

ENGROSSED SENATE AMENDMENT
TO
ENGROSSED HOUSE
BILL NO. 2421

By: Pope, Kirby, Nance,
Langmacher, Adkins, Armes,
Blackwell, Braddock, Case,
Deutschendorf, DeWitt,
Ferguson, Gilbert,
Hastings, Ingmire,
McCarter, Peterson (Pam),
Pettigrew, Roggow, Steele,
Tibbs, Trebilcock and
Winchester of the House

and

Rabon of the Senate

(revenue and taxation - amending ten sections in
Title 68 - sales and use tax - district court -
income tax rates - effective dates -
emergency)

AUTHOR: Add the following Senate Coauthor: Corn

AMENDMENT NO. 1. Page 1, strike the stricken title, enacting
clause and entire bill and insert

“[revenue and taxation - amending ten sections in
Title 68 - sales and use tax - district court -
income tax rates - effective dates -
emergency]

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

SECTION 1. AMENDATORY Section 16, Chapter 472, O.S.L.
2003 (68 O.S. Supp. 2003, Section 1364.2), is amended to read as
follows:

Section 1364.2 A. Promoters or organizers of special events
shall submit an application for a special event permit to the
Oklahoma Tax Commission at least twenty (20) days prior to the
special event. The application shall be accompanied by a fee of

Fifty Dollars (\$50.00). The application shall include the location and dates of the special event, expected number of vendors, and any other information that may be required by the Tax Commission. A separate permit shall be required for each special event and must be prominently displayed. Multiple events held at the same location during the calendar year may be included in one application.

B. All monies received from such fees shall be paid to the State Treasurer and placed to the credit of the General Revenue Fund of the State Treasurer.

C. Promoters or organizers shall provide forms to special event vendors for reporting sales tax collections and any other information that may be required by the Tax Commission.

D. Special event vendors shall collect sales tax from purchasers of tangible personal property and services taxable under Section 1350 et seq. of ~~Title 68 of the Oklahoma Statutes~~ this title and shall remit the tax daily, along with a daily sales tax report, to the promoter or organizer.

E. Within fifteen (15) days following the conclusion of the special event, the organizer or promoter shall forward all daily reports and payments to the Tax Commission along with a completed sales tax report. If not filed on or before the fifteenth day, the tax shall be delinquent from such date. Reports timely mailed shall be considered timely filed. If a report is not timely filed, interest shall be charged from the date the report should have been filed until the report is actually filed.

F. Within fifteen (15) days following the conclusion of the special event, the organizer or promoter shall also submit a list of vendors at each event that hold a valid sales tax permit issued under Section 1364 of ~~Title 68 of the Oklahoma Statutes~~ this title. The list shall include the vendor's name, address, telephone number and sales tax permit number.

G. For the purposes of compensating the promoter or organizer in keeping sales tax records, filing reports and remitting the tax when due, a promoter or organizer shall be allowed a deduction of the tax due as provided in Section 1367.1 of ~~Title 68 of the Oklahoma Statutes~~ this title.

H. Promoters and organizers shall be liable for failure to report and remit all taxes that are remitted to them by special event vendors.

I. As used in this section:

1. "Promoter" or "organizer" means any person who organizes or promotes a special event which results in the rental, occupation, or use of any structure, lot, tract of land, sample or display case, table, or any other similar items for the exhibition and sale of tangible personal property or services taxable under Section 1350 et seq. of ~~Title 68 of the Oklahoma Statutes~~ this title by special event vendors;

2. "Special event" means an entertainment, amusement, recreation, or marketing event that occurs at a single location on an irregular basis and at which tangible personal property is sold. An event held on an irregular basis shall not include an event held on an annual basis that is held during the same thirty-day time period each year. "Special event" shall include, but not be limited to, gun shows, knife shows, craft shows, antique shows, flea markets, carnivals, bazaars, art shows, and other merchandise displays or exhibits. Special event shall not include any county, district, or state fair or public or private school-sponsored event; and

3. "Special event vendor" means a person making sales of tangible personal property or services taxable under Section 1350 et seq. of ~~Title 68 of the Oklahoma Statutes~~ this title at a special event within this state and who is not permitted under Section 1364 of ~~Title 68 of the Oklahoma Statutes~~ this title.

SECTION 2. AMENDATORY 68 O.S. 2001, Section 2355, is amended to read as follows:

Section 2355. A. Individuals. Except as otherwise provided in Section 4001 of this title, for all taxable years beginning after December 31, 1998, 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:

1. METHOD 1.

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

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

(2) 1% tax on next \$1,500.00 or part thereof,

(3) 2% tax on next \$1,250.00 or part thereof,

(4) 3% tax on next \$1,150.00 or part thereof,

(5) 4% tax on next \$1,300.00 or part thereof,

(6) 5% tax on next \$1,500.00 or part thereof,

(7) 6% tax on next \$2,300.00 or part thereof, and

(8) ~~(a)~~ for taxable years beginning after December

31, ~~1998~~ 2003, and ~~before January 1, 2002,~~

~~6.75%~~ 6.65% tax on the remainder and ~~for~~

~~taxable years beginning on or after January~~

~~1, 2002, 6.65% tax on the remainder, or~~

~~(b) for taxable years beginning after December~~

~~31, 1999, for which the State Board of~~

~~Equalization suspends the provisions of~~

~~subdivision (a) of this division pursuant to~~

~~the provisions of Section 4001 of this~~

~~title, 7% tax on the remainder.~~

b. 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) 1/2% tax on first \$2,000.00 or part thereof,
- (2) 1% tax on next \$3,000.00 or part thereof,
- (3) 2% tax on next \$2,500.00 or part thereof,
- (4) 3% tax on next \$2,300.00 or part thereof,
- (5) 4% tax on next \$2,400.00 or part thereof,
- (6) 5% tax on next \$2,800.00 or part thereof,
- (7) 6% tax on next \$6,000.00 or part thereof, and
- (8) ~~(a)~~ for taxable years beginning after December 31, ~~1998~~ 2003, and ~~before January 1, 2002,~~ ~~6.75%~~ 6.65% tax on the remainder and ~~for taxable years beginning on or after January 1, 2002,~~ ~~6.65%~~ tax on the remainder, or ~~(b)~~ ~~for taxable years beginning after December 31, 1999, for which the State Board of Equalization suspends the provisions of subdivision (a) of this division pursuant to the provisions of Section 4001 of this title,~~ 7% tax on the remainder.

2. METHOD 2.

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

- (1) 1/2% tax on first \$1,000.00 or part thereof,
- (2) 1% tax on next \$1,500.00 or part thereof,
- (3) 2% tax on next \$1,250.00 or part thereof,
- (4) 3% tax on next \$1,150.00 or part thereof,
- (5) 4% tax on next \$1,200.00 or part thereof,
- (6) 5% tax on next \$1,400.00 or part thereof,
- (7) 6% tax on next \$1,500.00 or part thereof,
- (8) 7% tax on next \$1,500.00 or part thereof,

- (9) 8% tax on next \$2,000.00 or part thereof,
- (10) 9% tax on next \$3,500.00 or part thereof, and
- (11) 10% tax on the remainder.

b. 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) 1/2% tax on the first \$2,000.00 or part thereof,
- (2) 1% tax on the next \$3,000.00 or part thereof,
- (3) 2% tax on the next \$2,500.00 or part thereof,
- (4) 3% tax on the next \$1,400.00 or part thereof,
- (5) 4% tax on the next \$1,500.00 or part thereof,
- (6) 5% tax on the next \$1,600.00 or part thereof,
- (7) 6% tax on the next \$1,250.00 or part thereof,
- (8) 7% tax on the next \$1,750.00 or part thereof,
- (9) 8% tax on the next \$3,000.00 or part thereof,
- (10) 9% tax on the next \$6,000.00 or part thereof, and
- (11) 10% tax on the remainder.

