

## State Tax Incentives

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#### **DISCLAIMER AND IMPORTANT INFORMATION**

Any tax credit or tax incentive information contained in this website is of a general nature. It should not be construed as legal advice nor should it be acted upon without further details and/or professional assistance from an attorney and/or qualified tax representative.

The Association of Central Oklahoma Governments does not guarantee and is not liable for the truthfulness, accuracy, effectiveness, or any resulting effects of the use of any tax credit or tax incentive information contained in this website.

It is advised and it is the responsibility of the visitor to this website to seek proper instruction and/or seek professional assistance in all matters regarding state and federal taxes, tax credits and incentives.

For questions regarding Oklahoma's alternative fuel tax incentives, interpretations, rulings, and/or eligibility, contact the Oklahoma Tax Commission Office of Audit and Compliance at (405) 521-3133.

Note: All referenced Oklahoma Statutes can be found on the [Oklahoma State Courts Network](#) [1] site. All referenced [Oklahoma Tax Commission Rules](#) [2] can be found on the OTC website.

#### **Alternative Fuel Vehicle (AFV) Oklahoma Income Tax Credit** (One-Time Credit Against Income Tax for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property)

For tax years beginning before January 1, 2020, Oklahoma provides a one-time income tax credit of 45% of the cost of converting a motor vehicle to operate on certain alternative fuels, or for 45% of the incremental cost of purchasing a new Original Equipment Manufacturer (OEM) AFV.

The state will allow an income tax credit of 10% of the total vehicle cost, up to \$1,500, if the incremental cost of a new AFV cannot be determined or when an AFV is resold, as long as an income tax credit has not been previously taken on the vehicle.

Equipment used for conversions must:

- be new and must not have been previously used to modify or retrofit any vehicle
- be installed by an alternative fuels equipment technician who is certified in accordance with the Oklahoma Alternative Fuels Technician Certification Act
- meet all Federal Motor Vehicle Standards set forth in 49 CFR 571, or
- for any commercial motor vehicle (CMV), follow the Federal Motor Carrier Safety Regulations or Oklahoma Intrastate Motor Carrier Regulations

Alternative fuel vehicles eligible for the credit are those propelled by compressed natural gas, liquefied natural gas, and liquefied petroleum gas.

As pertains to the income tax credit, "motor vehicle" is defined as a motor vehicle originally designed by the manufacturer to operate lawfully and principally on streets and highways.

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Additionally, Section 710:50-15-81 of the Oklahoma Administrative Code (Oklahoma Tax Commission Rules) states for purposes of the alternative fuel (clean-burning motor vehicle fuel property) credit, "motor vehicle" includes forklifts and other similar self-propelled vehicles. "Vehicle" shall not mean conveyor belts or other similar items. An entity that converts property to qualified clean-burning motor vehicle fuel property may lease such property and retain the right to claim the credit. Property on which the credit has previously been claimed is ineligible for the credit.

This income tax credit may be carried forward for up to five years. ([Ref. Title 68 O.S. Section 2357.22](#) [3]; and [OTC Rule 710:50-15-81](#) [4])

More information about Oklahoma's alternative fuel vehicle and alternative fuel infrastructure income tax credit can be found at Oklahoma Tax Commission Agency Rules and Commission Decisions located on the [Oklahoma Tax Commission website](#) [2]. Also see **Oklahoma Income Tax Forms 511CR and 567-A** located under Forms and Publications on the OTC website.

**Alternative Fueling Infrastructure Oklahoma Income Tax Credit** (One-Time Credit Against Income Tax for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property)

For tax years beginning before January 1, 2020, the state provides a per-location Oklahoma income tax credit of 75% of the cost of equipment related to the delivery of certain alternative fuels into the fuel tank(s) of a motor vehicle and installation costs for certain alternative fueling infrastructure, not including a building and its structural components.

Alternative fuels eligible for this credit are compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG or propane), and electricity.

Eligible CNG, LNG and LPG infrastructure must be for commercial purposes or for a fee or charge.

Eligible electric vehicle recharging infrastructure must be a metered-for-fee, public access recharging system.

The infrastructure must be new and must not have been previously installed or used to fuel alternative fuel vehicles.

A state income tax credit of the lesser of 50% of the cost of installing a residential CNG fueling system or \$2,500 is also provided.

This income tax credit may be carried forward for up to five years. ([Ref. Title 68 O.S. Section 2357.22](#) [3] and [OTC Rule 710:50-15-81](#) [5])

More information about Oklahoma's alternative fuel vehicle and alternative fuel infrastructure income tax credits can be found at Oklahoma Tax Commission Agency Rules and Commission Decisions located on the [Oklahoma Tax Commission website](#) [2]. Also see **Oklahoma Income Tax Forms 511CR and 567-A** located under Forms and Publications on the OTC website.

