

ENGROSSED HOUSE  
BILL NO. 2753

By: Thompson, Terrill,  
Braddock, Brannon, Covey,  
Deutschendorf, Duncan,  
Lindley, Nance, Shelton,  
Smithson and Turner of the  
House

and

Jolley of the Senate

( revenue and taxation - 47 O.S., Section 1135.2 -  
special license plates - amending 68 O.S., Sections  
1357, 2105, and 2358 - sales tax exemption -  
veterans - effective dates -  
emergency )

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

SECTION 1. AMENDATORY Section 11, Chapter 504, O.S.L.  
2004, as amended by Section 3, Chapter 416, O.S.L. 2005 (47 O.S.  
Supp. 2005, Section 1135.2), is amended to read as follows:

Section 1135.2 A. The Oklahoma Tax Commission is hereby  
authorized to design and issue appropriate official special license  
plates to persons in recognition of their service or awards as  
provided by this section.

Special license plates shall not be transferred to any other  
person but shall be removed from the vehicle upon transfer of  
ownership and retained. The special license plate may then be used  
on another vehicle but only after such other vehicle has been  
registered for the current year.

Special license plates shall be renewed each year by the Tax  
Commission or a motor license agent. The Tax Commission shall

annually notify by mail all persons issued special license plates. The notice shall contain all necessary information and shall contain instructions for the renewal procedure upon presentation to a motor license agent or the Tax Commission. The license plates shall be issued on a staggered system except for legislative plates and amateur radio operator license plates.

The Tax Commission is hereby directed to develop and implement a system whereby motor license agents are permitted to accept applications for special license plates authorized under this section. The motor license agent shall confirm the applicant's eligibility, if applicable, collect and deposit any amount specifically authorized by law, accept and process the necessary information directly into such system and generate a receipt accordingly. For performance of these duties, motor license agents shall retain the fee provided in Section 1141.1 of this title for registration of a motor vehicle. The motor license agent fees for acceptance of applications and renewals shall be paid out of the Oklahoma Tax Commission Reimbursement Fund.

B. The special license plates provided by this section are as follows:

1. Prisoner of War License Plates - such plates shall be designed for honorably discharged or present members of the United States Armed Forces and civilians who were former prisoners of war held by a foreign country and who can provide proper certification of that status. Such persons may apply for a prisoner of war license plate for no more than two vehicles with each vehicle having a rated carrying capacity of one (1) ton or less. The surviving spouse of any deceased former prisoner of war, if the spouse has not since remarried, or if remarried, the remarriage is terminated by death, divorce, or annulment, may apply for a prisoner of war license plate for one vehicle with a rated carrying capacity of one (1) ton or less. The fee provided by this section for the special

license plate authorized by this paragraph shall be in addition to all other registration fees provided by law, except the registration fees levied by Section 1132 of this title;

2. National Guard License Plates - such plates shall be designed for active or retired members of the Oklahoma National Guard. Retirees who are eligible for such plates shall provide proof of eligibility upon initial application, but shall not be required to provide proof of eligibility annually;

3. Air National Guard License Plates - such plates shall be designed for active or retired members of the Oklahoma Air National Guard. Retirees who are eligible for such plates shall provide proof of eligibility upon initial application, but shall not be required to provide proof of eligibility annually;

4. United States Armed Forces - such plates shall be designed for active, retired, former or reserve members of the United States Armed Forces, and shall identify which branch of service, and carry the emblem and name of either the Army, Navy, Air Force, Marines or Coast Guard, according to the branch of service to which the member belongs or did belong. Former members who have been dishonorably discharged shall not be eligible for such plates. Persons applying for such license plate must show proof of present or past military service by presenting a valid Uniformed Services Identity Card or the United States Department of Defense Form (DD)214. Retired or former members who are eligible for such plates shall provide proof of eligibility upon initial application, but shall not be required to provide proof of eligibility annually;

5. Congressional Medal of Honor Recipient License Plates - such plates shall be designed for any resident of this state who has been awarded the Congressional Medal of Honor. Such persons may apply for a Congressional Medal of Honor recipient license plate for each vehicle with a rated carrying capacity of one (1) ton or less. There shall be no registration fee for the issuance of this plate;

6. Missing In Action License Plates - such plates shall be designed to honor members of the United States Armed Forces who are missing in action. The spouse of such missing person, if the spouse has not since remarried, or if remarried, the remarriage is terminated by death, divorce, or annulment, and each parent of the missing person may apply for a missing in action license plate upon presenting proper certification that the person is missing in action and that the person making the application is the qualifying spouse or the parent of the missing person. The qualifying spouse and each parent of the missing person may each apply for the missing in action license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

7. Purple Heart Recipient License Plates - such plates shall be designed for any resident of this state presenting proper certification from the United States Department of Veterans Affairs or the Armed Forces of the United States certifying that such resident has been awarded the Purple Heart military decoration. Such persons may apply for a Purple Heart recipient license plate for vehicles having a rated carrying capacity of one (1) ton or less. The surviving spouse of any deceased veteran who has been awarded the Purple Heart military decoration, if such spouse has not since remarried, or if remarried, the remarriage has been terminated by death, divorce or annulment, may apply for such plate for one vehicle with a rated carrying capacity of one (1) ton or less;

8. Pearl Harbor Survivor License Plates - such plates shall be designed for any resident of this state who can be verified by the United States Department of Veterans Affairs or the Armed Forces of the United States as being:

- a. a member of the United States Armed Forces on December 7, 1941,
- b. stationed on December 7, 1941, during the hours of 7:55 a.m. to 9:45 a.m. Hawaii time at Pearl Harbor,

the island of Oahu, or offshore at a distance not to exceed three (3) miles, and

- c. a recipient of an honorable discharge from the United States Armed Forces.

