIMBURSEMENT FOR OKLAHOMA COUNTY	4,132,435
TOTAL REIMBURSEMENT FOR OKMULGEE COUNTY	74,809
TOTAL REIMBURSEMENT FOR OSAGE COUNTY	39,137
TOTAL REIMBURSEMENT FOR OTTAWA COUNTY	90,289
TOTAL REIMBURSEMENT FOR PAYNE COUNTY	82,454
TOTAL REIMBURSEMENT FOR PITTSBURG COUNTY	140,433
TOTAL REIMBURSEMENT FOR PONTOTOC COUNTY	69,021
TOTAL REIMBURSEMENT FOR POTTAWATOMIE COUNTY	1,991
TOTAL REIMBURSEMENT FOR PUSHMATAHA COUNTY	138,176
TOTAL REIMBURSEMENT FOR ROGER MILLS COUNTY	3,072,612
TOTAL REIMBURSEMENT FOR ROGERS COUNTY	1,021,526
TOTAL REIMBURSEMENT FOR SEMINOLE COUNTY	657,730
TOTAL REIMBURSEMENT FOR STEPHENS COUNTY	39,967
TOTAL REIMBURSEMENT FOR TEXAS COUNTY	296,351
TOTAL REIMBURSEMENT FOR TULSA COUNTY	5,857,464
TOTAL REIMBURSEMENT FOR WAGONER COUNTY	44,193
TOTAL REIMBURSEMENT FOR WASHINGTON COUNTY	12,090
TOTAL REIMBURSEMENT FOR WASHITA COUNTY	158,513
TOTAL REIMBURSEMENT FOR WOODS COUNTY	17,543
TOTAL REIMBURSEMENT FOR WOODWARD COUNTY	160,002
TOTAL REQUEST FOR REIMBURSEMENT	**33,482,080**

*Totals do not include pending protest
November 1, 2011

OKLAHOMA
FIVE-YEAR MANUFACTURER'S
EXEMPTION TIME TABLE

AUTHORITY	COUNTY ASSESSOR	DATES
O.S. 68 2902.5 (E) OTC Reg 710:10-7-5	Application to be filed with assessor	Jan. 1 - Mar 15
	Application may be filed (30) days after the receipt of an increased valuation notice	Non Specific
O.S. 68 2902.5 (F) OTC Reg 710:10-7-11,c	Assessor to review. Approve or Reject	On or before 4th Monday in April
OTC Reg 710:10-7-11,d	Notice of rejection mailed to applicant	On or before 4th Monday in April
OTC Reg 710:10-7-18 OTC Reg 710:10-7-19 O.S. 68 2842 A	Designation on assessment roll Real and Personal Property valuation is to be placed on the assessment roll	On or before 4th Monday in April
OTC Reg 710:10-7-20	Exemption forwarded to tax roll	On or before Oct. 1
	COUNTY BOARD OF EQUALIZATION	
O.S. 68 2902 OTC Reg 710:10-7-12	County Board to review	On or before 4th Monday in April
	PROTESTS, HEARINGS, APPEALS	
O.S. 68 2902.5 (f) O.S. 68 2895 OTC Reg 710:10-7-15	The taxpayer shall have the same right of review and appeal in the same manner as provided by law concerning homestead exemptions	See specific authority for statutory scheme
	COUNTY TREASURER	
OTC Reg 710:10-7-21	Tax charged to county treasurer	Oct. 1 or upon delivery of tax rolls
OTC Reg 710:10-7-22	Owner not billed for tax	
OTC Reg 710:10-7-23	No late payment charges or interest will be charged to the state by the county treasurer	
	TAX COMMISSION	
O.S. 68 2902.5 (F) OTC Reg 710:10-7-5	Application to be filed with the Tax Commission	By June 15
OTC Reg 710:10-7-17	Determination of value	Non Specific
	COUNTY COMMISSIONERS	
O.S. 62 193 OTC Reg 710:10-7-25	Reimbursement Claim	On or before April 30 of the succeeding year
	STATE TREASURER	
O.S. 62 193 OTC Reg 710:10-7-25	Reimbursement	June of the succeeding year
OTC Reg 710:10-7-25	In the event of a shortfall of state funding, county treasurers would receive less than full payment. The Tax Commission will advise the county treasurer of the proportion to be applied to each tax bill and how to handle the shortfall	