B. Nonresident aliens. In lieu of the rates set forth in subsection A above, 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 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 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 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 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 3. AMENDATORY Section 19, Chapter 472, O.S.L. 2003 (68 O.S. Supp. 2003, Section 2357.45), is amended to read as follows:

Section 2357.45 A. 1. For tax years beginning after December 31, 2004, ~~unless the State Board of Equalization suspends this section in any tax year pursuant to subsection E of this section,~~ there shall be allowed against the tax imposed by Section 2355 of ~~Title 68 of the Oklahoma Statutes~~ this title, a credit for any taxpayer who makes a donation to an independent biomedical research institute. For calendar years 2005 and 2006, the amount of the credit shall be fifty percent (50%) of the amount donated to an independent biomedical research institute but in no event shall the credit exceed One Thousand Dollars (\$1,000.00) for each taxpayer. For calendar year 2007 and all subsequent years ~~the credit is not suspended pursuant to subsection E of this section,~~ the credit percentage, not to exceed fifty percent (50%), shall be adjusted annually so that the total estimate of the credits does not exceed Two Million Dollars (\$2,000,000.00) annually. The formula to be used for the percentage adjusted shall be fifty percent (50%) times Two Million Dollars (\$2,000,000.00) divided by the credits claimed in the preceding year. In no event shall the credit be claimed more than once by a taxpayer each taxable year nor shall the credit exceed One Thousand Dollars (\$1,000.00) for each taxpayer. In the event the total tax credits authorized by this section exceed Two Million Dollars (\$2,000,000.00) in any calendar year, the Oklahoma Tax Commission shall permit any excess over Two Million Dollars

(\$2,000,000.00) but shall factor such excess into the percentage adjustment formula for subsequent years.

2. For purposes of this section, "independent biomedical research institute" means an organization which is exempt from taxation pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3) whose primary focus is conducting peer-reviewed basic biomedical research. The organization shall:

- a. have a board of directors,
- b. be able to accept grants in its own name,
- c. be an identifiable institute that has its own employees and administrative staff, and
- d. receive at least Fifteen Million Dollars (\$15,000,000.00) in National Institute of Health funding each year.

B. In no event shall the amount of the credit exceed the amount of any tax liability of the taxpayer.

C. Any credits allowed but not used in any tax year may be carried over, in order, to each of the four (4) years following the year of qualification.

D. The Tax Commission shall have the authority to prescribe forms for purposes of claiming the credit authorized by this section.

~~E. In addition to any other duties prescribed by law, at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held in December 2006 and subsequent calendar years, the State Board of Equalization shall determine for the following fiscal years:~~

~~1. The amount of funds available for appropriation if the provisions of subsection A of this section are not in effect; and~~

~~2. The amount by which such funds will be reduced if such provisions are in effect.~~

~~If the amount determined pursuant to the provisions of paragraph 2 of this subsection is greater than the amount of funds available for appropriation for the then-current fiscal year, the Board shall make a finding that economic growth in the state warrants the taking effect of the provisions of subsection A of this section and such provisions shall be effective for the following calendar year. If the amount determined pursuant to the provisions of paragraph 2 of this subsection is less than the amount of funds available for appropriation for the then-current fiscal year, the Board shall make a finding that economic growth in the state warrants a suspension of the provisions of subsection A of this section for the following calendar year.~~

~~F. As used in this section, "funds available for appropriation" means the amount certified as available for appropriation for the next fiscal year as determined by the State Board of Equalization at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution. Such term shall not include:~~

- ~~1. Any appropriation of bond proceeds;~~
- ~~2. Appropriations from or amounts to be deposited to the Constitutional Reserve Fund;~~
- ~~3. Appropriations from or amounts to be deposited to the Education Reform Revolving Fund;~~
- ~~4. Appropriations from or amounts to be deposited to revolving funds;~~
- ~~5. Federal funds;~~
- ~~6. Appropriations from or amounts to be deposited to the Cash Flow Reserve Fund;~~
- ~~7. Prior year certified but unappropriated funds; or~~
- ~~8. Any cash on hand.~~

SECTION 4. AMENDATORY 68 O.S. 2001, Section 2358, as last amended by Section 70, Chapter 3, O.S.L. 2003 (68 O.S. Supp. 2003, Section 2358), is amended to read as follows:

Section 2358. For all tax years beginning after December 31, 1981, taxable income and adjusted gross income shall be adjusted to arrive at Oklahoma taxable income and Oklahoma adjusted gross income as required by this section.

A. The taxable income of any taxpayer shall be adjusted to arrive at Oklahoma taxable income for corporations and Oklahoma adjusted gross income for individuals, as follows:

1. There shall be added interest income on obligations of any state or political subdivision thereto which is not otherwise exempted pursuant to other laws of this state, to the extent that such interest is not included in taxable income and adjusted gross income.

2. There shall be deducted amounts included in such income that the state is prohibited from taxing because of the provisions of the Federal Constitution, the State Constitution, federal laws or laws of Oklahoma.

3. The amount of any federal net operating loss deduction shall be adjusted as follows:

a. For carryovers and carrybacks to taxable years beginning before January 1, 1981, the amount of any net operating loss deduction allowed to a taxpayer for federal income tax purposes shall be reduced to an amount which is the same portion thereof as the loss from sources within this state, as determined pursuant to this section and Section 2362 of this title, for the taxable year in which such loss is sustained is of the total loss for such year;

b. For carryovers and carrybacks to taxable years beginning after December 31, 1980, the amount of any net operating loss deduction allowed for the taxable year shall be an amount equal to the aggregate of the Oklahoma net operating loss carryovers and carrybacks

to such year. Oklahoma net operating losses shall be separately determined by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, as modified by the Oklahoma Income Tax Act, Section 2351 et seq. of this title, and shall be allowed without regard to the existence of a federal net operating loss. For tax years beginning after December 31, 2000, the years to which such losses may be carried shall be determined solely by reference to Section 172 of the Internal Revenue Code, 26 U.S.C., Section 172, with the exception that the terms "net operating loss" and "taxable income" shall be replaced with "Oklahoma net operating loss" and "Oklahoma taxable income".

4. Items of the following nature shall be allocated as indicated. Allowable deductions attributable to items separately allocable in subparagraphs a, b and c of this paragraph, whether or not such items of income were actually received, shall be allocated on the same basis as those items:

- a. Income from real and tangible personal property, such as rents, oil and mining production or royalties, and gains or losses from sales of such property, shall be allocated in accordance with the situs of such property;
- b. Income from intangible personal property, such as interest, dividends, patent or copyright royalties, and gains or losses from sales of such property, shall be allocated in accordance with the domiciliary situs of the taxpayer, except that:
 - (1) where such property has acquired a nonunitary business or commercial situs apart from the domicile of the taxpayer such income shall be allocated in accordance with such business or

commercial situs; interest income from investments held to generate working capital for a unitary business enterprise shall be included in apportionable income; a resident trust or resident estate shall be treated as having a separate commercial or business situs insofar as undistributed income is concerned, but shall not be treated as having a separate commercial or business situs insofar as distributed income is concerned,

(2) income from such property which is required to be allocated pursuant to the provisions of paragraph 5 of this subsection shall be allocated as herein provided;

c. Net income or loss from a business activity which is not a part of business carried on within or without the state of a unitary character shall be separately allocated to the state in which such activity is conducted;

d. In the case of a manufacturing or processing enterprise the business of which in Oklahoma consists solely of marketing its products by:

(1) sales having a situs without this state, shipped directly to a point from without the state to a purchaser within the state, commonly known as interstate sales,

(2) sales of the product stored in public warehouses within the state pursuant to "in transit" tariffs, as prescribed and allowed by the Interstate Commerce Commission, to a purchaser within the state,