Such person may apply for a Pearl Harbor Survivor license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

9. Iwo Jima License Plates - such plates shall be designed for any resident of this state who can be verified by the United States Department of Veterans Affairs or the Armed Forces of the United States as being:

- a. a member of the United States Armed Forces in February of 1945,
- b. stationed in February of 1945 on or in the immediate vicinity of the island of Iwo Jima, and
- c. a recipient of an honorable discharge from the United States Armed Forces.

Such person may apply for an Iwo Jima license plate for each vehicle with a rated carrying capacity of one (1) ton or less.

Such license plate shall have the legend "Oklahoma OK" and shall contain three letters and three numbers. Between the letters and numbers shall be a logo of the flag-raising at Iwo Jima. Below the letters, logo and numbers, the plate shall contain the words "FEB." at the left, "Iwo Jima" in the center and "1945" at the right. Such plates shall not be subject to the design requirements of any other license plates prescribed by law other than the space for the placement of the yearly decals for each succeeding year of registration after the initial issue;

10. D-Day Survivor License Plates - such plates shall be designed for any resident of this state who can be verified by the United States Department of Veterans Affairs or the Armed Forces of the United States as being:

- a. a member of the United States Armed Forces on June 6, 1944,
- b. a participant in the Allied invasion of the coast of Normandy on June 6, 1944; provided, if such participation cannot be verified by the United States Department of Veterans Affairs or the Armed Forces of the United States, the Tax Commission may, in its discretion, accept evidence of such participation from the person applying for the license plate, and
- c. a recipient of an honorable discharge from the United States Armed Forces.

Such person may apply for a D-Day Survivor license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

11. Killed in Action License Plates - such plates shall be designed to honor members of the United States Armed Forces who were killed in action. The spouse of the deceased person, if the spouse has not remarried, or if remarried, the remarriage is terminated by death, divorce, or annulment, may apply for a killed in action license plate upon presenting proper certification that the person was killed in action and that the person making the application is the qualifying spouse of the deceased person. The qualifying spouse may apply for a killed in action license plate for no more than two vehicles with each vehicle with a rated carrying capacity of one (1) ton or less. The fee provided by this section for the special license plate authorized by this paragraph shall be in addition to all other registration fees provided by law, except the registration fees levied by Section 1132 of this title;

12. Gold Star Survivor License Plates - such plates shall be designed to honor the surviving spouses of qualified veterans. As used in this paragraph, "qualified veteran" shall mean:

- a. any person honorably discharged from any branch of the United States Armed Forces or as a member of the

Oklahoma National Guard, who died as a direct result of the performance of duties for any branch of the United States Armed Forces while on active military duty; or

- b. any person honorably discharged from any branch of the United States Armed Forces or as a member of the Oklahoma National Guard, who died as a result of injury, illness or disease caused by the performance of such duties while on active duty, whether the death occurred while on active duty or after the honorable discharge of such person.

13. Gold Star Parents License Plates - such plates shall be designed to honor members of the United States Armed Forces who were killed during a war. The parents of the deceased person may apply for a gold star license plate upon presenting proper certification that the person was killed during a war and that the person making the application is the parent of the deceased person. The parent may apply for a gold star parent license plate for no more than two vehicles with each vehicle having a rated carrying capacity of one (1) ton or less. The fee provided by this section for the special license plate authorized by this paragraph shall be in addition to all other registration fees provided by law, except the registration fees levied by Section 1132 of this title;

~~13.~~ 14. Military Decoration License Plates - such plates shall be designed for any resident of this state who has been awarded the Distinguished Service Medal, the Distinguished Service Cross, the Distinguished Flying Cross, the Bronze Star military decoration or the Silver Star military decoration. Such persons may apply for a military decoration license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~14.~~ 15. Vietnam Veteran License Plates - such plates shall be designed for honorably discharged or present members of the United

States Armed Forces who served in the Vietnam Conflict. Such persons may apply for a Vietnam veteran license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~15.~~ 16. Police Officer License Plates - such plates shall be designed for any currently employed or retired municipal police officer. Police officers may apply for police officer license plates for vehicles with a rated capacity of one (1) ton or less upon proof of employment by or retirement from a municipal police department by either an identification card or letter from the chief of the police department or the Oklahoma Police Pension and Retirement Board. Retirees who are eligible for such plates shall provide proof of eligibility upon initial application, but shall not be required to provide proof of eligibility annually. The license plates shall be designed in consultation with municipal police departments of this state;

~~16.~~ 17. World War II Veteran License Plates - such plates shall be designed to honor honorably discharged former members of the United States Armed Forces who are residents of this state and who can be verified by the Oklahoma Military Department, the Department of Veterans Affairs or the Armed Forces of the United States as having served on federal active duty anytime during the period from September 16, 1940, to December 7, 1945. The former members may apply for a World War II Veteran license plate for vehicles with a rated carrying capacity of one (1) ton or less.

The license plate shall have the legend "Oklahoma" and shall contain, in the center of the plate, either the Thunderbird Insignia of the 45th Infantry Division in the prescribed red and gold coloring or the emblem of the Army, Navy, Air Force, Marines or Coast Guard according to the branch of service to which the member belonged. For the purpose of license plate identification, the plate shall contain four digits, two digits at the left and two

digits at the right of the insignia or emblem. Centered on the bottom of the license plate shall be the words "WORLD WAR II";

~~17.~~ 18. Korean War Veteran License Plates - such plates shall be designed to honor honorably discharged former members of the United States Armed Forces who are residents of this state and who can be verified by the Oklahoma Military Department, the Department of Veterans Affairs or the Armed Forces of the United States as having served on federal active duty anytime during the period from June 27, 1950, to January 31, 1955, both dates inclusive. The former members may apply for a Korean War Veteran license plate for vehicles with a rated carrying capacity of one (1) ton or less.

