

OKLAHOMA TAX COMMISSION

TAX POLICY DIVISION
DAWN CASH, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063



October 17, 2007

Re: Our file number LR 07-168; Income Tax - Incubator Exemption

Dear

This is in response to your inquiry of October 3, 2007 wherein you requested a ruling concerning the Oklahoma Small Business Incubator tax exemption. What follows is verbatim your facts and requested ruling and our response thereto.

FACTS:

I am considering utilizing the Small Business Incubator at _____ to do some research on a new kind of high efficiency oil-absorbing filter cartridge (and also filter housings for the filters). I will use the incubator primarily as a laboratory facility. If my research project is successful, I plan to institute a small manufacturing facility somewhere in _____, probably in the general vicinity of _____.

It is my understanding from Section 74 O.S. 5071-5079 (copy attached) that there is a ten year exemption for income earned as a result of activities conducted as an occupant of an incubator.

RULINGS REQUESTED:

Please confirm that any income derived from the manufacture of the filter cartridges / housing mentioned above and developed at the incubator would be covered under this exemption:

- whether or not they were actually manufactured at the incubator and
- whether or not an office is maintained there.

OTC RESPONSE:

There is an income tax exemption available for tenants of an incubator as defined in 74 O.S. § 5073 for the income derived from activities that are a result of occupancy in the incubator. Under the provisions of 70 O.S. § 5078, this exemption is available for a period of ten (10) years, commencing with the tenants occupancy in the incubator. The exemption is in effect for

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FACTS:

I am considering utilizing the Small Business Incubator at _____ to do some research on a new kind of high efficiency oil-absorbing filter cartridge (and also filter housings for the filters). I will use the incubator primarily as a laboratory facility. If my research project is successful, I plan to institute a small manufacturing facility somewhere in _____, probably in the general vicinity of _____.

It is my understanding from Section 74 O.S. 5071-5079 (copy attached) that there is a ten year exemption for income earned as a result of activities conducted as an occupant of an incubator.

RULINGS REQUESTED:

Please confirm that any income derived from the manufacture of the filter cartridges / housing mentioned above and developed at the incubator would be covered under this exemption:

- whether or not they were actually manufactured at the incubator and
- whether or not an office is maintained there.

OTC RESPONSE:

There is an income tax exemption available for tenants of an incubator as defined in ~~70~~⁷⁴ O.S. § 5073 for the income derived from activities that are a result of occupancy in the incubator. Under the provisions of ~~70~~ O.S. § 5078, this exemption is available for a period of ten (10) years, commencing with the tenants occupancy in the incubator. The exemption is in effect for

the ten (10) year period even if the tenant is no longer an occupant of the incubator for activities that result from the occupancy of the incubator. Provided, in order to qualify for the exemption in year six (6) through ten (10), the tenant is required to make at least seventy-five percent (75%) of its gross sales to buyers located outside the state of Oklahoma or to the federal government (70 O.S. § 5078 (B)). There is no requirement for manufacturing or offices to be located at the incubator after you have qualified as a tenant under 70 O.S. § 5073.

This response applies only to the circumstances set out in your request of October 3, 2007. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to call me at (405) 521-3133.

Sincerely,

FOR THE OKLAHOMA TAX COMMISSION

Michael C. Kaufmann
Tax Policy Analyst