(3) sales of the product stored in public warehouses within the state where the shipment to such warehouses is not covered by "in transit" tariffs, as prescribed and allowed by the Interstate Commerce Commission, to a purchaser within or without the state,

the Oklahoma net income shall, at the option of the taxpayer, be that portion of the total net income of the taxpayer for federal income tax purposes derived from the manufacture and/or processing and sales everywhere as determined by the ratio of the sales defined in this section made to the purchaser within the state to the total sales everywhere. The term "public warehouse" as used in this subparagraph means a licensed public warehouse, the principal business of which is warehousing merchandise for the public;

e. In the case of insurance companies, Oklahoma taxable income shall be taxable income of the taxpayer for federal tax purposes, as adjusted for the adjustments provided pursuant to the provisions of paragraphs 1 and 2 of this subsection, apportioned as follows:

(1) except as otherwise provided by division (2) of this subparagraph, taxable income of an insurance company for a taxable year shall be apportioned to this state by multiplying such income by a fraction, the numerator of which is the direct premiums written for insurance on property or risks in this state, and the denominator of which is the direct premiums written for insurance on property or risks everywhere. For purposes of this subsection, the term "direct premiums written" means the total amount of direct

premiums written, assessments and annuity considerations as reported for the taxable year on the annual statement filed by the company with the ~~Oklahoma~~ Insurance Commissioner in the form approved by the National Association of Insurance Commissioners, or such other form as may be prescribed in lieu thereof,

- (2) if the principal source of premiums written by an insurance company consists of premiums for reinsurance accepted by it, the taxable income of such company shall be apportioned to this state by multiplying such income by a fraction, the numerator of which is the sum of (a) direct premiums written for insurance on property or risks in this state, plus (b) premiums written for reinsurance accepted in respect of property or risks in this state, and the denominator of which is the sum of (c) direct premiums written for insurance on property or risks everywhere, plus (d) premiums written for reinsurance accepted in respect of property or risks everywhere. For purposes of this paragraph, premiums written for reinsurance accepted in respect of property or risks in this state, whether or not otherwise determinable, may at the election of the company be determined on the basis of the proportion which premiums written for insurance accepted from companies commercially domiciled in Oklahoma bears to premiums written for reinsurance accepted from all sources, or alternatively in the proportion which the sum of the direct premiums written for

insurance on property or risks in this state by each ceding company from which reinsurance is accepted bears to the sum of the total direct premiums written by each such ceding company for the taxable year.

5. The net income or loss remaining after the separate allocation in paragraph 4 of this subsection, being that which is derived from a unitary business enterprise, shall be apportioned to this state on the basis of the arithmetical average of three factors consisting of property, payroll and sales or gross revenue enumerated as subparagraphs a, b and c of this paragraph. Net income or loss as used in this paragraph includes that derived from patent or copyright royalties, purchase discounts, and interest on accounts receivable relating to or arising from a business activity, the income from which is apportioned pursuant to this subsection, including the sale or other disposition of such property and any other property used in the unitary enterprise. Deductions used in computing such net income or loss shall not include taxes based on or measured by income. Provided, for corporations whose property for purposes of the tax imposed by Section 2355 of this title has an initial investment cost equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00) and such investment is made on or after July 1, 1997, or for corporations which expand their property or facilities in this state and such expansion has an investment cost equaling or exceeding Two Hundred Million Dollars (\$200,000,000.00) over a period not to exceed three (3) years, and such expansion is commenced on or after January 1, 2000, the three factors shall be apportioned with property and payroll, each comprising twenty-five percent (25%) of the apportionment factor and sales comprising fifty percent (50%) of the apportionment factor. The apportionment factors shall be computed as follows:

a. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property everywhere owned or rented and used during the tax period.

(1) Property, the income from which is separately allocated in paragraph 4 of this subsection, shall not be included in determining this fraction. The numerator of the fraction shall include a portion of the investment in transportation and other equipment having no fixed situs, such as rolling stock, buses, trucks and trailers, including machinery and equipment carried thereon, airplanes, salespersons' automobiles and other similar equipment, in the proportion that miles traveled in Oklahoma by such equipment bears to total miles traveled,

(2) Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer, less any annual rental rate received by the taxpayer from subrentals,

(3) The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the Oklahoma Tax Commission may require the averaging of monthly values during the tax period if reasonably

required to reflect properly the average value of the taxpayer's property;

b. The payroll factor is a fraction, the numerator of which is the total compensation for services rendered in the state during the tax period, and the denominator of which is the total compensation for services rendered everywhere during the tax period. "Compensation", as used in this subsection means those paid-for services to the extent related to the unitary business but does not include officers' salaries, wages and other compensation.

(1) In the case of a transportation enterprise, the numerator of the fraction shall include a portion of such expenditure in connection with employees operating equipment over a fixed route, such as railroad employees, airline pilots, or bus drivers, in this state only a part of the time, in the proportion that mileage traveled in Oklahoma bears to total mileage traveled by such employees,

(2) In any case the numerator of the fraction shall include a portion of such expenditures in connection with itinerant employees, such as traveling salespersons, in this state only a part of the time, in the proportion that time spent in Oklahoma bears to total time spent in furtherance of the enterprise by such employees;

c. The sales factor is a fraction, the numerator of which is the total sales or gross revenue of the taxpayer in this state during the tax period, and the denominator of which is the total sales or gross revenue of the taxpayer everywhere during the tax period. "Sales",

as used in this subsection does not include sales or gross revenue which are separately allocated in paragraph 4 of this subsection.

- (1) Sales of tangible personal property have a situs in this state if the property is delivered or shipped to a purchaser other than the United States government, within this state regardless of the FOB point or other conditions of the sale; or the property is shipped from an office, store, warehouse, factory or other place of storage in this state and (a) the purchaser is the United States government or (b) the taxpayer is not doing business in the state of the destination of the shipment.
- (2) In the case of a railroad or interurban railway enterprise, the numerator of the fraction shall not be less than the allocation of revenues to this state as shown in its annual report to the Corporation Commission.
- (3) In the case of an airline, truck or bus enterprise or freight car, tank car, refrigerator car or other railroad equipment enterprise, the numerator of the fraction shall include a portion of revenue from interstate transportation in the proportion that interstate mileage traveled in Oklahoma bears to total interstate mileage traveled.
- (4) In the case of an oil, gasoline or gas pipeline enterprise, the numerator of the fraction shall be either the total of traffic units of the enterprise within Oklahoma or the revenue allocated to Oklahoma based upon miles moved, at

the option of the taxpayer, and the denominator of which shall be the total of traffic units of the enterprise or the revenue of the enterprise everywhere as appropriate to the numerator. A "traffic unit" is hereby defined as the transportation for a distance of one (1) mile of one (1) barrel of oil, one (1) gallon of gasoline or one thousand (1,000) cubic feet of natural or casinghead gas, as the case may be.

- (5) In the case of a telephone or telegraph or other communication enterprise, the numerator of the fraction shall include that portion of the interstate revenue as is allocated pursuant to the accounting procedures prescribed by the Federal Communications Commission; provided that in respect to each corporation or business entity required by the Federal Communications Commission to keep its books and records in accordance with a uniform system of accounts prescribed by such Commission, the intrastate net income shall be determined separately in the manner provided by such uniform system of accounts and only the interstate income shall be subject to allocation pursuant to the provisions of this subsection. Provided further, that the gross revenue factors shall be those as are determined pursuant to the accounting procedures prescribed by the Federal Communications Commission.