The license plate shall have the legend "OKLAHOMA" and shall contain, in the center of the plate, either the Thunderbird Insignia of the 45th Infantry Division in the prescribed red and gold coloring or the emblem of the Army, Navy, Air Force, Marines or Coast Guard according to the branch of service to which the member belonged. For the purpose of license plate identification, the plate shall contain four digits, two digits at the left and two digits at the right of the insignia or emblem. Centered on the bottom of the license plate shall be the word "KOREA";

~~18.~~ 19. Municipal Official License Plates - such plates shall be designed for persons elected to a municipal office in this state and shall designate the name of the municipality and the district or ward in which the municipal official serves. The plates shall only be produced upon application;

~~19.~~ 20. Red Cross Volunteer License Plates - such plates shall be designed to honor American Red Cross volunteers and staff who are residents of this state. Such persons must present an identification card issued by the American Red Cross and bearing a photograph of the person. The license plate shall be designed with the assistance of the American Red Cross and shall have the legend "Oklahoma OK!" in the color Pantone 186C Red. Below the legend the

symbol of the American Red Cross and no more than three letters and three numbers shall be in the color Pantone 186C Red. Below the symbol and letters and numbers shall be the words "American Red Cross" in black. The plates shall not be subject to the design requirements of any other license plates prescribed by law other than the space for the placement of the yearly decals for each succeeding year of registration after the initial issue;

~~20.~~ 21. Veterans of Foreign Wars License Plates - such plates shall be designed to honor the veterans of foreign wars and issued to any resident of this state who is a member of a Veterans of Foreign Wars organization in this state. Such persons may apply for Veterans of Foreign Wars license plates upon proof of membership in a Veterans of Foreign Wars organization. The license plate shall be designed in consultation with the Veterans of Foreign Wars organization;

~~21.~~ 22. Desert Storm License Plates - such plates shall be designed and issued to any honorably discharged or present member of the United States Armed Forces who served in the Persian Gulf Crisis and the Desert Storm operation. Such persons may apply for a Desert Storm license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~22.~~ 23. Military Reserve Unit License Plates - such plates shall be designed and issued to any honorably discharged or present member of a reserve unit of the United States Armed Forces. Such persons may apply for a Military Reserve Unit license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~23.~~ 24. Oklahoma City Bombing Victims and Survivors License Plates - such plates shall be designed and issued to any victim or survivor of the bombing attack on the Alfred P. Murrah Federal Building in downtown Oklahoma City on April 19, 1995;

~~24.~~ 25. Civil Air Patrol License Plates - such plates shall be designed and issued to any person who is a member of the Civil Air

Patrol. Such persons may apply for a Civil Air Patrol license plate for each vehicle with a rated carrying capacity of one (1) ton or less upon proof of membership in the Civil Air Patrol. The license plate shall be designed in consultation with the Civil Air Patrol;

~~25.~~ 26. Ninety-Nines License Plates - such plates shall be designed and issued to members of the Ninety-Nines. Persons applying for such license plate must show proof of membership in the Ninety-Nines. The license plates shall be designed in consultation with the Ninety-Nines;

~~26.~~ 27. Combat Infantryman Badge License Plates - such plates shall be designed to honor recipients of the Combat Infantryman Badge. The plate shall have the legend "Oklahoma OK". Below the legend shall be the Combat Infantryman Badge and three numbers. Below the badge and the numbers shall be the words "Combat Infantryman Badge". Such persons may apply for a Combat Infantryman Badge license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~27.~~ 28. Somalia Combat Veterans License Plates - such plates shall be designed and issued to any honorably discharged or present member of the United States Armed Forces who saw combat in the United Nations relief effort. Such persons may apply for a Somalia Combat Veteran license plate for each vehicle with a rated carrying capacity of one (1) ton or less;

~~28.~~ 29. Police Chaplain License Plates - such plates shall be designed and issued to members of the International Conference of Police Chaplains (ICPC) who have completed the ICPC requirements for basic certification as a police chaplain. The license plates shall be designed in consultation with the ICPC;

~~29.~~ 30. Joint Service Commendation Medal License Plates - such plates shall be designed and issued to any resident of this state who has been awarded the Joint Service Commendation Medal by the United States Secretary of Defense;

~~30.~~ 31. Merchant Marine License Plates - such plates shall be designed, subject to criteria to be presented to the Tax Commission by the Oklahoma Department of Veterans Affairs, and issued to any person who during combat was a member of the Merchant Marines as certified by the Oklahoma Department of Veterans Affairs. Such license plate may be issued for each vehicle with a rated carrying capacity of one (1) ton or less;

~~31.~~ 32. Legislative License Plates - such plates shall be designed for persons elected to the Oklahoma Legislature and shall designate the house of the Legislature in which the legislator serves and the district number;

~~32.~~ 33. Disabled Veterans License Plates - such plates shall be designed for persons presenting proper certification from the United States Department of Veterans Affairs or the Armed Forces of the United States certifying such veteran has a service-connected disability rating of fifty percent (50%) or more, regardless which agency pays the disability benefits, or that such veteran has been awarded a vehicle by the United States government or receives a grant from the United States Department of Veterans Affairs for the purchase of an automobile due to a service-connected disability rating or due to the loss of use of a limb or an eye. Such persons may apply to the Tax Commission for a disabled veterans license plate or to a motor license agent for a regular license plate for no more than two vehicles with each vehicle having a rated carrying capacity of one (1) ton or less. The surviving spouse of any deceased disabled veteran, if the spouse has not since remarried, or if remarried, the remarriage is terminated by death, divorce, or annulment, may apply for a disabled veterans license plate for one vehicle with a rated carrying capacity of one (1) ton or less. The fee provided by this section for the special license plate authorized by this paragraph shall be in addition to all other

registration fees provided by law, except the registration fees levied by Section 1132 of this title.

