

STATE OF OKLAHOMA

2nd Session of the 46th Legislature (1998)

COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 1167

By: Wilkerson of the Senate

and

Langmacher of the House

COMMITTEE SUBSTITUTE

[Revenue and taxation - estate tax - sales tax -
income tax - codification - effective date -
emergency]

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

SECTION 1. AMENDATORY 68 O.S. 1991, Section 802.1, as amended by Section 1, Chapter 334, O.S.L. 1996 (68 O.S. Supp. 1997, Section 802.1), is amended to read as follows:

Section 802.1 A credit to the tax levied by Section 802 of ~~Title 68 of the Oklahoma Statutes~~ this title shall be allowed for all or a part of the Oklahoma estate tax paid with respect to the transfer of property, including property passing as a result of the exercise or nonexercise of a power of appointment, to the present decedent by or from a person who died within ten (10) years before, or within two (2) years after, the present decedent. The credit shall be computed in the same manner as provided by Section 2013 of

the Internal Revenue Code of 1954, as amended. The credit allowed pursuant to the provisions of this section shall not be allowed for estates of decedents who die on or after January 1, 2006, or such date as may be determined pursuant to the provisions of Section 11 of this act.

SECTION 2. AMENDATORY 68 O.S. 1991, Section 803, is amended to read as follows:

Section 803. ~~The~~ For the estate of a decedent who dies before January 1, 2006, or such date as may be determined pursuant to the provisions of Section 11 of this act, the rate of tax upon the net estate and transfers, as defined and determined under Section 801 et seq. of this Article title, shall be determined and computed as follows:

~~1. Upon the net estate and transfers passing to the father, mother, child, child of husband or wife, adopted child, or any lineal descendant of decedent or of such adopted child, the rate shall be as follows:~~

~~(a) Five-tenths~~ One-half percent (0.5%) of the value of the net estate not in excess of Ten Thousand Dollars (\$10,000.00) ~~;~~;

~~(b) 2.~~ One percent (1%) of the value of the net estate in excess of Ten Thousand Dollars (\$10,000.00), and not in excess of Twenty Thousand Dollars (\$20,000.00) ~~;~~;

~~(c) 3.~~ One and ~~five-tenths~~ one-half percent (1.5%) of the value of the net estate in excess of Twenty Thousand Dollars (\$20,000.00), and not in excess of Forty Thousand Dollars (\$40,000.00) ~~;~~;

~~(d) 4.~~ Two percent (2%) of the value of the net estate in excess of Forty Thousand Dollars (\$40,000.00), and not in excess of Sixty Thousand Dollars (\$60,000.00) ~~;~~;

~~(e) 5.~~ Two and ~~five-tenths~~ one-half percent (2.5%) of the value of the net estate in excess of Sixty Thousand Dollars (\$60,000.00), and not in excess of One Hundred Thousand Dollars (\$100,000.00) ~~;~~;

~~(f)~~ 6. Three percent (3%) of the value of the net estate in excess of One Hundred Thousand Dollars (\$100,000.00), and not in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) ~~;~~

~~(g)~~ 7. Six and ~~five-tenths~~ one-half percent (6.5%) of the value of the net estate in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00), and not in excess of Five Hundred Thousand Dollars (\$500,000.00) ~~;~~

~~(h)~~ 8. Seven percent (7%) of the value of the net estate in excess of Five Hundred Thousand Dollars (\$500,000.00), and not in excess of Seven Hundred Fifty Thousand Dollars (\$750,000.00) ~~;~~

~~(i)~~ 9. Seven and ~~five-tenths~~ one-half percent (7.5%) of the value of the net estate in excess of Seven Hundred Fifty Thousand Dollars (\$750,000.00), and not in excess of One Million Dollars (\$1,000,000.00) ~~;~~

~~(j)~~ 10. Eight percent (8%) of the value of the net estate in excess of One Million Dollars (\$1,000,000.00), and not in excess of Three Million Dollars (\$3,000,000.00) ~~;~~

~~(k)~~ 11. Eight and ~~five-tenths~~ one-half percent (8.5%) of the value of the net estate in excess of Three Million Dollars (\$3,000,000.00), and not in excess of Five Million Dollars (\$5,000,000.00) ~~;~~

~~(l)~~ 12. Nine percent (9%) of the value of the net estate in excess of Five Million Dollars (\$5,000,000.00), and not in excess of Ten Million Dollars (\$10,000,000.00) ~~;~~ and

~~(m)~~ 13. Ten percent (10%) of the value of the net estate in excess of Ten Million Dollars (\$10,000,000.00).

~~2. The tax upon the net estate and transfers other than those transfers specified in paragraph 1, above, shall be at the following rates:~~

~~(a) One percent (1%) of the value of the net estate not in excess of Ten Thousand Dollars (\$10,000.00).~~

- ~~(b) Two percent (2%) of the value of the net estate in excess of Ten Thousand Dollars (\$10,000.00), and not in excess of Twenty Thousand Dollars (\$20,000.00).~~
- ~~(c) Three percent (3%) of the value of the net estate in excess of Twenty Thousand Dollars (\$20,000.00), and not in excess of Forty Thousand Dollars (\$40,000.00).~~
- ~~(d) Four percent (4%) of the value of the net estate in excess of Forty Thousand Dollars (\$40,000.00), and not in excess of Sixty Thousand Dollars (\$60,000.00).~~
- ~~(e) Five percent (5%) of the value of the net estate in excess of Sixty Thousand Dollars (\$60,000.00), and not in excess of One Hundred Thousand Dollars (\$100,000.00).~~
- ~~(f) Six percent (6%) of the value of the net estate in excess of One Hundred Thousand Dollars (\$100,000.00), and not in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00).~~
- ~~(g) Thirteen percent (13%) of the value of the net estate in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00), and not in excess of Five Hundred Thousand Dollars (\$500,000.00).~~
- ~~(h) Fourteen percent (14%) of the value of the net estate in excess of Five Hundred Thousand Dollars (\$500,000.00), and not in excess of One Million Dollars (\$1,000,000.00).~~
- ~~(i) Fifteen percent (15%) of the value of the net estate in excess of One Million Dollars (\$1,000,000.00).~~