In any case where the apportionment of the three factors prescribed in this paragraph attributes to Oklahoma a portion of net income of the enterprise out of all appropriate proportion to the property owned and/or business transacted within this state, because of the

fact that one or more of the factors so prescribed are not employed to any appreciable extent in furtherance of the enterprise; or because one or more factors not so prescribed are employed to a considerable extent in furtherance of the enterprise; or because of other reasons, the Tax Commission is empowered to permit, after a showing by taxpayer that an excessive portion of net income has been attributed to Oklahoma, or require, when in its judgment an insufficient portion of net income has been attributed to Oklahoma, the elimination, substitution, or use of additional factors, or reduction or increase in the weight of such prescribed factors. Provided, however, that any such variance from such prescribed factors which has the effect of increasing the portion of net income attributable to Oklahoma must not be inherently arbitrary, and application of the recomputed final apportionment to the net income of the enterprise must attribute to Oklahoma only a reasonable portion thereof.

6. For calendar years 1997 and 1998, the owner of a new or expanded agricultural commodity processing facility in this state may exclude from Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, fifteen percent (15%) of the investment by the owner in the new or expanded agricultural commodity processing facility. For calendar year 1999, and all subsequent years, the percentage, not to exceed fifteen percent (15%), available to the owner of a new or expanded agricultural commodity processing facility in this state claiming the exemption shall be adjusted annually so that the total estimated reduction in tax liability does not exceed One Million Dollars (\$1,000,000.00) annually. The Tax Commission shall promulgate rules for determining the percentage of the investment which each eligible taxpayer may exclude. The exclusion provided by this paragraph shall be taken in the taxable year when the investment is made. In the event the total reduction in tax liability authorized by this

paragraph exceeds One Million Dollars (\$1,000,000.00) in any calendar year, the Tax Commission shall permit any excess over One Million Dollars (\$1,000,000.00) and shall factor such excess into the percentage for subsequent years. Any amount of the exemption permitted to be excluded pursuant to the provisions of this paragraph but not used in any year may be carried forward as an exemption from income pursuant to the provisions of this paragraph for a period not exceeding six (6) years following the year in which the investment was originally made.

For purposes of this paragraph:

- a. "Agricultural commodity processing facility" means building, structures, fixtures and improvements used or operated primarily for the processing or production of marketable products from agricultural commodities. The term shall also mean a dairy operation that requires a depreciable investment of at least Two Hundred Fifty Thousand Dollars (\$250,000.00) and which produces milk from dairy cows. The term does not include a facility that provides only, and nothing more than, storage, cleaning, drying or transportation of agricultural commodities, and
- b. "Facility" means each part of the facility which is used in a process primarily for:
 - (1) the processing of agricultural commodities, including receiving or storing agricultural commodities, or the production of milk at a dairy operation,
 - (2) transporting the agricultural commodities or product before, during or after the processing, or
 - (3) packaging or otherwise preparing the product for sale or shipment.

7. Despite any provision to the contrary in paragraph 3 of this subsection, for taxable years beginning after December 31, 1999, in the case of a taxpayer which has a farming loss, such farming loss shall be considered a net operating loss carryback in accordance with and to the extent of the Internal Revenue Code, 26 U.S.C., Section 172(b)(G). However, the amount of the net operating loss carryback shall not exceed the lesser of:

- a. Sixty Thousand Dollars (\$60,000.00), or
- b. the loss properly shown on Schedule F of the Internal Revenue Service Form 1040 reduced by one-half (1/2) of the income from all other sources other than reflected on Schedule F.

8. In taxable years beginning after December 31, 1995, all qualified wages equal to the federal income tax credit set forth in 26 U.S.C.A., Section 45A, shall be deducted from taxable income. The deduction allowed pursuant to this paragraph shall only be permitted for the tax years in which the federal tax credit pursuant to 26 U.S.C.A., Section 45A, is allowed. For purposes of this paragraph, "qualified wages" means those wages used to calculate the federal credit pursuant to 26 U.S.C.A., Section 45A.

B. The taxable income of any corporation shall be further adjusted to arrive at Oklahoma taxable income, except those corporations electing treatment as provided in subchapter S of the Internal Revenue Code, 26 U.S.C., Section 1361 et seq., and Section 2365 of this title, deductions pursuant to the provisions of the Accelerated Cost Recovery System as defined and allowed in the Economic Recovery Tax Act of 1981, Public Law 97-34, 26 U.S.C., Section 168, for depreciation of assets placed into service after December 31, 1981, shall not be allowed in calculating Oklahoma taxable income. Such corporations shall be allowed a deduction for depreciation of assets placed into service after December 31, 1981, in accordance with provisions of the Internal Revenue Code, 26

U.S.C., Section 1 et seq., in effect immediately prior to the enactment of the Accelerated Cost Recovery System. The Oklahoma tax basis for all such assets placed into service after December 31, 1981, calculated in this section shall be retained and utilized for all Oklahoma income tax purposes through the final disposition of such assets.

Notwithstanding any other provisions of the Oklahoma Income Tax Act, Section 2351 et seq. of this title, or of the Internal Revenue Code to the contrary, this subsection shall control calculation of depreciation of assets placed into service after December 31, 1981, and before January 1, 1983.

For assets placed in service and held by a corporation in which accelerated cost recovery system was previously disallowed, an adjustment to taxable income is required in the first taxable year beginning after December 31, 1982, to reconcile the basis of such assets to the basis allowed in the Internal Revenue Code. The purpose of this adjustment is to equalize the basis and allowance for depreciation accounts between that reported to the Internal Revenue Service and that reported to Oklahoma.

C. 1. For taxable years beginning after December 31, 1987, the taxable income of any corporation shall be further adjusted to arrive at Oklahoma taxable income for transfers of technology to qualified small businesses located in Oklahoma. Such transferor corporation shall be allowed an exemption from taxable income of an amount equal to the amount of royalty payment received as a result of such transfer; provided, however, such amount shall not exceed ten percent (10%) of the amount of gross proceeds received by such transferor corporation as a result of the technology transfer. Such exemption shall be allowed for a period not to exceed ten (10) years from the date of receipt of the first royalty payment accruing from such transfer. No exemption may be claimed for transfers of

technology to qualified small businesses made prior to January 1, 1988.

2. For purposes of this subsection:

- a. "Qualified small business" means an entity, whether organized as a corporation, partnership, or proprietorship, organized for profit with its principal place of business located within this state and which meets the following criteria:
 - (1) Capitalization of not more than Two Hundred Fifty Thousand Dollars (\$250,000.00),
 - (2) Having at least fifty percent (50%) of its employees and assets located in Oklahoma at the time of the transfer, and
 - (3) Not a subsidiary or affiliate of the transferor corporation;
- b. "Technology" means a proprietary process, formula, pattern, device or compilation of scientific or technical information which is not in the public domain;
- c. "Transferor corporation" means a corporation which is the exclusive and undisputed owner of the technology at the time the transfer is made; and
- d. "Gross proceeds" means the total amount of consideration for the transfer of technology, whether the consideration is in money or otherwise.

D. The Oklahoma adjusted gross income of any individual taxpayer shall be further adjusted as follows to arrive at Oklahoma taxable income:

- 1. a. In the case of individuals, there shall be added or deducted, as the case may be, the difference necessary to allow personal exemptions of One Thousand Dollars

(\$1,000.00) in lieu of the personal exemptions allowed by the Internal Revenue Code.

b. There shall be allowed an additional exemption of One Thousand Dollars (\$1,000.00) for each taxpayer or spouse who is blind at the close of the tax year. For purposes of this subparagraph, an individual is blind only if the central visual acuity of the individual does not exceed 20/200 in the better eye with correcting lenses, or if the visual acuity of the individual is greater than 20/200, but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than twenty (20) degrees.

c. There shall be allowed an additional exemption of One Thousand Dollars (\$1,000.00) for each taxpayer or spouse who is sixty-five (65) years of age or older at the close of the tax year based upon the filing status and federal adjusted gross income of the taxpayer. Taxpayers with the following filing status may claim this exemption if the federal adjusted gross income does not exceed:

- (1) Twenty-five Thousand Dollars (\$25,000.00) if married and filing jointly;
 - (2) Twelve Thousand Five Hundred Dollars (\$12,500.00) if married and filing separately;
 - (3) Fifteen Thousand Dollars (\$15,000.00) if single;
- and
- (4) Nineteen Thousand Dollars (\$19,000.00) if a qualifying head of household.