If the person qualifies for a disabled veterans license plate and is also eligible for an insignia as a physically disabled person under the provisions of Section 15-112 of this title, the person shall be eligible to receive a disabled veterans license plate that also displays the international accessibility symbol, which is a stylized human figure in a wheelchair. Upon the death of the disabled veteran with a disabled veterans license plate with the international accessibility symbol, the plate shall be returned to the Tax Commission;

~~33.~~ 34. United States Air Force Association License Plates - such plates shall be designed for members of the United States Air Force Association. Persons applying for such license plate must show proof of membership in the Association. The license plates shall be designed in consultation with the Association;

~~34.~~ 35. Oklahoma Military Academy Alumni License Plates - such plates shall be designed and issued to any resident of this state who is an alumnus of the Oklahoma Military Academy. Such persons may apply for an Oklahoma Military Academy Alumnus license plate for each vehicle with a rated carrying capacity of one (1) ton or less. The license plates shall be designed in consultation with the Oklahoma Military Academy and shall contain the shield of the Academy;

~~35.~~ 36. Amateur Radio Operator License Plates - such plates shall be designed and issued to any person, holding a valid operator's license, technician class or better, issued by the Federal Communications Commission, and who is also the owner of a motor vehicle currently registered in Oklahoma, in which has been installed amateur mobile transmitting and receiving equipment. Eligible persons shall be entitled to two special vehicle identification plates as herein provided. Application for such

identification plates shall be on a form prescribed by the Oklahoma Tax Commission and the plates issued to such applicant shall have stamped thereon the word "Oklahoma" and bear the official call letters of the radio station assigned by the Federal Communications Commission to the individual amateur operator thereof. All applications for such plates must be made to the Oklahoma Tax Commission on or before the first day of October of any year for such plates for the following calendar year and must be accompanied by the fee required in this section together with a certificate, or such other evidence as the Tax Commission may require, of proof that applicant has a valid technician class or better amateur operator's license and proof of his ownership of a vehicle in which radio receiving and transmitting equipment is installed. Applicants shall only be entitled to one set of special identification plates in any one (1) year, and such calendar year shall be stamped thereon. The right to such special identification plates herein provided for shall continue until the amateur radio operator's license of the person to whom such plates are issued expires or is revoked;

~~36.~~ 37. American Legion License Plates - such plates shall be designed for members of the American Legion. Persons applying for such license plate must show proof of membership. The license plates shall be designed in consultation with the American Legion of Oklahoma;

~~37.~~ 38. Deputy Sheriff License Plates - such plates shall be designed for any currently employed or retired county sheriff or deputy sheriff. County sheriffs or deputy sheriffs may apply for such plates for vehicles with a rated capacity of one (1) ton or less upon proof of employment by or retirement from a county sheriff's office by either an identification card or letter from the county sheriff or a government-sponsored retirement board from which the county sheriff or deputy sheriff may be receiving a pension. Retirees who are eligible for such plates shall provide proof of

eligibility upon initial application, but shall not be required to provide proof of eligibility annually. The license plates shall be designed in consultation with the county sheriff offices of this state; and

~~38.~~ 39. Surviving Spouse License Plates - such plates shall be designed for any resident of this state who is the surviving spouse of an honorably discharged veteran who died due to or as a consequence of a service-connected disability. Such surviving spouse may, if not since remarried, or if remarried, the remarriage is terminated by death, divorce or annulment, apply for a Surviving Spouse license plate for one vehicle with a rated carrying capacity of one (1) ton or less.

C. Unless otherwise provided by this section, the fee for such plates shall be Eight Dollars (\$8.00) and shall be in addition to all other registration fees provided by the Oklahoma Vehicle License and Registration Act. Such fees shall be deposited in the Oklahoma Tax Commission Reimbursement Fund to be used for the administration of the Oklahoma Vehicle License and Registration Act.

SECTION 2. AMENDATORY 68 O.S. 2001, Section 1357, as last amended by Section 9, Chapter 381, O.S.L. 2005 (68 O.S. Supp. 2005, Section 1357), is amended to read as follows:

Section 1357. Exemptions - General.

There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Transportation of school pupils to and from elementary schools or high schools in motor or other vehicles;

2. Transportation of persons where the fare of each person does not exceed One Dollar (\$1.00), or local transportation of persons within the corporate limits of a municipality except by taxicabs;

3. Sales for resale to persons engaged in the business of reselling the articles purchased, whether within or without the state, provided that such sales to residents of this state are made

to persons to whom sales tax permits have been issued as provided in Section 1350 et seq. of this title. This exemption shall not apply to the sales of articles made to persons holding permits when such persons purchase items for their use and which they are not regularly engaged in the business of reselling; neither shall this exemption apply to sales of tangible personal property to peddlers, solicitors and other salespersons who do not have an established place of business and a sales tax permit. The exemption provided by this paragraph shall apply to sales of motor fuel or diesel fuel to a Group Five vendor, but the use of such motor fuel or diesel fuel by the Group Five vendor shall not be exempt from the tax levied by Section 1350 et seq. of this title. The purchase of motor fuel or diesel fuel is exempt from sales tax when the motor fuel is for shipment outside this state and consumed by a common carrier by rail in the conduct of its business. The sales tax shall apply to the purchase of motor fuel or diesel fuel in Oklahoma by a common carrier by rail when such motor fuel is purchased for fueling, within this state, of any locomotive or other motorized flanged wheel equipment;