SECTION 3. AMENDATORY 68 O.S. 1991, Section 804, as amended by Section 2, Chapter 334, O.S.L. 1996 (68 O.S. Supp. 1997, Section 804), is amended to read as follows:

Section 804. In case the tax levied upon the value of the property of the estate in Oklahoma and transfers by Section 801 et

seq. of this title is less than the credit allowed by the federal government on estate tax imposed upon the value of the property of the estate in Oklahoma, for state estate and inheritance taxes imposed upon the value of the property of the estate in Oklahoma, pursuant to 26 U.S.C. Section 2011, then, in that event, there shall be levied an additional tax which shall be imposed upon the value of the property of the estate in Oklahoma, as of the date of the determination of the Federal Estate Tax, equal to the difference between such credit and the Oklahoma Estate Tax levied upon the value of the property of the estate in Oklahoma and transfers by Section 801 et seq. of this Article title. Such credit allowed by the federal government shall be the percentage of such credit which is the percentage which the value of the property of the estate in Oklahoma bears to the total value of the estate of the decedent. Such additional tax to absorb the credit shall be determined, assessed, collected and paid pursuant to the provisions of Section 801 et seq. of this title. For estates of decedents who die on or after January 1, 2006, or such date as may be determined pursuant to the provisions of Section 11 of this act, the only tax levied pursuant to Section 801 et seq. of this title shall be the tax levied pursuant to the provisions of this section.

SECTION 4. AMENDATORY 68 O.S. 1991, Section 809, as amended by Section 3, Chapter 334, O.S.L. 1996 (68 O.S. Supp. 1997, Section 809), is amended to read as follows:

Section 809. A. ~~If any portion of the net estate, as herein determined, in excess of the deductions allowed in Section 808 of this title passes to the father, mother, child, child of husband or wife, adopted child or any lineal descendant of decedent or of such adopted child, there shall be deducted from such net estate the portion of the net estate passing to such person or persons to the extent of and not exceeding a total aggregate exemption of One Hundred Seventy-five Thousand Dollars (\$175,000.00), and the tax~~

~~shall be paid on the remainder at the rates herein set out~~ There shall be allowed a credit against the tax imposed by Section 802 of this title in the amount specified herein:

1. For the estate of a decedent who dies on or after July 1, 1998, and before January 1, 1999, the credit shall be Four Thousand One Hundred Dollars (\$4,100.00);

2. For the estate of a decedent who dies on or after January 1, 1999, and before January 1, 2000, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Six Thousand Fifty Dollars (\$6,050.00);

3. For the estate of a decedent who dies on or after January 1, 2000, and before January 1, 2001, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Nine Thousand Six Hundred Dollars (\$9,600.00);

4. For the estate of a decedent who dies on or after January 1, 2001, and before January 1, 2002, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Thirteen Thousand Five Hundred Dollars (\$13,500.00);

5. For the estate of a decedent who dies on or after January 1, 2002, and before January 1, 2003, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Seventeen Thousand Four Hundred Dollars (\$17,400.00);

6. For the estate of a decedent who dies on or after January 1, 2003, and before January 1, 2004, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Twenty-one Thousand Three Hundred Dollars (\$21,300.00);

7. For the estate of a decedent who dies on or after January 1, 2004, and before January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Twenty-five Thousand Four Hundred Dollars (\$25,400.00); and

8. For the estate of a decedent who dies on or after January 1, 2005, and before January 1, 2006, or such date as may be determined

pursuant to the provisions of Section 11 of this act, the credit shall be Twenty-nine Thousand Six Hundred Dollars (\$29,600.00).

B. In addition to the ~~exemption~~ credit provided pursuant to subsection A of this section, for the estate of a decedent who dies on or after ~~January 1, 1997, there shall be deducted the value of the~~ July 1, 1998, and which estate includes assets used in a qualifying family business or farm passing to one or more qualifying heirs of ~~the a decedent to the extent of and not exceeding a total aggregate exemption of the amounts specified in this subsection. The exemption shall be in an amount not exceeding Four Hundred Twenty-five Thousand Dollars (\$425,000.00),~~ there shall be allowed an additional credit against the tax imposed by Section 802 of this title, as follows:

1. For the estate of a decedent who dies on or after July 1, 1998, and before January 1, 1999, the credit shall be Twenty-five Thousand Five Hundred Dollars (\$25,500.00);

2. For the estate of a decedent who dies on or after January 1, 1999, and before January 1, 2000, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Twenty-three Thousand Five Hundred Fifty Dollars (\$23,550.00);

3. For the estate of a decedent who dies on or after January 1, 2000, and before January 1, 2001, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Twenty Thousand Dollars (\$20,000.00); and

4. For the estate of a decedent who dies on or after January 1, 2001, and before January 1, 2002, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Sixteen Thousand One Hundred Dollars (\$16,100.00);

5. For the estate of a decedent who dies on or after January 1, 2002, and before January 1, 2003, or such date as may be determined

pursuant to the provisions of Section 11 of this act, the credit shall be Twelve Thousand Two Hundred Dollars (\$12,200.00);

6. For the estate of a decedent who dies on or after January 1, 2003, and before January 1, 2004, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Eight Thousand Three Hundred Dollars (\$8,300.00);

7. For the estate of a decedent who dies on or after January 1, 2004, and before January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, the credit shall be Four Thousand Two Hundred Dollars (\$4,200.00); and

8. For the estate of a decedent who dies on or after January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, no additional credit shall be allowed.