### **Motor Fuel Tax on Use or Consumption of Compressed Natural Gas (CNG)**

Since January 1, 2012, the Oklahoma motor fuel tax imposed on compressed natural gas (CNG) has been levied upon the retail or ultimate consumer as a direct tax included in the price per gallon equivalent (gge) CNG paid at the pump. It is no longer levied through the annual Alternative Fuel (Special Fuel) Flat Fee in Lieu of Tax provision of [Title 68 O.S. Section 723](#) [6].

The rate of motor fuel taxation imposed on CNG is five cents (\$0.05) per gge until expiration of the credit authorized pursuant to the provision of paragraph 1 of subsection A of [Title 68 O.S. Section 2357.22](#) [3] (One-Time Credit Against Income Tax for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property), above.

Upon expiration of the aforementioned credit, the motor fuel tax imposed on compressed natural gas

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per gge will become equal to the tax rate imposed on diesel fuel (currently thirteen cents, \$0.13, per gallon). ([Ref. Title 68 O.S. Section 500.4](#) [7])

### Alternative Fuel (Special Fuel) Flat Fee in Lieu of Motor Fuel Tax

The Oklahoma Special Fuel Use Tax code levies an annual flat fee of Fifty Dollars (\$50.00) on each automobile, pickup truck or van not exceeding one-ton (payload) capacity, using liquefied petroleum gas as fuel. If a vehicle is acquired or system installed after July 1, the flat fee is Twenty-five dollars (\$25.00).

The Oklahoma Special Fuel Use Tax code levies an annual flat fee of One Hundred dollars (\$100.00) on each passenger automobile, pickup truck or van not exceeding one-ton (payload) capacity, using methanol or "M-85"\* which is a mixture of methanol and gasoline containing at least eighty-five percent (85%) methanol as fuel. If a vehicle is acquired or system installed after July 1, the flat fee is Fifty Dollars (\$50.00).

The Oklahoma Special Fuel Use Tax Code levies an annual flat fee of One Hundred Fifty Dollars (\$150.00) on each vehicle exceeding one-ton (payload) capacity, using liquefied petroleum gas, methanol or M-85\* as fuel. If a vehicle is acquired after July 1, the flat fee is Seventy-five Dollars (\$75.00).

Every person (see [Exemptions from Special Fuel Use Tax at Title 68 O.S. Section 700](#) [8]) operating a vehicle using liquefied petroleum gas, methanol or "M-85"\* as fuel shall make application for and obtain a decal to be issued on a yearly basis by the Oklahoma Tax Commission. ([Ref. Title 68 O.S. Section 723](#) [6] and [OTC Rule 710:55-7-6](#) [5])

\*Note: methanol and/or M85 not to be confused with ethanol and/or E85

### Biofuels Motor Fuel Tax Exemption

An individual who produces biofuels or biodiesel from feedstock grown on property and used in a vehicle owned by the same individual is exempt from the state motor fuel excise tax. ([Ref. Title 68 O.S. Sections 500.4](#) [7], [6] and [500.10](#) [9])

**Credit for Qualified Biodiesel Facilities - Repealed by Laws 2013, HB 2308, c. 363, § 14, eff. January 1, 2014**

An income tax credit for is allowed for new qualified biodiesel facilities in Oklahoma, the construction of which must be completed after July 1, 2005. The facility must be in production at a rate of at least 25% of its capacity by December 31, 2008. The credit is 20-cents per-gallon of biodiesel produced and is allowed for 60 months.

An additional credit of 20-cents per-gallon of biodiesel produced in excess of its original capacity as a result of an expansion completed after July 1, 2005 but before December 31, 2008 will be allowed. The credit will be allowed for 60 months beginning with the first month for which production from the expanded facility is eligible to receive such tax credit and ending not later than December 31, 2012.

Any credit allowed but not used will have a five year carryover provision. ([Ref. Title 68 O.S. Section 2357.67](#) [10] and [OTC Rule 710:50-15-98](#) [5])

Oklahoma Senate Bill 1267, signed into law on June 5, 2010, placed a two-year moratorium on the tax credits allowed under [Title 68 O.S. Section 2357.67](#) [10]. During the time period July 1, 2010 through June 30, 2012, credits could neither be earned nor claimed. Credits authorized under [Title 68 O.S. Section 2357.67](#) [10] could again be claimed for events, transactions, investments, expenditures or other acts on or after July 1, 2012, according to the provisions of the statute.