4. Sales of advertising space in newspapers, periodicals, programs relating to sporting and entertainment events, and on billboards (including signage, posters, panels, marquees, or on other similar surfaces, whether indoors or outdoors), and any advertising via the Internet, electronic display devices, or through the electronic media, including radio, public address or broadcast systems, television (whether through closed circuit broadcasting systems or otherwise), and cable and satellite television, and the servicing of any advertising devices;

5. Eggs, feed, supplies, machinery and equipment purchased by persons regularly engaged in the business of raising worms, fish, any insect or any other form of terrestrial or aquatic animal life and used for the purpose of raising same for marketing. This

exemption shall only be granted and extended to the purchaser when the items are to be used and in fact are used in the raising of animal life as set out above. Each purchaser shall certify, in writing, on the invoice or sales ticket retained by the vendor that the purchaser is regularly engaged in the business of raising such animal life and that the items purchased will be used only in such business. The vendor shall certify to the Oklahoma Tax Commission that the price of the items has been reduced to grant the full benefit of the exemption. Violation hereof by the purchaser or vendor shall be a misdemeanor;

6. Sale of natural or artificial gas and electricity, and associated delivery or transmission services, when sold exclusively for residential use. Provided, this exemption shall not apply to any sales tax levied by a city or town, or a county, or any other jurisdiction in this state;

7. In addition to the exemptions authorized by Section 1357.6 of this title, sales of drugs sold pursuant to a prescription written for the treatment of human beings by a person licensed to prescribe the drugs, and sales of insulin and medical oxygen. Provided, this exemption shall not apply to over-the-counter drugs;

8. Transfers of title or possession of empty, partially filled, or filled returnable oil and chemical drums to any person who is not regularly engaged in the business of selling, reselling or otherwise transferring empty, partially filled, or filled returnable oil drums;

9. Sales of one-way utensils, paper napkins, paper cups, disposable hot containers and other one-way carry out materials to a vendor of meals or beverages;

10. Sales of food or food products for home consumption which are purchased in whole or in part with coupons issued pursuant to the federal food stamp program as authorized by Sections 2011 through 2029 of Title 7 of the United States Code, as to that

portion purchased with such coupons. The exemption provided for such sales shall be inapplicable to such sales upon the effective date of any federal law that removes the requirement of the exemption as a condition for participation by the state in the federal food stamp program;

11. Sales of food or food products, or any equipment or supplies used in the preparation of the food or food products to or by an organization which:

- a. 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), and which provides and delivers prepared meals for home consumption to elderly or homebound persons as part of a program commonly known as "Meals on Wheels" or "Mobile Meals", or
- b. 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), and which receives federal funding pursuant to the Older Americans Act of 1965, as amended, for the purpose of providing nutrition programs for the care and benefit of elderly persons;

12. Sales of tangible personal property or services to or by organizations which are 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), and which are primarily involved in the collection and distribution of food and other household products to other organizations which are 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), which facilitate the distribution of such products to the needy, except sales made in the course of business for profit or savings, competing with other persons engaged in the same or similar business;

13. Sales of tangible personal property or services to children's homes which are located on church-owned property and are operated by organizations exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C., Section 501(c)(3);

14. Sales of computers, data processing equipment, related peripherals and telephone, telegraph or telecommunications service and equipment for use in a qualified aircraft maintenance or manufacturing facility. For purposes of this paragraph, "qualified aircraft maintenance or manufacturing facility" means a new or expanding facility primarily engaged in aircraft repair, building or rebuilding whether or not on a factory basis, whose total cost of construction exceeds the sum of Five Million Dollars (\$5,000,000.00) and which employs at least two hundred fifty (250) new full-time-equivalent employees, as certified by the Oklahoma Employment Security Commission, upon completion of the facility. In order to qualify for the exemption provided for by this paragraph, the cost of the items purchased by the qualified aircraft maintenance or manufacturing facility shall equal or exceed the sum of Two Million Dollars (\$2,000,000.00);

15. Sales of tangible personal property consumed or incorporated in the construction or expansion of a qualified aircraft maintenance or manufacturing facility as defined in paragraph 14 of this section. For purposes of this paragraph, sales made to a contractor or subcontractor that has previously entered into a contractual relationship with a qualified aircraft maintenance or manufacturing facility for construction or expansion of such a facility shall be considered sales made to a qualified aircraft maintenance or manufacturing facility;

16. Sales of any interstate telecommunications services which:  
a. entitle the subscriber to inward or outward calling respectively between a station associated with an

access line in the local telephone system area or a station directly connected to any interexchange carrier's facilities and telephone or radiotelephone stations in diverse geographical locations specified by the subscriber, or

- b. entitle the subscriber to private communications services which allow exclusive or priority use of a communications channel or group of channels between exchanges;

17. Sales of railroad track spikes manufactured and sold for use in this state in the construction or repair of railroad tracks, switches, sidings and turnouts;

18. Sales of aircraft and aircraft parts provided such sales occur at a qualified aircraft maintenance facility. As used in this paragraph, "qualified aircraft maintenance facility" means a facility operated by an air common carrier at which there were employed at least two thousand (2,000) full-time-equivalent employees in the preceding year as certified by the Oklahoma Employment Security Commission and which is primarily related to the fabrication, repair, alteration, modification, refurbishing, maintenance, building or rebuilding of commercial aircraft or aircraft parts used in air common carriage. For purposes of this paragraph, "air common carrier" shall also include members of an affiliated group as defined by Section 1504 of the Internal Revenue Code, 26 U.S.C., Section 1504;

19. Sales of machinery and equipment purchased and used by persons and establishments primarily engaged in computer services and data processing:

- a. as defined under Industrial Group Numbers 7372 and 7373 of the Standard Industrial Classification (SIC) Manual, latest version, which derive at least fifty percent (50%) of their annual gross revenues from the

sale of a product or service to an out-of-state buyer or consumer, and

- b. as defined under Industrial Group Number 7374 of the SIC Manual, latest version, which derive at least eighty percent (80%) of their annual gross revenues from the sale of a product or service to an out-of-state buyer or consumer.

