

ENGROSSED SENATE  
BILL NO. 410

By: Wilson and Rabon of the  
Senate

and

Turner of the House

[ revenue and taxation - income tax exemption -  
business entities -

effective date ]

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

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2358.8 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. Subject to the requirements of this section, for taxable years beginning after December 31, 2005, there shall be allowed an exemption from Oklahoma taxable income for income distributed from a business entity not to exceed the amount of investment in such business entity by the taxpayer.

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

C. No exemption shall be authorized pursuant to the provisions of this section if the acquisition of the majority of the equity interest entitled to control results in direct competition with any existing business the principal business activity of which is located in the same county as the business acquired. Such determination regarding direct competition shall be made by the

Oklahoma Department of Commerce upon request of the Oklahoma Tax Commission.

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

SECTION 2. This act shall become effective January 1, 2006.

Passed the Senate the 10th day of March, 2005.

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Presiding Officer of the Senate

Passed the House of Representatives the \_\_\_\_ day of \_\_\_\_\_,  
2005.

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Presiding Officer of the House  
of Representatives