

STATE OF OKLAHOMA

2nd Session of the 49th Legislature (2004)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 2622

By: Wilson

COMMITTEE SUBSTITUTE

An Act relating to revenue and taxation; providing exemption from income tax; specifying amount of exemption; providing for exemption based upon certain equity acquisition; specifying limitations upon availability of exemption; imposing limit on exemption based upon equity acquisition; providing for codification; and providing an effective date.

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2358-1A of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirements of this section, for taxable years beginning after December 31, 2004, there shall be allowed an exemption from the tax imposed pursuant to Section 2355 of Title 68 of the Oklahoma Statutes for income distributed from a business entity equal to the investment in such business entity.

B. In order to qualify for the exemption authorized by this section, the investment in the business entity must be made in a manner resulting in ownership of a majority of the shares or other equity interest entitled to control of the entity by residents of the county in which the principal business activity of the business is conducted.

C. No exemption shall be authorized pursuant to the provisions of this section if the acquisition of the majority of the equity interest entitled to control results in direct competition with any

existing business the principal business activity of which is located in the same county as the business acquired. Such determination regarding direct competition shall be made by the Oklahoma Department of Commerce upon request of the Oklahoma Tax Commission.

D. The total amount of income exempt as provided by this section shall be limited to the amount of the equity interest acquired in order to obtain ownership of the majority of the shares or other equity interest having control of such business entity.

SECTION 2. This act shall become effective January 1, 2005.

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