Provided, for taxable years beginning after December 31, 1999, amounts included in the calculation of federal adjusted gross income pursuant to the

conversion of a traditional individual retirement account to a Roth individual retirement account shall be excluded from federal adjusted gross income for purposes of the income thresholds provided in this subparagraph.

- d. For taxable years beginning after December 31, 1990, and beginning before January 1, 1992, there shall be allowed a one-time additional exemption of Four Hundred Dollars (\$400.00) for each taxpayer or spouse who is a member of the National Guard or any reserve unit of the Armed Forces of the United States and who was at any time during such taxable year deployed in active service during a time of war or conflict with an enemy of the United States.

2. In the case of individuals who use the standard deduction in determining taxable income, there shall be added or deducted, as the case may be, the difference necessary to allow a standard deduction in lieu of the standard deduction allowed by the Internal Revenue Code, in an amount equal to the larger of fifteen percent (15%) of the Oklahoma adjusted gross income or One Thousand Dollars (\$1,000.00), but not to exceed Two Thousand Dollars (\$2,000.00), except that in the case of a married individual filing a separate return such deduction shall be the larger of fifteen percent (15%) of such Oklahoma adjusted gross income or Five Hundred Dollars (\$500.00), but not to exceed the maximum amount of One Thousand Dollars (\$1,000.00).

3. In the case of resident and part-year resident individuals having adjusted gross income from sources both within and without the state, the itemized or standard deductions and personal exemptions shall be reduced to an amount which is the same portion of the total thereof as Oklahoma adjusted gross income is of adjusted gross income. To the extent itemized deductions include

allowable moving expense, proration of moving expense shall not be required or permitted but allowable moving expense shall be fully deductible for those taxpayers moving within or into Oklahoma and no part of moving expense shall be deductible for those taxpayers moving without or out of Oklahoma. All other itemized or standard deductions and personal exemptions shall be subject to proration as provided by law.

4. A resident individual with a physical disability constituting a substantial handicap to employment may deduct from Oklahoma adjusted gross income such expenditures to modify a motor vehicle, home or workplace as are necessary to compensate for his or her handicap. A veteran certified by the Veterans Administration of the federal government as having a service-connected disability shall be conclusively presumed to be an individual with a physical disability constituting a substantial handicap to employment. The Tax Commission shall promulgate rules containing a list of combinations of common disabilities and modifications which may be presumed to qualify for this deduction. The Tax Commission shall prescribe necessary requirements for verification.

5. In any taxable year the first One Thousand Five Hundred Dollars (\$1,500.00) received by any person from the United States as salary or compensation in any form, other than retirement benefits, as a member of any component of the Armed Forces of the United States shall be deducted from taxable income. Whenever the filing of a timely income tax return by a member of the Armed Forces of the United States is made impracticable or impossible of accomplishment by reason of:

- a. absence from the United States, which term includes only the states and the District of Columbia;
- b. absence from the State of Oklahoma while on active duty; or

c. confinement in a hospital within the United States for treatment of wounds, injuries or disease, the time for filing a return and paying an income tax shall be and is hereby extended without incurring liability for interest or penalties, to the fifteenth day of the third month following the month in which:

- (1) Such individual shall return to the United States if the extension is granted pursuant to subparagraph a of this paragraph, return to the State of Oklahoma if the extension is granted pursuant to subparagraph b of this paragraph or be discharged from such hospital if the extension is granted pursuant to subparagraph c of this paragraph; or
- (2) An executor, administrator, or conservator of the estate of the taxpayer is appointed, whichever event occurs the earliest.

Provided, that the Tax Commission may, in its discretion, grant any member of the Armed Forces of the United States an extension of time for filing of income tax returns and payment of income tax without incurring liabilities for interest or penalties. Such extension may be granted only when in the judgment of the Tax Commission a good cause exists therefor and may be for a period in excess of six (6) months. A record of every such extension granted, and the reason therefor, shall be kept.

6. The salary or any other form of compensation, received from the United States by a member of any component of the Armed Forces of the United States, shall be deducted from taxable income during the time in which the person is detained by the enemy in a conflict, is a prisoner of war or is missing in action and not deceased.

7. Notwithstanding anything in the Internal Revenue Code or in the Oklahoma Income Tax Act to the contrary, it is expressly

provided that, in the case of resident individuals, amounts received as dividends or distributions of earnings from savings and loan associations or credit unions located in Oklahoma, and interest received on savings accounts and time deposits from such sources or from state and national banks or trust companies located in Oklahoma, shall qualify as dividends for the purpose of the dividend exclusion, and taxable income shall be adjusted accordingly to arrive at Oklahoma taxable income; provided, however, that the dividend, distribution of earnings and/or interest exclusion provided for hereinabove shall not be cumulative to the maximum dividend exclusion allowed by the Internal Revenue Code. Any dividend exclusion already allowed by the Internal Revenue Code and reflected in the taxpayer's Oklahoma taxable income together with exclusion allowed herein shall not exceed the total of One Hundred Dollars (\$100.00) per individual or Two Hundred Dollars (\$200.00) per couple filing a joint return.

8. a. An individual taxpayer, whether resident or nonresident, may deduct an amount equal to the federal income taxes paid by the taxpayer during the taxable year.
- b. Federal taxes as described in subparagraph a of this paragraph shall be deductible by any individual taxpayer, whether resident or nonresident, only to the extent they relate to income subject to taxation pursuant to the provisions of the Oklahoma Income Tax Act. The maximum amount allowable in the preceding paragraph shall be prorated on the ratio of the Oklahoma adjusted gross income to federal adjusted gross income.
- c. For the purpose of this paragraph, "federal income taxes paid" shall mean federal income taxes, surtaxes imposed on incomes or excess profits taxes, as though

the taxpayer was on the accrual basis. In determining the amount of deduction for federal income taxes for tax year 2001, the amount of the deduction shall not be adjusted by the amount of any accelerated ten percent (10%) tax rate bracket credit or advanced refund of the credit received during the tax year provided pursuant to the federal Economic Growth and Tax Relief Reconciliation Act of 2001, P.L. No. 170-16, and the advanced refund of such credit shall not be subject to taxation.

- d. The provisions of this paragraph shall apply to all taxable years ending after December 31, 1978.

9. Retirement benefits not to exceed Five Thousand Five Hundred Dollars (\$5,500.00), which are received by an individual from the civil service of the United States, any component of the Armed Forces of the United States, the Oklahoma Public Employees Retirement System, the Teachers' Retirement System of Oklahoma, the Oklahoma Law Enforcement Retirement System, the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the employee retirement systems created by counties pursuant to Section 951 et seq. of Title 19 of the Oklahoma Statutes, the Uniform Retirement System for Justices and Judges, the Oklahoma Wildlife Conservation Department Retirement Fund, the Oklahoma Employment Security Commission Retirement Plan, or the employee retirement systems created by municipalities pursuant to Section 48-101 et seq. of Title 11 of the Oklahoma Statutes shall be exempt from taxable income.

10. In taxable years beginning after December 31, 1984, Social Security benefits received by an individual shall be exempt from taxable income, to the extent such benefits are included in the federal adjusted gross income pursuant to the provisions of Section 86 of the Internal Revenue Code, 26 U.S.C., Section 86.

11. For taxable years beginning after December 31, 1994, lump-sum distributions from employer plans of deferred compensation, which are not qualified plans within the meaning of Section 401(a) of the Internal Revenue Code, 26 U.S.C., Section 401(a), and which are deposited in and accounted for within a separate bank account or brokerage account in a financial institution within this state, shall be excluded from taxable income in the same manner as a qualifying rollover contribution to an individual retirement account within the meaning of Section 408 of the Internal Revenue Code, 26 U.S.C., Section 408. Amounts withdrawn from such bank or brokerage account, including any earnings thereon, shall be included in taxable income when withdrawn in the same manner as withdrawals from individual retirement accounts within the meaning of Section 408 of the Internal Revenue Code.