Eligibility for the exemption set out in this paragraph shall be established, subject to review by the Tax Commission, by annually filing an affidavit with the Tax Commission stating that the facility so qualifies and such information as required by the Tax Commission. For purposes of determining whether annual gross revenues are derived from sales to out-of-state buyers or consumers, all sales to the federal government shall be considered to be to an out-of-state buyer or consumer;

20. Sales of prosthetic devices to an individual for use by such individual. For purposes of this paragraph, "prosthetic device" shall have the same meaning as provided in Section 1357.6 of this title, but shall not include corrective eye glasses, contact lenses or hearing aids;

21. Sales of tangible personal property or services to a motion picture or television production company to be used or consumed in connection with an eligible production. For purposes of this paragraph, "eligible production" means a documentary, special, music video, or a television commercial or television program that will serve as a pilot for or be a segment of an ongoing dramatic or situation comedy series filmed or taped for network or national or regional syndication or a feature-length motion picture intended for theatrical release or for network or national or regional syndication or broadcast. The provisions of this paragraph shall apply to sales occurring on or after July 1, 1996. In order to qualify for the exemption, the motion picture or television

production company shall file any documentation and information required to be submitted pursuant to rules promulgated by the Tax Commission;

22. Sales of diesel fuel sold for consumption by commercial vessels, barges and other commercial watercraft;

23. Sales of tangible personal property or services to tax-exempt independent nonprofit biomedical research foundations that provide educational programs for Oklahoma science students and teachers and to tax-exempt independent nonprofit community blood banks headquartered in this state;

24. Effective May 6, 1992, sales of wireless telecommunications equipment to a vendor who subsequently transfers the equipment at no charge or for a discounted charge to a consumer as part of a promotional package or as an inducement to commence or continue a contract for wireless telecommunications services;

25. Effective January 1, 1991, leases of rail transportation cars to haul coal to coal-fired plants located in this state which generate electric power;

26. Beginning July 1, 2002, sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services employed in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint. The exemption provided by this paragraph shall be limited to aircraft repairs, modification, and replacement parts for aircraft weighing more than nine thousand (9,000) pounds gross take-off weight and less than three hundred thousand (300,000) pounds gross take-off weight and which aircraft are brought into this state exclusively for such repairs or modification. The exemption provided by this paragraph shall be limited to repairs or modifications made by an aircraft repair facility. As used in this paragraph, the term "aircraft"

shall have the same meaning as such term is defined in Section 6001 of this title. The term "aircraft repair facility" shall mean any facility which either is an aircraft manufacturer's authorized service facility or a facility which repairs, modifies or replaces aircraft parts in which more than Three Million Dollars (\$3,000,000.00) was invested to establish the new facility or expand an existing facility and which construction was commenced or was in progress on or after July 1, 1999; provided, amounts expended for research and development as defined in Sections 41 and 174 of the Internal Revenue Code with respect to modification of aircraft shall be included as amounts invested to establish a new facility or expand an existing facility for purposes of the investment threshold specified herein;

27. Sales of materials and supplies to the owner or operator of a ship, motor vessel or barge that is used in interstate or international commerce if the materials and supplies:

- a. are loaded on the ship, motor vessel or barge and used in the maintenance and operation of the ship, motor vessel or barge, or
- b. enter into and become component parts of the ship, motor vessel or barge;

28. Sales of tangible personal property made at estate sales at which such property is offered for sale on the premises of the former residence of the decedent by a person who is not required to be licensed pursuant to the Transient Merchant Licensing Act, Section 1601 et seq. of Title 19 of the Oklahoma Statutes, or who is not otherwise required to obtain a sales tax permit for the sale of such property pursuant to the provisions of Section 1364 of this title; provided:

- a. such sale or event may not be held for a period exceeding three (3) consecutive days,

- b. the sale must be conducted within six (6) months of the date of death of the decedent, and
- c. the exemption allowed by this paragraph shall not be allowed for property that was not part of the decedent's estate;

29. Beginning January 1, 2004, sales of electricity and associated delivery and transmission services, when sold exclusively for use by an oil and gas operator for reservoir dewatering projects and associated operations commencing on or after July 1, 2003, in which the initial water-to-oil ratio is greater than or equal to five-to-one water-to-oil, and such oil and gas development projects have been classified by the Corporation Commission as a reservoir dewatering unit;

30. Sales of prewritten computer software that is delivered electronically. For purposes of this paragraph, "delivered electronically" means delivered to the purchaser by means other than tangible storage media;

31. Sales of modular dwelling units when built at a production facility and moved in whole or in parts, to be assembled on-site, and permanently affixed to the real property and used for residential or commercial purposes. The exemption provided by this paragraph shall equal forty-five percent (45%) of the total sales price of the modular dwelling unit. For purposes of this paragraph, "modular dwelling unit" means a structure that is not subject to the motor vehicle excise tax imposed pursuant to Section 2103 of this title; and

32. Sales of tangible personal property or services to persons who have been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard and who have been certified by the United States Department of Veterans Affairs or its successor to be in receipt of disability compensation at the one-hundred-percent rate and the disability

shall be permanent and have been sustained through military action or accident or resulting from disease contracted while in such active service. Sales qualifying for the exemption authorized by this paragraph shall not exceed Twenty-five Thousand Dollars (\$25,000.00) per year per individual. Upon request of the Oklahoma Tax Commission, a person asserting or claiming the exemption authorized by this paragraph shall provide a statement, executed under oath, that the total sales amounts for which the exemption is applicable have not exceeded Twenty-five Thousand Dollars (\$25,000.00) per year. If the amount of such exempt sales exceeds such amount, the sales tax in excess of the authorized amount shall be treated as a direct sales tax liability and may be recovered by the Oklahoma Tax Commission in the same manner provided by law for other taxes, including penalty and interest; and