Provided, the additional credit allowed pursuant to this subsection shall not exceed an amount equal to the value of the family business or farm multiplied by the highest rate at which the estate is taxed.

In no event shall the total ~~exemption credit~~ credit allowed pursuant to subsection A of this section and this subsection exceed a total of ~~Six Hundred Thousand Dollars (\$600,000.00)~~ Twenty-nine Thousand Six Hundred Dollars (\$29,600.00) for any estate.

C. For purposes of ~~this~~ subsection B of this section:

1. "Assets of a qualifying family business or farm" means real or tangible personal property owned by a qualifying business or farm and used as a farm or for farming purposes, or in a trade or business other than farming;

2. "Qualifying family business or farm" means any interest in a closely held family corporation, sole proprietorship, partnership, limited liability company, or other unincorporated family business engaged in the trade or business of farming or in a trade or business other than farming, where some or all of the assets thereof are held by a decedent or are held collectively by a decedent and

one or more qualifying heirs of the decedent, provided the decedent, or at least one qualifying heir of the decedent, was receiving wages from the business or farm or was subject to the self-employment tax on income earned from the business or farm on the date of the death of the decedent;

3. "Closely held family corporation" means any corporation if at least fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote, and at least fifty percent (50%) of all other classes of stock of the corporation are owned by the decedent and not more than ten (10) qualifying heirs; and

4. "Qualifying heir" means ~~any heir as set forth in subsection A of this section~~ a parent, child, child of spouse, adopted child, or other lineal descendant of decedent or such adopted child.

~~C.~~ D. In order to qualify for the ~~exemption~~ credit provided in subsection B of this section, the estate of the decedent shall submit the appropriate tax returns or tax schedules of the qualifying family business or farm for the five (5) taxable years prior to the death of the decedent showing proof of continuous operation of the qualifying family business or farm. The qualifying family business or farm shall also be required to continue the business or farm for a period of five (5) years following the date of death of decedent and shall submit each taxable year the appropriate tax returns or tax schedules to the Oklahoma Tax Commission as proof of continuous operation of the business or farm. If evidence of continuous operation is not submitted, the qualified heirs shall be liable for twenty percent (20%) of the total estate tax which would have been due if the business or farm had not qualified for the ~~exemption~~ credit provided for in subsection B of this section for each year evidence of continuous operation is not submitted.

~~D.~~ E. It is declared to be intended by this section that where a portion of the net estate passes to any of the parties named

herein, no greater ~~amount shall be deducted from~~ credit against the tax imposed upon the net estate than passes to such person or persons combined shall be allowed and that the ~~exemption credit~~ shall in no event exceed the amounts specified in this section, regardless of the amount of the estate that may pass to any or all of such person or persons; provided, that when the property comprising the estate of the decedent consists of property within and property without the state, only the percentage of the ~~exemptions credits~~ and deductions enumerated in this section, and in Section 808 of this title, shall be allowed as the ratio of the value of the estate within this state bears to the value of the entire estate.

SECTION 5. AMENDATORY 68 O.S. 1991, Section 812, as last amended by Section 4, Chapter 334, O.S.L. 1996 (68 O.S. Supp. 1997, Section 812), is amended to read as follows:

Section 812. A. When the president or managing officer of a safe deposit company, trust company, bank, or other financial institution, or person or persons, holding securities or assets of a decedent receives actual notice, from the person or persons entitled or claiming to be entitled to the securities or assets, from a source deemed reliable by the safe deposit company, trust company, bank, or other financial institution or from the Oklahoma Tax Commission, of the death of the decedent, such safe deposit company, trust company, bank, or other financial institution in this state, or person or persons, holding securities or assets of a decedent shall not deliver or transfer the same except as provided for in subsection (d) of Section 811 of this title, to the beneficiary or joint survivor, executor, administrator, or legal representatives of the decedent, or upon their order or request, unless notice of the time and place of such intended transfer be served upon the ~~Oklahoma~~ Tax Commission at least ten (10) days prior to the ~~said~~ transfer or delivery. No such safe deposit company, trust company, bank, or

other financial institution, or person or persons, shall deliver or transfer any securities or assets of the estate of a decedent except as provided for in subsection (d) of Section 811 of this title, without retaining a sufficient portion or amount thereof to pay any tax which may thereafter be assessed on account of the transfer of such securities or assets pursuant to the provisions of Section 801 et seq. of this title, unless the ~~Oklahoma~~ Tax Commission consents to such delivery or transfer in writing, and it shall be lawful for the ~~Oklahoma~~ Tax Commission, personally or by representative, to examine the securities or assets at the time of such delivery or transfer. Failure to serve such notice of transfer and to retain a sufficient portion of the amount to pay the tax provided for in this section, after having received actual notice of the death of the owner of any such securities or assets, shall render such safe deposit company, trust company, bank, or other financial institution, or person or persons, liable for the payment of the tax. In all cases, regardless of the aggregate amount of deposits of money in any safe deposit company, trust company, bank, or other financial institution to the credit of the decedent and any other person or persons not the spouse ~~or a lineal descendant~~ of the decedent, as joint tenants, not more than ~~Two Thousand Five Hundred Dollars (\$2,500.00) or ninety percent (90%) of the amount of deposits of money, whichever is greater, may be released or paid out by such institutions without notifying the Oklahoma Tax Commission. From deposits of money in any safe deposit company, trust company, bank, or other financial institution, to the credit of the decedent and a lineal descendant as joint tenants, not more than One Hundred Seventy-five Thousand Dollars (\$175,000.00)~~ the amounts specified herein in the aggregate or ninety percent (90%) of the deposits, whichever is greater, may be released or paid out by such institutions ten (10) days after receipt of notification in writing to the ~~Oklahoma~~ Tax Commission:

1. For the estate of a decedent who dies on or after July 1, 1998, and before January 1, 1999, One Hundred Seventy-five Thousand Dollars (\$175,000.00);