12. In taxable years beginning after December 31, 1995, contributions made to and interest received from a medical savings account established pursuant to Sections 2621 through 2623 of Title 63 of the Oklahoma Statutes shall be exempt from taxable income.

13. For taxable years beginning after December 31, 1996, the Oklahoma adjusted gross income of any individual taxpayer who is a swine or poultry producer may be further adjusted for the deduction for depreciation allowed for new construction or expansion costs which may be computed using the same depreciation method elected for federal income tax purposes except that the useful life shall be seven (7) years for purposes of this paragraph. If depreciation is allowed as a deduction in determining the adjusted gross income of an individual, any depreciation calculated and claimed pursuant to this section shall in no event be a duplication of any depreciation allowed or permitted on the federal income tax return of the individual.

14. a. In taxable years beginning after December 31, 2002, nonrecurring adoption expenses paid by a resident individual taxpayer in connection with:
- (1) the adoption of a minor, or
 - (2) a proposed adoption of a minor which did not result in a decreed adoption,
- may be deducted from the Oklahoma adjusted gross income.
- b. The deductions for adoptions and proposed adoptions authorized by this paragraph shall not exceed Twenty Thousand Dollars (\$20,000.00) per calendar year.
- c. The Tax Commission shall promulgate rules to implement the provisions of this paragraph which shall contain a specific list of nonrecurring adoption expenses which may be presumed to qualify for the deduction. The Tax Commission shall prescribe necessary requirements for verification.
- d. "Nonrecurring adoption expenses" means adoption fees, court costs, medical expenses, attorney fees and expenses which are directly related to the legal process of adoption of a child including, but not limited to, costs relating to the adoption study, health and psychological examinations, transportation and reasonable costs of lodging and food for the child or adoptive parents which are incurred to complete the adoption process and are not reimbursed by other sources. The term "nonrecurring adoption expenses" shall not include attorney fees incurred for the purpose of litigating a contested adoption, from and after the point of the initiation of the contest, costs associated with physical remodeling, renovation and alteration of the adoptive parents' home or

property, except for a special needs child as authorized by the court.

15. In taxable years beginning after December 31, 1996, retirement benefits not to exceed the amounts specified in this paragraph, which are received by an individual sixty-five (65) years of age or older and whose Oklahoma adjusted gross income is Twenty-five Thousand Dollars (\$25,000.00) or less if the filing status is single, head of household, or married filing separate, or Fifty Thousand Dollars (\$50,000.00) or less if the filing status is married filing joint or qualifying widow, shall be exempt from taxable income. For purposes of this paragraph, "retirement benefits" means the total distributions or withdrawals from the following:

- a. an employee pension benefit plan which satisfies the requirements of Section 401 of the Internal Revenue Code, 26 U.S.C., Section 401,
- b. an eligible deferred compensation plan that satisfies the requirements of Section 457 of the Internal Revenue Code, 26 U.S.C., Section 457,
- c. an individual retirement account, annuity or trust or simplified employee pension that satisfies the requirements of Section 408 of the Internal Revenue Code, 26 U.S.C., Section 408,
- d. an employee annuity subject to the provisions of Section 403(a) or (b) of the Internal Revenue Code, 26 U.S.C., Section 403(a) or (b),
- e. United States Retirement Bonds which satisfy the requirements of Section 86 of the Internal Revenue Code, 26 U.S.C., Section 86, or
- f. lump-sum distributions from a retirement plan which satisfies the requirements of Section 402(e) of the Internal Revenue Code, 26 U.S.C., Section 402(e).

The amount of the exemption provided by this paragraph shall be limited to One Thousand One Hundred Dollars (\$1,100.00) for the 1997 tax year; Two Thousand Two Hundred Dollars (\$2,200.00) for the 1998 tax year; Three Thousand Three Hundred Dollars (\$3,300.00) for the 1999 tax year; Four Thousand Four Hundred Dollars (\$4,400.00) for the 2000 tax year; and Five Thousand Five Hundred Dollars (\$5,500.00) for all subsequent tax years. Any individual who claims the exemption provided for in paragraph 9 of this subsection shall not be permitted to claim a combined total exemption pursuant to this paragraph and paragraph 9 of this subsection in an amount exceeding Five Thousand Five Hundred Dollars (\$5,500.00).

16. In taxable years beginning after December 31, 1999, for an individual engaged in production agriculture who has filed a Schedule F form with the taxpayer's federal income tax return for such taxable year, there shall be excluded from taxable income any amount which was included as federal taxable income or federal adjusted gross income and which consists of the discharge of an obligation by a creditor of the taxpayer incurred to finance the production of agricultural products.

17. In taxable years beginning December 31, 2000, an amount equal to one hundred percent (100%) of the amount of any scholarship or stipend received from participation in the Oklahoma Police Corps Program, as established in Section 2-140.3 of Title 47 of the Oklahoma Statutes shall be exempt from taxable income.

18. In taxable years beginning after December 31, 2001, there shall be allowed a deduction in the amount of contributions to accounts established pursuant to the Oklahoma College Savings Plan Act. The deduction shall equal the amount of contributions to accounts, but in no event shall the deduction for each contributor exceed Two Thousand Five Hundred Dollars (\$2,500.00) each taxable year for each account.

E. 1. For taxable years beginning after December 31, 2004, a deduction from the Oklahoma adjusted gross income of any individual taxpayer shall be allowed for qualifying gains receiving capital treatment earned by the individual taxpayer during the taxable year and included in the federal taxable income of such individual taxpayer.

2. As used in this subsection:

a. "qualifying gains receiving capital treatment" means the amount of net capital gains, as defined in Section 1222(11) of the Internal Revenue Code, included in an individual taxpayer's federal income tax return that was:

- (1) earned by the individual taxpayer on real or tangible personal property located within Oklahoma that has been owned by the individual taxpayer for a holding period of at least five (5) years prior to the date of the transaction from which such net capital gains arise, or
- (2) earned on the sale of stock or on the sale of an ownership interest in an Oklahoma company, limited liability company, or partnership where such stock or ownership interest has been owned by the individual taxpayer for a holding period of at least five (5) years prior to the date of the transaction from which the net capital gains arise,

b. "holding period" means an uninterrupted period of time, and

c. "Oklahoma company, limited liability company, or partnership" means an entity whose primary headquarters have been located in Oklahoma for at

least five (5) uninterrupted years prior to the date of the transaction from which the net capital gains arise.

SECTION 5. AMENDATORY Section 24, Chapter 472, O.S.L. 2003 (68 O.S. Supp. 2003, Section 2385.30), is amended to read as follows:

Section 2385.30 A. A pass-through entity shall withhold income tax at the rate of five percent (5%) of the Oklahoma share of income of the entity distributed to each nonresident member and pay the withheld amount as follows:

1. For distributions made to nonresident members during the months of January, February and March, the withholding amounts shall be due on or before April 30;

2. For distributions made to nonresident members during the months of April, May and June, the withholding amounts shall be due on or before July 31;

3. For distributions made to nonresident members payments made during the months of July, August and September, the withholding amounts shall be due on or before October 31; and

4. For distributions made to nonresident members during the months of October, November and December, the withholding amounts shall be due on or before January 31 of the succeeding calendar year.

The pass-through entity shall file a return with each payment to the Oklahoma Tax Commission. The return, in a form prescribed by the Tax Commission, shall show the amount of the Oklahoma distribution subject to withholding and the amount withheld.