33. Sales of tangible personal property or services to the surviving spouse of a qualified veteran. As used in this paragraph, "qualified veteran" means:

- a. any person honorably discharged from any branch of the United States Armed Forces or as a member of the Oklahoma National Guard, who died as a direct result of the performance of duties for any branch of the United States Armed Forces while on active military duty, or
- b. any person honorably discharged from any branch of the United States Armed Forces or as a member of the Oklahoma National Guard, who died as a result of injury, illness or disease caused by the performance of such duties while on active duty, whether the death occurred while on active duty or after the honorable discharge of such person.

SECTION 3. AMENDATORY 68 O.S. 2001, Section 2105, as amended by Section 3, Chapter 413, O.S.L. 2005 (68 O.S. Supp. 2005, Section 2105), is amended to read as follows:

Section 2105. An original or a transfer certificate of title shall be issued without the payment of the excise tax levied by Section 2101 et seq. of this title for:

1. Any vehicle owned by a nonresident person who operates principally in some other state but who is in Oklahoma only occasionally;
2. Any vehicle brought into this state by a person formerly living in another state, who has owned and registered the vehicle in such other state of residence at least sixty (60) days prior to the time it is required to be registered in this state; provided, however, this paragraph shall not apply to businesses engaged in renting cars without a driver;
3. Any vehicle registered by the State of Oklahoma, by any of the political subdivisions thereof, or by a fire department organized pursuant to Section 592 of Title 18 of the Oklahoma Statutes to be used for the purposes of the fire department, or a vehicle which is the subject of a lease or lease-purchase agreement executed between the person seeking an original or transfer certificate of title for the vehicle and a municipality, county, school district, or fire protection district. The person seeking an original or transfer certificate of title shall provide adequate proof that the vehicle is subject to a lease or lease-purchase agreement with a municipality, county, school district, or fire protection district at the time the excise tax levied would otherwise be payable. The Oklahoma Tax Commission shall have the authority to determine what constitutes adequate proof as required by this section;
4. Any vehicle, the legal ownership of which is obtained by the applicant for a certificate of title by inheritance;

5. Any used motor vehicle, travel trailer, or commercial trailer which is owned and being offered for sale by a person licensed as a dealer to sell the same, under the provisions of Section 1101 et seq. of Title 47 of the Oklahoma Statutes:

- a. if such vehicle, travel trailer, or commercial trailer has been registered in Oklahoma and the excise tax paid thereon, or
- b. when such vehicle, travel trailer, or commercial trailer has been registered in some other state but is not the latest manufactured model.

Provided, the provisions of this paragraph shall not be construed as allowing an exemption to any person not licensed as a dealer of used motor vehicles, travel trailers, or commercial trailers, or as an automotive dismantler and parts recycler in this state;

6. Any vehicle which was purchased by a person licensed to sell new or used motor vehicles in another state:

- a. if such vehicle is not purchased for operation or resale in this state, and
- b. the state from which the dealer is licensed offers reciprocal privileges to a dealer licensed in this state, pursuant to a reciprocal agreement between the duly authorized agent of the Tax Commission and the licensing state;

7. Any vehicle, the ownership of which was obtained by the lienholder or mortgagee under or by foreclosure of a lien or mortgage in the manner provided by law or to the insurer under subrogated rights arising by reason of loss under an insurance contract;

8. Any vehicle which is taxed on an ad valorem basis;

9. Any vehicle or motor vehicle, the legal ownership of which is obtained by transfers:

- a. from one corporation to another corporation pursuant to a reorganization. As used in this subsection the term "reorganization" means:
- (1) a statutory merger or consolidation, or
  - (2) the acquisition by a corporation of substantially all of the properties of another corporation when the consideration is solely all or a part of the voting stock of the acquiring corporation, or of its parent or subsidiary corporation,
- b. in connection with the winding up, dissolution, or liquidation of a corporation only when there is a distribution in kind to the shareholders of the property of such corporation,
- c. to a corporation where the former owners of the vehicle or motor vehicle transferred are, immediately after the transfer, in control of the corporation, and the stock or securities received by each is substantially in proportion to the interest in the vehicle or motor vehicle prior to the transfer,
- d. to a partnership if the former owners of the vehicle or motor vehicle transferred are, immediately after the transfer, members of such partnership and the interest in the partnership received by each is substantially in proportion to the interest in the vehicle or motor vehicle prior to the transfer,
- e. from a partnership to the members thereof when made in the dissolution of such partnership,
- f. to a limited liability company if the former owners of the vehicle or motor vehicle transferred are, immediately after the transfer, members of the limited liability company and the interest in the limited liability company received by each is substantially in

proportion to the interest in the vehicle or motor vehicle prior to the transfer, or

- g. from a limited liability company to the members thereof when made in the dissolution of such partnership;

10. Any vehicle which is purchased by a person to be used by a business engaged in renting motor vehicles without a driver, provided:

- a. the vehicle shall not be rented to the same person for a period exceeding ninety (90) days,
- b. any such vehicle exempted from the excise tax by these provisions shall not be placed under any type of lease agreement,
- c. on any such vehicle exempted from the excise tax by this subsection that is reregistered in this state, without a prior sale or transfer to the persons specified in divisions (1) and (2) of this subparagraph, at any time prior to the expiration of twelve (12) months from the date of issuance of the original title, the seller shall pay immediately the amount of excise tax which would have been due had this exemption not been granted plus a penalty of twenty percent (20%). No such excise tax or penalty shall become due and payable if the vehicle is sold or transferred in a condition either physical or mechanical which would render it eligible for a salvage title pursuant to law or if the vehicle is sold and transferred in this state at any time prior to the expiration of twelve (12) months:
  - (1) to the manufacturer of the vehicle or its controlled financing arm, or

- (2) to a factory authorized franchised new motor vehicle dealer which holds a franchise of the same line-make of the vehicle being purchased, or
- d. when this exemption is claimed, the Tax Commission shall issue a special title which shall restrict the transfer of the title only within this state prior to the expiration of twelve (12) months unless:
  - (1) payment of the excise tax plus penalty as provided in this section is made,
  - (2) the sale is made to a person specified in division (1) or (2) of subparagraph c of this paragraph, or
  - (3) the vehicle is eligible for a salvage title.