2. For the estate of a decedent who dies on or after January 1, 1999, and before January 1, 2000, or such date as may be determined pursuant to the provisions of Section 11 of this act, Two Hundred Forty Thousand Dollars (\$240,000.00);

3. For the estate of a decedent who dies on or after January 1, 2000, and before January 1, 2001, or such date as may be determined pursuant to the provisions of Section 11 of this act, Three Hundred Thousand Dollars (\$300,000.00);

4. For the estate of a decedent who dies on or after January 1, 2002, and before January 1, 2002, or such date as may be determined pursuant to the provisions of Section 11 of this act, Three Hundred Sixty Thousand Dollars (\$360,000.00);

5. For the estate of a decedent who dies on or after January 1, 2002, and before January 1, 2003, or such date as may be determined pursuant to the provisions of Section 11 of this act, Four Hundred Twenty Thousand Dollars (\$420,000.00);

6. For the estate of a decedent who dies on or after January 1, 2003, and before January 1, 2004, or such date as may be determined pursuant to the provisions of Section 11 of this act, Four Hundred Eighty Thousand Dollars (\$480,000.00);

7. For the estate of a decedent who dies on or after January 1, 2004, and before January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, Five Hundred Forty Thousand Dollars (\$540,000.00); and

8. For the estate of a decedent who dies on or after January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, Six Hundred Thousand Dollars (\$600,000.00).

Any funds held jointly as a beneficiary with the surviving spouse only, without limit, may be released or paid out by such institutions without notifying the Tax Commission.

B. No safe deposit company, trust company, bank, or other financial institution, or an officer thereof, or person or persons holding securities or assets of a decedent, shall be held liable for the wrongful release of deposits within the limits of this section.

C. The restrictions of this section shall not be applicable to oil and gas producing monies, received after date of death, whether from royalties, working interests, overriding royalties or otherwise.

D. 1. This section shall not be applicable to deposit accounts and safe deposit boxes held by a trust other than a grantor trust. The restrictions of this section shall apply to a grantor trust upon the death of a grantor.

2. For purposes of this subsection, a "grantor trust" means a trust for which the grantor is the trustee or a co-trustee and the right to revoke the trust is retained by the grantor or a nonadverse party, or both. A grantor trust includes a trust where a husband and wife are the grantors and the husband or wife is the trustee or a co-trustee and either the husband or wife or a nonadverse party, or both, retain the right to revoke the trust.

3. In all cases, regardless of the aggregate amount of deposits of money in any safe deposit company, trust company, bank, or other financial institution to the credit of decedent's grantor trust, upon request of the trustee of the grantor trust, not more than ~~Two Thousand Five Hundred Dollars (\$2,500.00) or ninety percent (90%) of the amount of deposits of money, whichever is greater,~~ may be released or paid out by such institution to a person or persons not the spouse or a lineal descendant of the decedent without notifying the Oklahoma Tax Commission. ~~From deposits of money in any safe deposit company, trust company, bank, or other financial institution~~

~~to the credit of decedent's grantor trust, upon request of the trustee of the grantor trust as authorized under the terms of the grantor trust, not more than One Hundred Seventy-five Thousand Dollars (\$175,000.00) the amounts specified in subsection A of this section in the aggregate or ninety percent (90%) of the deposits, whichever is greater, may be released or paid out to a lineal ~~descendant~~ person or persons not the spouse of the decedent ten (10) days after receipt of notification in writing to the ~~Oklahoma~~ Tax Commission. Any funds held to the credit of the decedent's grantor trust, if paid out or released by the trustee of the grantor trust as authorized under the terms of the grantor trust, to the surviving spouse of decedent, may be released or paid out without notifying the ~~Oklahoma~~ Tax Commission.~~

SECTION 6. AMENDATORY 68 O.S. 1991, Section 825, is amended to read as follows:

Section 825. A. ~~The following table shall be used in computing taxes upon the net taxable estate and transfers, subject to the tax rates provided in paragraph 1 of Section 803 of this Article, as amended:~~

Equal to or	Taxable Estate	Tax on Amount	Rate of Tax on Excess Over Amount
	\$ 0	\$10,000.00	\$ 0
			0.5%
10,000.00	20,000.00	50.00	1%
20,000.00	40,000.00	150.00	1.5%
40,000.00	60,000.00	450.00	2%
60,000.00	100,000.00	850.00	2.5%
100,000.00	250,000.00	1,850.00	3%
250,000.00	500,000.00	6,350.00	6.5%

500,000.00	750,000.00	22,600.00	7%
750,000.00	1,000,000.00	40,100.00	7.5%
1,000,000.00	3,000,000.00	58,850.00	8%
3,000,000.00	5,000,000.00	18,850.00	8.5%
5,000,000.00	10,000,000.00	388,850.00	9%
0,000,000.00		838,850.00	10%

~~The total tax shall be the tax imposed at the rates under this article plus any additional tax imposed by Section 804 of this code.~~

~~To determine from the above schedule the amount of tax due on any given net taxable estate passing to a lineal heir, take the specified amount in column 1 nearest the value of the decedent's estate, but less than such value in column 2, and set out the amount of tax therein as indicated in column 3. Upon the remainder, the tax is computed at the rate shown in column 4. These two amounts of tax added together equal the tax due for lineal heirs.~~

~~Thus, for example, on a net estate passing to lineal heirs of \$267,525.00, the total tax would be computed as follows:~~

		\$250,000.00
(Amount in column 1 but less than		
	amount in column 2)	\$6,350.00
17,525.00	(Balance of net taxable estate,	
	at 6.5%)	1,139.13
\$267,525.00	(Total net taxable estate)	
	Total Tax	\$7,489.13

~~B. The following table shall be used in computing taxes upon the net taxable estate and transfers subject to the tax rates provided in paragraph 2 of Section 803 of this article, as amended:~~

