

ENROLLED HOUSE  
BILL NO. 1469

By: Adair of the House

and

Littlefield of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 1991, Section 2365, which relates to subchapter S corporations; exempting certain subchapter S corporations from certain in lieu of tax; defining term; requiring certain banking associations to use as a basis certain items of income; providing for additional adjustments to income; providing for codification; and declaring an emergency.

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

SECTION 1. AMENDATORY 68 O.S. 1991, Section 2365, is amended to read as follows:

Section 2365. The provisions, applicable to the taxation of income of corporations and stockholders, electing treatment as provided in subchapter S of the Internal Revenue Code, shall apply equally to taxpayers under this act; ~~a.~~ A corporation having an election in effect under subchapter S of the Internal Revenue Code shall not be subject to the Oklahoma income tax on corporations and for tax years beginning after December 31, 1996, shall not be subject to the tax imposed by subsection A of Section 2370 of this title, and the shareholders of said such corporation shall include in their taxable incomes their proportionate part of such corporations' the federal income of such corporation, subject to the modifications as set forth in Sections & 2358 and 12 hereof 2362 of this title and Section 2 of this act, in the same manner and to the same extent as provided by the Internal Revenue Code; provided, however, that. However, if any of the shareholders of such corporation are nonresidents during any part of the corporation's taxable year of the corporation, such corporation shall be taxable for such year on that part of the corporation's income of the corporation, as determined under pursuant to Sections & 2358 and 12 hereof 2362 of this title and Section 2 of this act, allocable to the shares of stock owned by such nonresident unless the corporation files with its return for such year an agreement executed by each nonresident stockholder stating that such nonresident will file an Oklahoma income tax return which will include in his Oklahoma nonresident the adjusted gross income of such nonresident that portion of the corporation's Oklahoma taxable income of the corporation allocable to said nonresident's the interest of the nonresident in such corporation. For purposes of this section, the term "corporation" shall include, without limitation, state banking

associations and national banking associations that are organized pursuant to the laws of this state or are located or doing business in this state.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2370.2 of Title 68, unless there is created a duplication in numbering, reads as follows:

A state banking association or national banking association having an election in effect under subchapter S of the Internal Revenue Code for any tax year beginning after December 31, 1996, in reporting items of income, loss, deductions and credits proportionately to its shareholders for inclusion in their taxable incomes, shall use as a basis items of income, loss, deductions and credits of such banking association as shown on its federal income tax return, subject to modifications as set forth in Sections 2358 and 2362 of this title, with the following additional adjustments:

1. There shall be excluded all interest income on obligations of the United States government and agencies thereof not otherwise exempted and all interest income on obligations of this state or political subdivisions thereof, including public trust authorities, not otherwise exempted under the laws of this state; and

2. Expense deductions as shown on the federal income tax return of the banking association shall be reduced by an amount equal to fifty percent (50%) of excluded interest income on obligations of the United States government or agencies thereof and obligations of this state or political subdivisions thereof.

SECTION 3. 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.

Passed the House of Representatives the 8th day of March, 2000.

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Speaker of the House of  
Representatives

Passed the Senate the 9th day of March, 2000.

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President of the Senate