

ENGROSSED HOUSE  
BILL NO. 1547

By: Calvey, Balkman, Dank,  
Nance, Billy, Coody,  
Denney, Peters, Peterson  
(Ron) and Terrill of the  
House

and

Coffee of the Senate

An Act relating to revenue and taxation; amending 68 O.S. 2001, Section 2355, as amended by Section 13, Chapter 322, O.S.L. 2004 (68 O.S. Supp. 2004, Section 2355), which relates to the Oklahoma Income Tax Code; reducing top marginal income tax rate for persons using certain filing method; providing for deposit of certain surplus funds pursuant to Section 23 of Article X of the Oklahoma Constitution; providing for apportionment of surplus revenues to Economic Development Research Endowment Fund and Oklahoma Taxpayer Relief Revolving Fund; creating Economic Development Research Endowment Fund; providing for principal of fund; providing for administration of Economic Development Research Endowment Fund; providing for disposition of earnings; providing for expenditures; creating the Oklahoma Taxpayer Relief Revolving Fund; specifying nature of revolving fund; providing for deposit of monies; providing for expenditures from revolving fund; providing for certain determination by Oklahoma Tax Commission; providing for computation of rebate amount; imposing maximum rebate amount; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 68 O.S. 2001, Section 2355, as amended by Section 13, Chapter 322, O.S.L. 2004 (68 O.S. Supp. 2004, Section 2355), is amended to read as follows:

Section 2355. A. Individuals. 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, and before January 1, 2002, 6.75% tax on the remainder,  
(b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, ~~and~~  
(c) for taxable years beginning on or after January 1, 2004, and before January 1, 2006, 6.65% tax on the remainder, and  
(d) for taxable years beginning on or after January 1, 2006, 6.25% 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, and before January 1, 2002, 6.75% tax on the remainder,
- (b) for taxable years beginning on or after January 1, 2002, and before January 1, 2004, 7% tax on the remainder, ~~and~~
- (c) for taxable years beginning on or after January 1, 2004, and before January 1, 2006, 6.65% tax on the remainder, and
- (d) for taxable years beginning on or after January 1, 2006, 6.25% 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 the payee's 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 therefore 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 the payee's social security account number, if any, the total amounts paid subject to taxation, the total amount deducted and withheld as tax and such other information as the Tax Commission may require. Any payer who fails to withhold or pay to the Tax Commission any sums herein required to be withheld or paid shall be personally and individually liable therefore 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 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 46 of Title 62, unless there is created a duplication in numbering, reads as follows:

On or after July 1, 2005, but not later than August 31, 2005, any surplus funds which accrue to the General Revenue Fund of the State of Oklahoma over and above that which is placed in the Constitutional Reserve Fund pursuant to Section 23 of Article X of the Constitution of the State of Oklahoma for the fiscal year ending June 30, 2005, shall be apportioned as follows:

1. Fifty percent (50%) to the Economic Development Research Endowment Fund established in Section 3 of this act; and

2. Fifty percent (50%) to the Oklahoma Taxpayer Relief Revolving Fund established in Section 4 of this act.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 46.1 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. There is hereby created a trust fund to be known as the "Economic Development Research Endowment Fund". The trust fund principal shall consist of monies which are apportioned pursuant to paragraph 1 of Section 2 of this act, received by the State of Oklahoma by donation and any other monies that may be appropriated or otherwise directed to the trust fund by the Legislature for the purpose of funding activities which support research and the transfer of technology to the private sector.

B. The Economic Development Research Endowment Fund shall be administered by the Oklahoma Science and Technology Research and Technology Board. The Board shall have the duty of investing monies accruing to the trust fund, subject to restrictions and limitations provided by law for and in accordance with laws applicable to the investment of monies in state retirement funds.

C. Earnings from the trust fund including, but not limited to, interest, dividends, and realized capital gains from investments of the trust fund, shall be expended for activities which support research and the transfer of technology to the private sector including, but not limited to, providing matching funds and

investment capital, purchasing equipment, constructing facilities and developing information service networks.

D. Each fiscal year, the Board may expend the amount of earnings which actually accrued to the trust fund during the preceding fiscal year. Any amount not expended shall remain in the trust fund. The Board shall direct specific expenditures to be made for the purposes specified in subsection C of this section.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2355.2 of Title 68, unless there is created a duplication in numbering, reads as follows:

There is hereby created in the State Treasury a revolving fund for the Oklahoma Tax Commission to be designated the "Oklahoma Taxpayer Relief Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the Oklahoma Tax Commission from the deposit of monies in excess of the maximum amount of revenue that may be deposited to the credit of the Constitutional Reserve as provided by Section 2 of this act. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Tax Commission for the purpose of making rebates to persons who have filed an Oklahoma income tax return as prescribed by Section 5 of this act. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2355.3 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Not later than September 1, 2005, the Oklahoma Tax Commission shall determine whether a person or persons have filed an Oklahoma income tax return for the preceding calendar year. The Tax Commission shall determine the amount of money deposited into the

Oklahoma Taxpayer Relief Revolving Fund as provided by Section 2 of this act and shall divide the total amount of the deposit by the number of persons who filed either an individual return or a joint return with the total number of individual persons represented by such filings to be used as the denominator. The result of such computation shall determine the actual amount of the taxpayer rebate to be paid each year per person, subject to the maximum amounts prescribed by subsection B of this section.

B. Subject to the computation required by subsection A of this section, the Oklahoma Tax Commission shall use the monies contained in the Oklahoma Taxpayer Relief Revolving Fund to make a direct rebate to each such person, or to persons who have filed a joint return, in the maximum amount of:

1. One Hundred Dollars (\$100.00) to persons, payable jointly, who filed a joint Oklahoma income tax return for the preceding calendar year; or

2. Fifty Dollars (\$50.00) payable to any person who filed an individual Oklahoma income tax return for the preceding calendar year.

SECTION 6. This act shall become effective July 1, 2005.

SECTION 7. 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 16th day of March, 2005.

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Presiding Officer of the House of  
Representatives

Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2005.

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Presiding Officer of the Senate