5. At its option, a pass-through entity making distributions to a nonresident member more frequently than once per calendar quarter may withhold amounts as infrequently as once in that calendar quarter to cover all such distributions in that calendar quarter. An entity's decision not to withhold from certain distributions

within a calendar quarter in reliance on this option will not eliminate the entity's duty to make adequate withholding in that calendar quarter.

B. A pass-through entity shall not be required to withhold income tax on distributions made to any entity exempt pursuant to subsection C of Section 2359 of ~~Title 68 of the Oklahoma Statutes~~ this title or Section 501(c)(3) of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3).

C. Every pass-through entity required pursuant to this section to deduct and withhold income tax shall furnish to its nonresident member and to the Tax Commission annually, but not later than the last day of the second month after the end of its taxable year, a written statement of the amount of distribution made and of the tax withheld on behalf of the nonresident member on forms prescribed by the Tax Commission. The written statement shall show the name of member, the applicable social security number or federal identification number, the amount of the Oklahoma distribution, the amounts withheld, and any such information as may be required by the Tax Commission.

D. If the Tax Commission, in any case, has justifiable reason to believe that the collection of the amount required in subsection A of this section is in jeopardy, the Tax Commission may require a pass-through entity to file a return and pay the withheld amounts at any time.

E. All amounts received by the Tax Commission pursuant to the provisions of Sections ~~23 through 25~~ 2385.29 through 2385.31 of this ~~act title~~ title shall be deposited as provided by Section 2385.16 of ~~Title 68 of the Oklahoma Statutes~~ this title.

F. Notwithstanding the provisions of subsection A of this section, a pass-through entity is not required to withhold tax for a nonresident member if:

1. The Tax Commission has determined that the income of the nonresident member is not subject to withholding;

2. The nonresident member files an affidavit with the Tax Commission in the form and manner prescribed by the Tax Commission by which such nonresident member agrees to be subject to the personal jurisdiction of the Tax Commission in courts of this state for the purpose of determining and collecting any Oklahoma taxes, including estimated tax payments together with any related interest and penalties. The Tax Commission may revoke an exemption granted by this subsection at any time it determines that the nonresident member is not abiding by the terms of the affidavit; or

3. The entity is a publicly traded partnership as defined by Section 7704(b) of the Internal Revenue Code, 26 U.S.C., Section 7704(b) that is treated as a partnership for the purposes of the Internal Revenue Code and that has agreed to file an annual information return reporting the name, address, taxpayer identification number and other information required by the Tax Commission of each unit holder with an income in the state in excess of Five Hundred Dollars (\$500.00).

SECTION 6. AMENDATORY 68 O.S. 2001, Section 2876, is amended to read as follows:

Section 2876. A. If the county assessor shall increase the valuation of any property above that returned by the taxpayer, or in the case of real property increase the valuation over the assessment from the preceding year, or pursuant to the requirements of law if the assessor has added property not listed by the taxpayer, the county assessor shall notify in writing the person in whose name any such property is listed, giving the amount of such valuation as increased or valuation of property so added.

B. The notice required by this section shall, for cases in which the valuation of real property has increased, include the fair cash value of the property as used in determining the assessment for

the preceding and current year, the taxable value for the preceding and current year, if different than the fair cash value, and the assessment percentage for the preceding and current year.

C. The notice required by this section may be mailed or delivered to the last-known address of the person affected or to the person in charge of or in possession of the property and shall clearly be marked with the date upon which the notice was prepared. Any notice dated as required by this section shall be mailed or delivered within one (1) working day of such date. The notice shall describe the property with sufficient accuracy to notify the taxpayer as to the property included, together with the assessed value of the property. Duplicate copies of the notice, showing the date of issuance and mailing or delivery, shall be kept in the office of the county assessor. Such record shall be prima facie evidence as to the fact of notice having been given as required by this section.

D. The taxpayer shall have twenty (20) calendar days from the date the notice was mailed or in the event that notice was delivered from the date of delivery in which to file a written complaint with the county assessor specifying objections to action taken by the county assessor; provided, in the case of a scrivener's error or other admitted error on the part of the county assessor, the assessor may make corrections to a valuation at any time, notwithstanding the twenty-day period specified in this subsection. The complaint shall set out the pertinent facts in relation to the matter contained in the notice in ordinary and concise language and in such manner as to enable a person of common understanding to know what is intended. The complaint shall be made upon a form prescribed by the Oklahoma Tax Commission.

E. A taxpayer may file a complaint if the valuation of property has not increased or decreased from the previous year if the complaint is filed on or before the first Monday in May. Such

complaint shall be made upon a form prescribed by the Oklahoma Tax Commission.

F. The county assessor shall schedule an informal hearing with the taxpayer to hear the protest as to the disputed valuation or addition of omitted property. The assessor shall take final action upon the matter disputed within five (5) working days of the date of the informal hearing and shall mail or deliver notice of final action to the taxpayer. The notice of final action shall clearly be marked with the date upon which the notice was prepared. Such notice shall be mailed or delivered within one (1) working day of such date. Within ten (10) working days of the date the notice is mailed or delivered, the taxpayer may file an appeal with the county board of equalization if an informal hearing has actually been conducted. For purposes of this section, "working days" shall mean Monday through Friday and shall exclude Saturday and Sunday and any legal holidays. The appeal shall be made upon a form prescribed by the Oklahoma Tax Commission. The form shall provide space for the taxpayer to record the results of the informal hearing. One copy of the form shall be mailed or delivered to the county assessor and one copy shall be mailed or delivered to the county board of equalization. On receipt of the notice of an appeal to the county board of equalization by the taxpayer, the county assessor shall provide the county board of equalization with the results of the informal hearing.

SECTION 7. AMENDATORY 68 O.S. 2001, Section 2877, is amended to read as follows:

Section 2877. A. Upon receipt of an appeal from action by the county assessor on the form prescribed by the Oklahoma Tax Commission, the secretary of the county board of equalization shall fix a date of hearing, at which time said board shall be authorized and empowered to take evidence pertinent to said appeal; and for that purpose, is authorized to compel the attendance of witnesses

and the production of books, records, and papers by subpoena, and to confirm, correct, or adjust the valuation of real or personal property or to cancel an assessment of personal property added by the assessor not listed by the taxpayer if the personal property is not subject to taxation or if the taxpayer is not responsible for payment of ad valorem taxes upon such property. The secretary of the board shall fix the dates of the hearings provided for in this section in such a manner as to ensure that the board is able to hear all complaints within the time provided for by law. The county board of equalization shall be required to follow the procedures prescribed by the Ad Valorem Tax Code or administrative rules and regulations promulgated pursuant to such Code governing the valuation of real and personal property. The county board of equalization shall not modify a valuation of real or personal property as established by the county assessor unless such modification is explained in writing upon a form prescribed by the Oklahoma Tax Commission. Each decision of the county board of equalization shall be explained in writing upon a form prescribed by the Oklahoma Tax Commission. The county board of equalization shall make a record of each proceeding involving an appeal from action by the county assessor either in transcribed or tape recorded form.

B. In all cases where the county assessor has, without giving the notice required by law, increased the valuation of property as listed by the taxpayer, and the taxpayer has knowledge of such adjustment or addition, the taxpayer may at any time prior to the adjournment of the board, file an appeal in the form and manner provided for in Section 2876 of this title. Thereafter, the board shall fix a date of hearing, notify the taxpayer, and conduct the hearing as required by this section.

C. Failure of the taxpayer or agent to appear before the county board of equalization at the scheduled hearing, unless advanced notification is given for the reason of absence, shall result in the

county board of equalization dismissing the appeal with further proceedings foreclosed and not appealable to district court.