	Rate of
	Tax
	on Excess
Taxable Estate	Over
	Amount

Equal to or	Taxable Estate	Tax on Amount	in
	\$ 0- \$ 10,000.00	\$ 0-	1%
10,000.00	20,000.00	100.00	2%
20,000.00	40,000.00	300.00	3%
40,000.00	60,000.00	900.00	4%
60,000.00	100,000.00	1,700.00	5%
100,000.00	250,000.00	3,700.00	6%
250,000.00	500,000.00	12,700.00	13%
500,000.00	1,000,000.00	45,200.00	14%
1,000,000.00		115,200.00	15%

~~The total tax shall be the tax imposed at the rates under this article plus any additional tax imposed by Section 804 of this code.~~

~~To determine from the above schedule the amount of tax due on any given net taxable estate passing to a collateral heir, take the specified amount in column 1 nearest the value of the estate passing to the collateral heir, but less than such value in column 2, and set out the amount of tax thereon as indicated in column 4. Upon the remainder, the tax is computed at the rate shown in column 4. These two amounts of tax added together equal the tax due for collateral heirs.~~

~~Thus, for example, on a net estate passing to collateral heirs of \$242,000.00, the tax due would be computed as follows:~~

	\$100,000.00	(Amount in column 1 but less	
		than amount in column 2)	\$ 3,700.00
142,000.00		(Balance of taxable estate at 6%)	8,520.00
\$242,000.00		(Total net taxable estate)	
		Total tax	12,220.00

~~If the estate passes to lineal heirs and also collateral heirs, determine the tax separately as to each under A and B above as if there were two estates. These two amounts of tax would be equal the total tax due on the decedent's estate.~~

~~Unless the will otherwise provides, the tax shall be apportioned among lineal and collateral persons.~~

~~The tax on interests passing to collateral persons shall be apportioned in the proportion that the value of interest received by each collateral person bears to the total of the interests passing to all collateral persons.~~

~~The tax on interests passing to lineal persons shall be apportioned in the proportion that the value of interest received by each lineal person bears to the total of all interests passing to lineal persons.~~

~~The values used in determining the tax shall be used for that purpose.~~

The Oklahoma Tax Commission shall promulgate rules providing instructions for completion of estate tax returns and prescribing estate tax tables which may be used by taxpayers in computing the amount of tax due under Section 801 et seq. of this title. In the tables so prescribed, the amounts of the tax shall be computed on the basis of the rates specified in Sections 803 and 804 of this title.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1357.9 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Beginning January 1, 1999, the tax imposed by Section 1354 of Title 68 of the Oklahoma Statutes shall be reduced for sales of all eligible food and beverages as defined in the federal Food Stamp Act, 7 U.S.C., Section 2011 et seq., as the act existed on January 1, 1998, as follows:

1. Beginning January 1, 1999, the tax shall be reduced from four and one-half percent (4.5%) to four percent (4%);

2. Beginning January 1, 2000, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall

be reduced from four percent (4%) to three and one-half percent (3.5%);

3. Beginning January 1, 2001, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from three and one-half percent (3.5%) to three percent (3%);

4. Beginning January 1, 2002, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from three percent (3%) to two and one-half percent (2.5%);

5. Beginning January 1, 2003, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from two and one-half percent (2.5%) to two percent (2%);

6. Beginning January 1, 2004, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from two percent (2%) to one and one-half percent (1.5%);

7. Beginning January 1, 2005, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from one and one-half percent (1.5%) to one percent (1%); and

8. Beginning January 1, 2006, or such date as may be determined pursuant to the provisions of Section 11 of this act, the tax shall be reduced from one percent (1%) to one-half percent (0.5%).

B. The provisions of this section shall not be construed to exempt such food and beverages from any county or municipal sales tax imposed pursuant to law, nor to reduce the rate of any county or municipal sales tax imposed pursuant to law upon such food and beverages.

C. Any increase in the tax levied pursuant to Section 1354 of Title 68 of the Oklahoma Statutes shall not apply to eligible food and beverages as defined in the federal Food Stamp Act, 7 U.S.C., Section 2011 et seq., as the act existed on January 1, 1998.

SECTION 8. AMENDATORY 68 O.S. 1991, Section 2355, as amended by Section 1, Chapter 311, O.S.L. 1992 (68 O.S. Supp. 1997, Section 2355), is amended to read as follows:

Section 2355. A. Individuals.

1. For all taxable years beginning after December 31, 1989, and ending before January 1, 1999, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

5% tax on next \$1,500.00 or part thereof

6% tax on next \$2,300.00 or part thereof

7% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

5% tax on next \$2,800.00 or part thereof

6% tax on next \$6,000.00 or part thereof

7% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

- 1/2% tax on first \$1,000.00 or part thereof
- 1% tax on next \$1,500.00 or part thereof
- 2% tax on next \$1,250.00 or part thereof
- 3% tax on next \$1,150.00 or part thereof
- 4% tax on next \$1,200.00 or part thereof
- 5% tax on next \$1,400.00 or part thereof
- 6% tax on next \$1,500.00 or part thereof
- 7% tax on next \$1,500.00 or part thereof
- 8% tax on next \$2,000.00 or part thereof
- 9% tax on next \$3,500.00 or part thereof
- 10% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

- 1/2% tax on the first \$2,000.00 or part thereof
- 1% tax on the next \$3,000.00 or part thereof
- 2% tax on the next \$2,500.00 or part thereof
- 3% tax on the next \$1,400.00 or part thereof
- 4% tax on the next \$1,500.00 or part thereof
- 5% tax on the next \$1,600.00 or part thereof
- 6% tax on the next \$1,250.00 or part thereof
- 7% tax on the next \$1,750.00 or part thereof
- 8% tax on the next \$3,000.00 or part thereof
- 9% tax on the next \$6,000.00 or part thereof
- 10% tax on the remainder.