**Credit for Qualified Ethanol Facilities - Repealed by Laws 2013, HB 2308, c. 363, § 13, eff. January 1, 2014**

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An income tax credit is allowed for new qualified ethanol facilities in Oklahoma, the construction of which must be completed after July 1, 2003. The facility must be in production at a rate of at least 25% of its capacity by December 31, 2010. The credit is 20-cents per-gallon of ethanol produced and is allowed for up to 60 months. An additional credit of 20-cents per-gallon of ethanol produced in excess of its original capacity as a result of an expansion completed after July 1, 2003 but before December 31, 2008 will be allowed. The credit will be allowed for up to 60 months beginning with the first month for which production from the expanded facility is eligible to receive such tax credit and ending not later than December 31, 2012. ([Ref. Title 68 O.S. Section 2357.66](#) [11] and [OTC Rule 710:50-15-106](#) [5])

Oklahoma Senate Bill 1267, signed into law on June 5, 2010, placed a two-year moratorium on the tax credits allowed under [Title 68 O.S. Section 2357.66](#) [11]. During the time period July 1, 2010 through June 30, 2012, credits could neither be earned nor claimed. Credits authorized under [Title 68 O.S. Section 2357.66](#) [11] could again be claimed for events, transactions, investments, expenditures or other acts on or after July 1, 2012, according to the provisions of the statute.

### Ethanol Fuel Retailer Tax Credit

A retailer of ethanol-blended fuel (blended gasoline consisting of not more than 15% ethyl alcohol by volume) may claim a motor fuel excise tax credit of \$0.016 for each gallon of ethanol-blended fuel sold in Oklahoma, if the retailer provides a price reduction to the purchaser of the ethanol fuel in the same amount. This incentive is effective unless the federal government mandates the use of reformulated fuel in an area within Oklahoma that is in non-attainment with the National Ambient Air Quality Standards. ([Ref. Oklahoma Statutes 68-500.10-1](#) [12] and [OTC Form 130-35](#) [13])

### Idle Reduction Weight Exemption

Any vehicle equipped with idle reduction technology may exceed the state's gross vehicle weight limits by up to 400 pounds to compensate for the additional weight of the added idle reduction technology. The additional weight may not exceed the actual certified weight of the idle reduction unit. ([Ref. Title 47 O.S. Section 14-109](#) [14])

### Neighborhood Electric Vehicle (NEV) Access to Roadways

NEVs manufactured in compliance with the National Highway Traffic Safety Administration standards for low-speed vehicles in Title 49 of the Code of Federal Regulations, section 571.500, may operate on Oklahoma streets and highways with posted speed limits of up to 35 miles per hour. Such vehicles may be titled and registered at the option of the owner, with the registrant paying excise tax, rather than sales tax. Oklahoma law does not prevent a city from adopting any ordinance that would further restrict low-speed electric vehicles from operating on certain city-owned streets in order to ensure the public health and safety. ([Ref. Title 47 O.S. Sections 1-134.1](#) [15] and [11-805.1](#) [16]; and [OTC Rule 710:60-3-115](#) [5])

### Medium-Speed Electric Vehicles Access to Roadways

A medium-speed electric vehicle is defined as any self-propelled, electronically powered four-wheeled motor vehicle, equipped with a roll cage or crushproof body design, whose top speed is greater than 30 miles per hour (mph) but not greater than 35 mph. Titling and registration is mandatory for such vehicles, effective June 2, 2008. Additionally, medium-speed electric vehicles must meet National Highway Traffic Safety Administration safety standards for low-speed electric vehicles as set forth in Title 49, Code of Federal Regulations, Section 571.500. Medium-speed electric vehicles may be operated on Oklahoma roadways with a posted speed limit of up to 45 miles per hour but are not permitted to travel on any highway in the state which is a part of the National System of Interstate and Defense Highways. ([Ref. Title 47 O.S. Sections 1102](#) [17], [1105](#) [18], and [1151.4](#) [19]; and [OTC Rule 710:60-3-115](#) [5])

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**Links:**

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- [1] <http://www.oscn.net>
- [2] <http://www.tax.ok.gov/>
- [3] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=436627>
- [4] <http://www.tax.ok.gov/rules/rules.html>
- [5] <http://www.tax.ok.gov/rulesdec.html>
- [6] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=92203>
- [7] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=92042>
- [8] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=92188>
- [9] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=92049>
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- [12] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=443812>
- [13] <http://www.tax.ok.gov/mfforms.html>
- [14] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=82471>
- [15] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=242592>
- [16] <http://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=242593>
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