SECTION 8. AMENDATORY 68 O.S. 2001, Section 2880.1, is amended to read as follows:

Section 2880.1 A. Both the taxpayer and the county assessor shall have the right of appeal from any order of the county board of equalization to the district court of the same county, and right of appeal of either may be either upon questions of law or fact including value, or upon both questions of law and fact. An appeal shall not be heard in district court unless both an informal and formal hearing has been conducted and the results of such hearings are provided with the appeal. In case of appeal the trial in the district court shall be de novo. Provided, the county assessor shall not be permitted to appeal an order of the county board of equalization upon a question of the constitutionality of a law upon which the board based its order, but the county assessor is hereby authorized in such instance to request a declaratory judgment to be rendered by the district court.

B. Notice of appeal shall be filed with the county clerk as secretary of the county board of equalization, which appeal shall be filed in the district court within ten (10) days after the final adjournment of the board. It shall be the duty of the county clerk to preserve all complaints and to make a record of all orders of the board and both the complaint and orders shall be a part of the record in any case appealed to the district court from the county board of equalization.

C. Either the taxpayer or the county assessor may appeal from the district court to the Supreme Court, as provided for in the Code of Civil Procedure, but no matter shall be reviewed on such appeal which was not presented to the district court.

D. In such appeals to the district court and to the Supreme Court and in requests for declaratory judgment it shall be the duty

of the district attorney to appear for and represent the county assessor. The General Counsel or an attorney for the Tax Commission may appear in such appeals or requests for declaratory judgment on behalf of the county assessor, either upon request of the district attorney for assistance, or upon request of the county assessor. It shall be the mandatory duty of the board of county commissioners and the county excise board to provide the necessary funds to enable the county assessor to pay the costs necessary to be incurred in perfecting appeals and requests for declaratory judgment made by the county assessor to the courts.

E. In all appeals taken by the county assessor the presumption shall exist in favor of the correctness of the county assessor's valuation and the procedure followed by the county assessor.

SECTION 9. AMENDATORY 68 O.S. 2001, Section 4001, is amended to read as follows:

Section 4001. A. In addition to any other duties prescribed by law, at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held in December 1999, the State Board of Equalization shall determine for fiscal year 2001~~7~~:

1. The amount of funds available for appropriation if the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title are not in effect; and

2. The amount by which such funds will be reduced if such provisions are in effect.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection less the amount of funds available for appropriation for fiscal year 2000 is greater than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a finding that economic growth in the state warrants the taking effect of the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title and such provisions shall be effective for the following calendar

year. If the amount determined pursuant to the provisions of paragraph 1 of this subsection less the amount of funds available for appropriation for fiscal year 2000 is less than the amount determined pursuant to the provisions of paragraph 2 of this subsection, but the amount determined pursuant to the provisions of paragraph 1 of this subsection is greater than the amount of funds available for appropriation for fiscal year 2000, the Board shall make a finding that economic growth in the state does not warrant the taking effect of the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title and the provisions of subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 and subsection B of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall remain in effect for the following calendar year and the Board shall proceed pursuant to the provisions of subsection D of this section. If the amount determined pursuant to the provisions of paragraph 1 of this subsection is less than the amount of funds available for appropriation for fiscal year 2000, the provisions of subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 and the provisions of subsections B and C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall be suspended for the calendar year 2000 and the Board shall proceed pursuant to the provisions of subsection C of this section.

B. In addition to any other duties prescribed by law, at each meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held following a meeting at which the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 and subsections B and C of Section 5011 of Title 68 of the Oklahoma Statutes~~ this title are not suspended pursuant to the provisions of this section, the Board shall determine the amount of funds available for appropriation for the following fiscal year. If such amount is greater than the

amount of funds available for appropriations for the then-current fiscal year, the Board shall make a finding that economic conditions in the state warrant the continuation of the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes and of subsection C of Section 5011 of Title 68 of the Oklahoma Statutes~~ this title and such provisions shall be effective for the following calendar year. If such finding is not made, such provisions shall be suspended for the following calendar year and the Board shall proceed pursuant to the provisions of subsection C of this section.

C. In addition to any other duties prescribed by law, at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held in December of any calendar year for which the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 and subsection C of Section 5011 of Title 68 of the Oklahoma Statutes~~ this title are suspended pursuant to the provisions of subsection B of this section, the State Board of Equalization shall determine for the following fiscal year:

1. The amount of funds available for appropriation if the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes and the provisions~~ of subsection B of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title are not in effect; and

2. The amount by which such funds will be reduced if such provisions are in effect.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection less the amount of funds available for appropriation for the then-current fiscal year is greater than the amount determined pursuant to the provisions of paragraph 2 of this

subsection, the Board shall make a finding that economic growth in the state warrants the taking effect of the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes and of subsection B of Section 5011 of Title 68 of the Oklahoma Statutes~~ this title and such provisions shall be effective for the following calendar year. If such finding is not made, such provisions and the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall be suspended for the following calendar year and the Board shall again proceed pursuant to the provisions of this subsection.

D. In addition to any other duties prescribed by law, at the first meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution to be held following a meeting at which the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 and subsection B of Section 5011 of Title 68 of the Oklahoma Statutes~~ this title are not suspended pursuant to the provisions of subsection C of this section, the Board shall determine for the following fiscal year:

1. The amount of funds available for appropriation for the following fiscal year if the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title are not in effect; and

2. The amount by which such funds will be reduced if such provisions are in effect.

If the amount determined pursuant to the provisions of paragraph 1 of this subsection less the amount of funds available for appropriation for the then-current fiscal year is greater than the amount determined pursuant to the provisions of paragraph 2 of this subsection, the Board shall make a finding that economic growth in the state warrants the taking effect of the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title

and such provisions shall be effective for the following calendar year. If the amount determined pursuant to the provisions of paragraph 1 of this subsection less the amount of funds available for appropriation for the then-current fiscal year is less than the amount determined pursuant to the provisions of paragraph 2 of this subsection, but the amount determined pursuant to the provisions of paragraph 1 of this subsection is greater than the amount of funds available for appropriation for the then-current fiscal year, the Board shall make a finding that economic growth in the state does not warrant the taking effect of the provisions of subsection C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title and the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355~~ and subsection B of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall remain in effect for the following calendar year and the Board shall again proceed pursuant to the provisions of this subsection. If the amount determined pursuant to the provisions of paragraph 1 of this subsection is less than the amount of funds available for appropriation for the then-current fiscal year, the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355~~ and the provisions of subsections B and C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall be suspended for the following calendar year and the Board shall proceed pursuant to the provisions of subsection C of this section.

E. Upon the suspension of the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes~~ and the provisions of subsections B and C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title, the provisions of ~~subdivision (b) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of the Oklahoma Statutes~~ and the provisions of subsection A of

Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title shall be in effect for the following calendar year. At its next meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution following a meeting at which the provisions of ~~subdivision (a) of division (8) of subparagraph a of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes~~ and the provisions of subsections B and C of Section 5011 of ~~Title 68 of the Oklahoma Statutes~~ this title are suspended, the Board shall proceed pursuant to the provisions of subsection C of this section.

F. As used in this section, "funds available for appropriation" means the amount certified as available for appropriation for the next fiscal year as determined by the State Board of Equalization at the meeting required by paragraph 1 of Section 23 of Article X of the Oklahoma Constitution. Such term shall not include:

1. Any appropriation of bond proceeds;
2. Appropriations from or amounts to be deposited to the Constitutional Reserve Fund;
3. Appropriations from or amounts to be deposited to the Education Reform Revolving Fund;
4. Appropriations from or amounts to be deposited to revolving funds;
5. Federal funds;
6. Appropriations from or amounts to be deposited to the Cash Flow Reserve Fund;
7. Prior year certified but unappropriated funds; or
8. Any cash on hand.

SECTION 10. Sections 1 and 2 and 5 through 9 of this act shall become effective July 1, 2004.

SECTION 11. Sections 3 and 4 of this act shall become effective January 1, 2005.

SECTION 12. 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 Senate the 5th day of April, 2004.

Presiding Officer of the Senate

Passed the House of Representatives the ____ day of _____,
2004.

Presiding Officer of the House
of Representatives