2. For all taxable years beginning after December 31, 1998, and ending before January 1, 2000, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual,

which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

5% tax on next \$1,500.00 or part thereof

6% tax on next \$2,300.00 or part thereof

6.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

5% tax on next \$2,800.00 or part thereof

6% tax on next \$6,000.00 or part thereof

6.5% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on next \$1,500.00 or part thereof

8% tax on next \$2,000.00 or part thereof

9% tax on next \$3,500.00 or part thereof

9.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on next \$1,750.00 or part thereof

8% tax on next \$3,000.00 or part thereof

9% tax on next \$6,000.00 or part thereof

9.5% tax on the remainder.

3. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 1999, and ending before January 1, 2001, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

5% tax on next \$1,500.00 or part thereof

6% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

5% tax on next \$2,800.00 or part thereof

6% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on next \$1,500.00 or part thereof

8% tax on next \$2,000.00 or part thereof

9% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue

Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on next \$1,750.00 or part thereof

8% tax on next \$3,000.00 or part thereof

9% tax on the remainder.

4. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 2000, and ending before January 1, 2002, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

5% tax on next \$1,500.00 or part thereof

5.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

5% tax on next \$2,800.00 or part thereof

5.5% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on next \$1,500.00 or part thereof

8% tax on next \$2,000.00 or part thereof

8.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on next \$1,750.00 or part thereof

8% tax on next \$3,000.00 or part thereof

8.5% tax on the remainder.

5. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 2001, and ending before January 1, 2003, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

5% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on next \$1,500.00 or part thereof

8% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on next \$1,750.00 or part thereof

8% tax on the remainder.

6. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 2002, and ending before January 1, 2004, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,300.00 or part thereof

4.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on next \$2,400.00 or part thereof

4.5% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on next \$1,500.00 or part thereof

7.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on next \$1,750.00 or part thereof

7.5% tax on the remainder.

7. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 2003, and ending before January 1, 2005, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

4% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

7% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

7% tax on the remainder.

8. Except as otherwise provided by Section 11 of this act, for all taxable years beginning after December 31, 2004, and ending before January 1, 2006, a tax is hereby imposed upon the Oklahoma taxable income of every resident or nonresident individual, which tax shall be computed at the option of the taxpayer under one of the two following methods:

METHOD 1. Single individuals and married individuals filing separately not deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

3.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code not deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$2,300.00 or part thereof

3.5% tax on the remainder.

METHOD 2. Single individuals and married individuals filing separately deducting federal income tax:

1/2% tax on first \$1,000.00 or part thereof

1% tax on next \$1,500.00 or part thereof

2% tax on next \$1,250.00 or part thereof

3% tax on next \$1,150.00 or part thereof

4% tax on next \$1,200.00 or part thereof

5% tax on next \$1,400.00 or part thereof

6% tax on next \$1,500.00 or part thereof

6.5% tax on the remainder.

Married individuals filing jointly and surviving spouse to the extent and in the manner that a surviving spouse is permitted to file a joint return under the provisions of the Internal Revenue Code and heads of households as defined in the Internal Revenue Code deducting federal income tax:

1/2% tax on first \$2,000.00 or part thereof

1% tax on next \$3,000.00 or part thereof

2% tax on next \$2,500.00 or part thereof

3% tax on next \$1,400.00 or part thereof

4% tax on next \$1,500.00 or part thereof

5% tax on next \$1,600.00 or part thereof

6% tax on next \$1,250.00 or part thereof

6.5% tax on the remainder.

B. Nonresident aliens. In lieu of the rates set forth in subsection A ~~above~~ of this section, there shall be imposed on nonresident aliens, as defined in the Internal Revenue Code, a tax of eight percent (8%) instead of thirty percent (30%) as used in the Internal Revenue Code, with respect to the Oklahoma taxable income of such nonresident aliens as determined under the provision of the Oklahoma Income Tax Act.

Every payer of amounts covered by this subsection ~~B~~ shall deduct and withhold from such amounts paid each payee an amount equal to eight percent (8%) thereof. Every payer required to deduct and withhold taxes under this subsection shall for each quarterly period on or before the last day of the month following the close of each such quarterly period, pay over the amount so withheld as taxes to the Oklahoma Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall prescribe. Every payer required under this subsection to deduct and withhold a tax from a payee shall, as to the total amounts paid to each payee during the calendar year, furnish to such payee, on or before January 31, of the succeeding year, a written statement showing the name of the payer, the name of the payee and his social security account number, if any, the total amount paid subject to taxation, and the total amount deducted and withheld as tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any sums herein required to be withheld or paid shall be personally and individually liable therefor to the State of Oklahoma.

C. Corporations. For all taxable years beginning after December 31, 1989, a tax is hereby imposed upon the Oklahoma taxable income of every corporation doing business within this state or

deriving income from sources within this state in an amount equal to six percent (6%) thereof.

There shall be no additional Oklahoma income tax imposed on accumulated taxable income or on undistributed personal holding company income as those terms are defined in the Internal Revenue Code.

D. Certain foreign corporations. In lieu of the tax imposed in the first paragraph of subsection C of this section, for all taxable years beginning after December 31, 1989, there shall be imposed on foreign corporations, as defined in the Internal Revenue Code, a tax of six percent (6%) instead of thirty percent (30%) as used in the Internal Revenue Code, where such income is received from sources within Oklahoma, in accordance with the provisions of the Internal Revenue Code and the Oklahoma Income Tax Act.