For all other tax purposes vehicles herein exempted shall be treated as though the excise tax has been paid;

11. Any vehicle of the latest manufactured model, registered from a title in the name of the original manufacturer or assigned to the original manufacturer and issued by any state and transferred to a licensed, franchised Oklahoma motor vehicle dealer, as defined by Section 1102 of Title 47 of the Oklahoma Statutes, which holds a franchise of the same line-make as the vehicle being registered;

12. Any new motor vehicle, registered in the name of a manufacturer or dealer of new motor vehicles, for which a license plate has been issued pursuant to Section 1116.1 of Title 47 of the Oklahoma Statutes, if such vehicle is authorized by the manufacturer or dealer for personal use by an individual. The authorization for such use shall not exceed four (4) months which shall not be renewed or the exemption provided by this subsection shall not be applicable. The exemption provided by this subsection shall not be applicable to a transfer of ownership or registration subsequent to the first registration of the vehicle by a manufacturer or dealer;

13. Any vehicle, travel trailer, or commercial trailer of the latest manufacturer model purchased by a franchised Oklahoma dealer licensed to sell the same which holds a franchise of the same line-make as the vehicle, travel trailer, or commercial trailer being registered;

14. Any vehicle which is the subject of a lease or lease-purchase agreement and which the ownership of such vehicle is being obtained by the lessee, if the vehicle excise tax was paid at the time of the initial lease or lease-purchase agreement;

15. Any vehicle which:

- a. is purchased by a private, nonprofit 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), and which is primarily funded by a fraternal or civic service organization with at least one hundred local chapters or clubs, and
- b. is designed and used to provide mobile health screening services to the general public at no cost to the recipient, and for which no reimbursement of any kind is received from any health insurance provider, health maintenance organization, or governmental program; ~~or~~

16. Any vehicle which is purchased by an individual who has been honorably discharged from active service in any branch of the Armed Forces of the United States or Oklahoma National Guard and who has been certified by the United States Department of Veterans Affairs, its successor, or the Armed Forces of the United States to be a disabled veteran in receipt of compensation at the one-hundred-percent rate for a permanent disability sustained through military action or accident resulting from disease contracted while in such active service. Provided, this exemption may not be claimed by an

individual for more than one vehicle in a consecutive three-year period; or

17. Any vehicle purchased by the surviving spouse of a qualified veteran. As used in this paragraph, "veteran" shall mean:

- a. any person honorably discharged from any branch of the United States Armed Forces or as a member of the Oklahoma National Guard, who died as a direct result of the performance of duties for any branch of the United States Armed Forces while on active military duty; or
- b. any person honorably discharged from any branch of the United States Armed Forces or as a member of the Oklahoma National Guard, who died as a result of injury, illness or disease caused by the performance of such duties while on active duty, whether the death occurred while on active duty or after the honorable discharge of such person.

SECTION 4. AMENDATORY 68 O.S. 2001, Section 2358, as last amended by Section 1, Chapter 237, O.S.L. 2005 (68 O.S. Supp. 2005, 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 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. 107-16, 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) for the 2004 tax year and Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and all subsequent tax years, which are received by an individual from the civil service 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 before January 1, 2005, 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. In taxable years beginning after December 31, 2004, retirement benefits not to exceed the amounts specified in this paragraph, which are received by an individual whose Oklahoma

adjusted gross income is Thirty-seven Thousand Five Hundred Dollars (\$37,500.00) or less if the filing status is single, head of household, or married filing separate, or Seventy-Five Thousand Dollars (\$75,000.00) or less if the filing status is married filing jointly 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 Five Thousand Five Hundred Dollars (\$5,500.00) for the 2004 tax year and Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and 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) for the 2004 tax year and Seven Thousand Five Hundred Dollars (\$7,500.00) for the 2005 tax year and subsequent tax years.

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.

19. For taxable years beginning after December 31, 2005, retirement benefits received by an individual from any component of the Armed Forces of the United States in an amount not to exceed the greater of fifty percent (50%) of such benefits or Ten Thousand Dollars (\$10,000.00) shall be exempt from taxable income but in no case less than the amount of the exemption provided by paragraph 15 of this subsection.

20. For taxable years beginning after December 31, 2006, Dependency and Indemnity Compensation (DIC) payments received by a survivor of any honorably discharged veteran from any branch of the United States Armed Forces or from the Oklahoma National Guard in amount not to exceed fifty percent (50%) of such benefits or Ten Thousand Dollars (\$10,000.00) shall be exempt from taxable income.

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 three (3) 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 three (3) uninterrupted years prior to the date of the transaction from which the net capital gains arise.

SECTION 5. Sections 1, 2 and 3 of this act shall become effective July 1, 2006.

SECTION 6. Section 4 of this act shall become effective January 1, 2007.

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 2nd day of March, 2006.

\_\_\_\_\_  
Presiding Officer of the House of  
Representatives

Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Presiding Officer of the Senate