Every payer of amounts covered by this subsection ~~D~~ shall deduct and withhold from such amounts paid each payee an amount equal to six percent (6%) thereof. Every payer required to deduct and withhold taxes under this subsection shall for each quarterly period on or before the last day of the month following the close of each such quarterly period, pay over the amount so withheld as taxes to the Tax Commission, and shall file a return with each such payment. Such return shall be in such form as the Tax Commission shall prescribe. Every payer required under this subsection to deduct and withhold a tax from a payee shall, as to the total amounts paid to each payee during the calendar year, furnish to such payee, on or before January 31, of the succeeding year, a written statement showing the name of the payer, the name of the payee and ~~his~~ the payee's social security account number, if any, the total amounts paid subject to taxation, the total amount deducted and withheld as tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any

sums herein required to be withheld or paid shall be personally and individually liable therefor to the State of Oklahoma.

E. Fiduciaries. A tax is hereby imposed upon the Oklahoma taxable income of every trust and estate at the same rates as are provided in subsection A of this section for single individuals. Fiduciaries are not allowed a deduction for any federal income tax paid.

F. Tax rate tables. For all taxable years beginning after December 31, 1991, in lieu of the tax imposed by subsection A of this section, there is hereby imposed for each taxable year on the taxable income of every individual, whose taxable income for such taxable year does not exceed the ceiling amount, a tax determined under tables, applicable to such taxable year which shall be prescribed by the Tax Commission and which shall be in such form as it determines appropriate. In the table so prescribed, the amounts of the tax shall be computed on the basis of the rates prescribed by subsection A of this section. For purposes of this subsection, the term "ceiling amount" means, with respect to any taxpayer, the amount determined by the Tax Commission for the tax rate category in which such taxpayer falls.

SECTION 9. AMENDATORY 68 O.S. 1991, Section 2357, as last amended by Section 22, Chapter 294, O.S.L. 1997 (68 O.S. Supp. 1997, Section 2357), is amended to read as follows:

Section 2357. A. The withheld taxes and estimated taxes paid shall be allowed as credits as provided by law.

B. 1. There shall be allowed as a credit against the tax imposed by Section 2355 of this title the amount of tax paid another state by a resident individual, as defined in paragraph 4 of Section 2353 of this title, upon income received as compensation for personal services in such other state; provided, such credit shall not be allowed with respect to any income specified in Section 114 of Title 4 of the United States Code, 4 U.S.C., Section 114, upon

which a state is prohibited from imposing an income tax. The credit shall not exceed such proportion of the tax payable under Section 2355 of this title as the compensation for personal services subject to tax in the other state and also taxable under Section 2355 of this title bears to the Oklahoma adjusted gross income as defined in paragraph 13 of Section 2353 of this title.

2. For tax years beginning after December 31, 1975, there shall be allowed to a resident individual or part-year resident individual or nonresident individual member of the Armed Forces as a credit against the tax imposed by Section 2355 of this title twenty percent (20%) of the credit for child care expenses allowed under the Internal Revenue Code of the United States. The credit shall not exceed the tax imposed by Section 2355 of this title. The maximum child care credit allowable on the Oklahoma income tax return shall be prorated on the ratio that Oklahoma adjusted gross income bears to the federal adjusted gross income.

C. 1. Every taxpayer who operates a manufacturing establishment in the state shall be allowed a direct credit against income taxes owed by such taxpayer to the state, the amount of which credit shall be proportioned to the amount of gas used or consumed in Oklahoma by such taxpayer in the operation of a manufacturing establishment, at a rate of three (3) mills per thousand (1,000) cubic feet of gas used or consumed after May 1, 1971, and during each taxable year of such taxpayer provided that the credit allowed herein shall not apply to the first twenty-five thousand (25,000) MCF of gas used or gas used to generate electricity or consumed after May 1, 1971, and during each taxable year of such taxpayer.

2. As used in this subsection:

a. "manufacturing establishment" means a plant or establishment which engages in the business of working raw materials into wares suitable for use or which gives new shapes, new qualities or new combinations to

matter which has already gone through some artificial process,

b. "gas used or consumed" shall include all natural or casinghead gas used in the operation of the manufacturing establishment for whatever purposes, but shall not include the following:

(1) gas which, after being severed from the earth, is subsequently injected into a formation in the state for the purpose of storing, recycling, repressuring or pressure maintenance,

(2) gas vented or flared directly into the atmosphere,

(3) gas used for fuel in connection with the operation and development for or production of oil or gas in the field where produced, and

(4) gas, any part of which is resold by the manufacturing establishment, except as to that part and quantity of the gas which is actually used by the establishment and not resold, and

c. "one thousand (1,000) cubic feet of gas" (MCF) means that quantity of gas which, measured at a pressure of fifteen and twenty-five thousandths (15.025) pounds per square inch absolute and at a temperature of sixty-nine (69) degrees Fahrenheit, would have the volume of one thousand (1,000) cubic feet.

D. No additions to tax shall be made in Oklahoma income tax returns by reason of the recapture or restoration of credits under the Internal Revenue Code, and no other credits against tax shall be allowed in Oklahoma income tax returns except ~~as follows:~~

~~1. Those those credits provided in this section; and~~

~~2. Those credits authorized by Sections 921 through 925 of Title 82 of the Oklahoma Statutes, or Sections 2001 through 2008 of~~

~~Title 63 of the Oklahoma Statutes, which have been, or may hereafter be, certified pursuant to applications therefor made on or before March 22, 1971. Provided, the total amount of the credits referred to in this subparagraph to be taken by the taxpayer shall not exceed the certified net investment cost of the facilities or processes to which such credits pertain, reduced by the greater of:~~

- ~~a. the reduction in federal income tax of taxpayer as the result of deducting depreciation on such facilities or processes, or deducting nondepreciable costs for which credit has been so certified, or~~
- ~~b. the increase in the amount of Oklahoma income tax that would result if taxable income were increased by the amount deducted as set forth in subparagraph a of this paragraph.~~

~~And, provided further, that, after such credits have been exhausted, taxpayer shall each year thereafter adjust taxable income by adding any depreciation taken on such facilities or processes, or any nondepreciable costs having been included in the net investment cost allowed as credit, and which depreciation or costs have been allowed as a deduction in arriving at federal taxable income for such year.~~

E. For tax years beginning after December 31, 1998, there shall be allowed as a credit against the tax imposed by Section 2355 of this title any amount, subject to the limitations herein provided, paid by a classroom teacher, employed in a public or private elementary or secondary school in this state and certified pursuant to the laws of this state, for:

1. Tuition paid to a four-year public or private college or university in this state accredited by the Oklahoma State Regents for Higher Education, not to exceed Twenty-five Dollars (\$25.00) per credit hour for:

- a. courses satisfactorily completed in pursuit of a master's degree from the college or university in an

academic course of study other than education, but in a field that the teacher would reasonably be expected to use in the classroom, or

- b. courses satisfactorily completed in pursuit of a second undergraduate degree with a full major in English, mathematics, science or social studies; or

2. Fees for any examination required pursuant to the Oklahoma Teacher Preparation Act, Section 6-180 et seq. of Title 70 of the Oklahoma Statutes, or rules promulgated pursuant thereto.

No credit shall be allowed for any amount of tuition paid by or through any grant, scholarship, or stipend, or any amount subject to a tuition waiver. The credit shall be allowed to be claimed with the income tax return filed for the tax year in which the course or courses for which the tuition was paid were satisfactorily completed.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.33 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. For taxable years beginning after December 31, 1998, there shall be allowed a credit against the tax imposed by Section 2355 of Title 68 of the Oklahoma Statutes for eligible contributions to education individual retirement accounts established in financial institutions located in this state, or established with a broker who is a resident of this state, pursuant to the provisions of the Taxpayer Relief Act of 1997, Section 213, 26 U.S.C., Section 530 (1997). The credit shall be in the amount of five percent (5%) of such contributions.

B. Any credits allowed pursuant to subsection A of this section but not used in any taxable year may be carried over for up to four (4) years following the year of qualification.

C. The Oklahoma Tax Commission shall, on or before January 31 of each year, submit a report regarding the credit authorized by

this section to both houses of the Oklahoma Legislature. The report shall include the total amount of credits claimed during the preceding calendar year.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 119 of 68, unless there is created a duplication in numbering, reads as follows:

A. For fiscal year 2000 and each fiscal year thereafter until such time as the tax reductions contained in the amendments made in Sections 1 through 8 of this act are fully implemented, the State Board of Equalization shall, at the time it certifies the total amount available for appropriation from the General Revenue Fund as specified in paragraph 1 of Section 23 of Article X of the Oklahoma Constitution, separately certify the amount by which the revenues accruing to the General Revenue Fund would be decreased for the fiscal year pursuant to:

1. The amendments relating to estate taxes contained in Sections 1 through 6 of this act;
2. The amendments relating to sales taxes contained in Section 7 of this act; and
3. The amendments relating to income taxes contained in Section 8 of this act.

The Board shall also certify the total amount of revenue available for funding tax reductions, which shall be defined to be one-half of the total amount of revenue available for appropriation from the General Revenue Fund as certified by the Board for the fiscal year pursuant to the provisions of Section 23 of Article X of the Oklahoma Constitution, which is in excess of the total amount of revenue available for appropriation from the General Revenue Fund as certified by the Board for the previous fiscal year.

B. If the total amount certified pursuant to the provisions of paragraphs 1, 2 and 3 of subsection A of this section exceeds the total amount of revenue available for funding tax reductions, then

the following changes to the amendments contained in Sections 1 through 8 of this act shall be made in the following order:

1. If the amount certified pursuant to the provisions of paragraph 1 of subsection A of this section for a fiscal year exceeds the total amount of revenue available for funding tax reductions, then the dates occurring thereafter for the increases in the estate tax exemption and the date occurring thereafter by which any estate tax in addition to that levied in Section 803 of Title 68 of the Oklahoma Statutes will no longer be levied, as specified in Sections 1 through 6 of this act, the dates occurring thereafter for the reduction in the rate of sales taxes levied on eligible food and beverages, as specified in Section 7 of this act, and the dates occurring thereafter for the reduction in the maximum income tax rates, as specified in Section 8 of this act, are hereby changed to add one year;

2. If the amount certified pursuant to the provisions of paragraph 1 of subsection A of this section for a fiscal year does not exceed the total amount of revenue available for funding tax reductions, but the total amount certified pursuant to the provisions of paragraphs 1 and 2 of subsection A of this section for a fiscal year exceeds the total amount of revenue available for funding tax reductions, then the dates occurring thereafter for the reduction in the rate of sales taxes levied on eligible food and beverages, as specified in Section 7 of this act, and the dates occurring thereafter for the reduction in the maximum income tax rates, as specified in Section 8 of this act, are hereby changed to add one year; and

3. If the total amount certified pursuant to the provisions of paragraphs 1 and 2 of subsection A of this section exceeds the total amount of revenue available for funding tax reductions, but the total amount certified pursuant to the provisions of paragraphs 1, 2 and 3 of subsection A of this section for a fiscal year exceeds the

total amount of revenue available for funding tax reductions, then the dates occurring thereafter for the reduction in the maximum income tax rates, as specified in Section 8 of this act, shall not be changed, but the rates of income taxes for such year are hereby changed to such rates, as determined by the Board, as will result in the total amount certified pursuant to the provisions of paragraphs 1, 2 and 3 of subsection A of this section for the fiscal year not exceeding the total amount of revenue available for funding tax reductions.

C. If the total amount certified pursuant to the provisions of paragraphs 1, 2 and 3 of subsection A of this section does not exceed the total amount of revenue available for funding tax reductions, such dates shall not be changed, but may be changed in subsequent years pursuant to the provisions of subsection B of this section.

SECTION 12. This act shall become effective July 1, 1998.

SECTION 13. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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